Financial Statements
June 30, 2020

North Orange County Community College District

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4 through 18, and other required supplementary schedules on pages 69 through 74 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 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 the other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

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

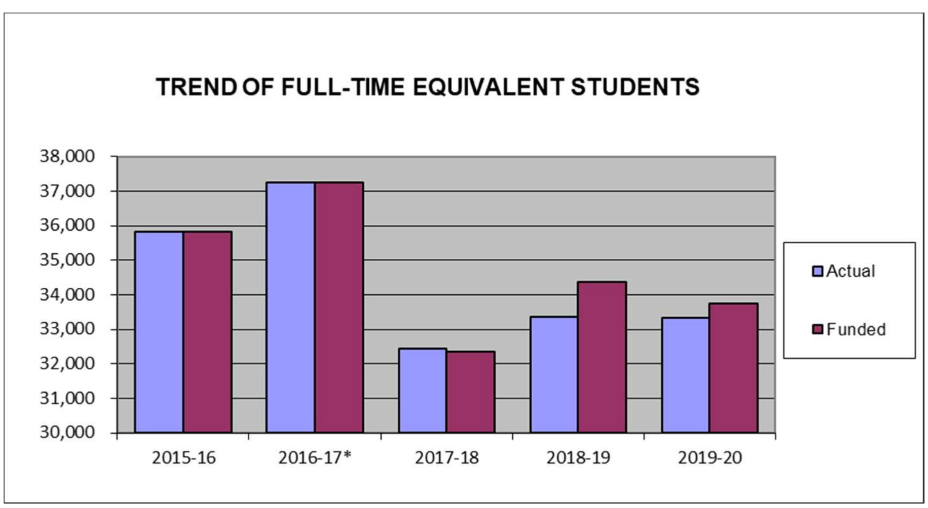
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial 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.

Selected Highlights

- With the implementation of the State's new Student Centered Funding Formula (SCFF), a multi-year implementation period was included, which would hold districts harmless if they dropped below their 2017-2018 funding plus accumulated COLA increases. The hold harmless provision has been a windfall to our District, adding significant one-time resources for 2019-2020. Currently the hold harmless funding will be in effect through 2023-2024. The SCFF provides revenue through three components:
  - FTES (which comprises 70 percent of the formula)
  - Supplemental Allocation (which comprises 20 percent), and
  - Student Success Allocation (which is the remaining 10 percent of the formula).



*Includes shifting of Summer FTES

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FTES still comprises the majority of the funding under the SCFF. Since 2016, the District FTES has decreased 6.97 percent or 2,498 FTES. In March 2020, in response to the pandemic, the Governor issued stay-at-home orders. The District responded by halting on-site instruction and transitioning classes in current and remaining terms for the academic year to distance education. Due to the challenges faced by districts as a result of this transition, the State Chancellor's office permitted districts the opportunity to apply for an emergency conditions allowance. This allowance permits districts to request that FTES from a period prior to the onset of the emergency condition be used for apportionment funding purposes. The District applied for that allowance and expects to use that allowance for the upcoming academic year as well.

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

The implementation of the SCFF has continued to be challenging. The application methodologies for the metrics and the associated funding rates were refined during the year at the State level. As a result of this as well as the adverse impacts on student data created by the pandemic, the transition period has been extended again, as noted above. Therefore, as a result of the hold harmless provision, the District does not expect to be adversely effected during this transition period.

- As of June 30, 2019, the District has expended the last of the Measure X funds. 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 subsequent 11 years by $10,001,601. All scheduled projects have been completed. See Note 10 for additional information on the Measure X bonds, including outstanding balances.

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

Financial Highlights

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information. 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 a government-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, 2020, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting, is found on pages 86 and 87 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.

The Statement of Net Position as of June 30, 2020 and 2019, is summarized below.

	2020	2019
Assets		
Current Assets		
Cash and investments	$ 453,812,458	$ 500,706,143
Receivables	17,831,070	10,479,001
Due from fiduciary funds	9,503,514	12,677,197
Prepaid expenses	79,788	186,211
Inventory	564,850	426,323
Total current assets	481,791,680	524,474,875
Noncurrent Assets		
Capital assets, net	463,454,819	412,769,718
Total assets	945,246,499	937,244,593
Deferred Outflows of Resources	71,913,036	74,816,507
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	43,511,548	28,210,496
Due to fiduciary funds	2,513,768	1,344,642
Unearned revenue	16,942,809	16,090,824
Long-term liabilities - current portion	45,247,211	41,543,391
Total current liabilities	108,215,336	87,189,353
Noncurrent Liabilities		
Long-term liabilities less current portion	579,025,904	623,991,655
Total liabilities	687,241,240	711,181,008
Deferred Inflows of Resources	28,592,483	11,800,063
Net Position		
Net investment in capital assets	330,071,186	297,069,948
Restricted	121,337,158	119,030,987
Unrestricted*	(150,082,532)	(127,020,906)
Total net position	$ 301,325,812	$ 289,080,029

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

- Cash and investments consist primarily of cash and funds held in a county investment pool in the General Fund ($115.8 million), Bond Fund ($183.7 million), Capital Outlay Fund ($72.3 million), and the Self Insurance Fund ($27.8 million). The decrease of $46.9 million was mostly attributable to costs associated with multiple ongoing bond funded projects. The District has also started to implement approved spending plans associated with hold harmless funds received as part of the implementation of the state's SCFF. The Statement of Cash Flows included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2019-2020 fiscal year.

- Accounts receivable activity consists mainly of receivables from Federal and State sources for grant and entitlement programs and receivables from local sources for all other purposes. This year, there is a net increase in receivables. State apportionment and categorical aid comprise the majority of the balance, with $6.0 million and $5.8 million in receivables, respectively. The receivable amount for the categorical aid is consistent with the prior year. The majority of the increase in overall receivables is the result of the increase of $5.9 million in the state apportionment receivable from the prior year. This is the result of the state reducing the EPA component of apportionment revenue downwards late in the fiscal year. This shifted the amount the state would need to supplement from other state revenues, resulting in this increase to the apportionment receivable. Receivable amounts for other activity such as lottery, interest, and student loans receivable remain consistent with the prior year. Note 5 of these financial statements provides a summary of the accounts receivable balance.

- 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 and Other Trust funds at Cypress College, Fullerton College, North Orange Continuing Education, and the Retiree Benefits Fund.

- Other assets are primarily prepaid expenses.

- Capital assets, net is primarily made up of the District's investments in land, buildings and building improvements, construction in progress, and vehicles, at historical cost and net of accumulated depreciation. Note 7 of these financial statements provides a summary of changes during the 2019-2020 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 decreased compared to the prior year primarily due to changes in the assumptions underlying the calculated pension liability. (See Note 13).

- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2020. 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, 2020. The increase in this account is attributable primarily to the increase in activity for construction associated with bond and State funded projects.

- 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.

- Long-term liabilities include bonded debt issuances and unamortized premiums related to the general obligation bond liability, compensated absence balances, supplemental early retirement plan (SERP), claims, and aggregate net OPEB and net pension obligations. The decrease in long-term liabilities of $41.3 million is primarily due to reductions in the outstanding bond liabilities as well as a reduction in the District's share of the net pension liabilities. The District has bonded debt issuances outstanding that amounts to $345.8 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 $10.5 million in 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. In 2017-2018, the District offered a one-time SERP. Eligible employees were offered a payment of 75 percent of their eligible salary. The total cost of the SERP will be paid out over five years (from 2017-2018 to 2021-2022). Claims payable and aggregate net OPEB liability are based on actuarially determined amounts. Claims payable are potential liabilities associated with workers' compensation and property and liability claims. The aggregate net OPEB liability is presented in accordance with the most recent required accounting principle. The District has continued to contribute to its Irrevocable OPEB Trust. As a result, this liability is reduced by the value of the trust assets. The net position and activity for the irrevocable trust are shown on pages 23 and 24 as part of the Fiduciary group of funds. Aggregate net pension obligation amounts are provided based on calculations from CalSTRS and CalPERS. Note 10 of these financial statements provides more information on the District's long-term obligations.

  Additional information regarding long-term debt is included in the Long-Term Liability 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, deferred inflows associated with changes in the net OPEB and net pension liabilities have increased from the prior year primarily due changes in the assumptions underlying the calculated OPEB and pension liabilities. (See Notes 11 and 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, 2020 and 2019, is summarized below:

	2020	2019
Operating Revenues		
Net tuition and fees	$ 17,909,317	$ 22,936,850
Net grants and contracts, noncapital	58,997,153	64,219,337
Sales	2,882,724	3,959,055
Total operating revenues	79,789,194	91,115,242
Operating Expenses		
Salaries and benefits	256,619,050	246,267,870
Supplies, materials, depreciation, and other expenses	55,688,330	56,458,839
Student financial aid	75,293,603	60,246,445
Total operating expenses	387,600,983	362,973,154
Operating Loss	(307,811,789)	(271,857,912)
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	96,092,336	93,505,394
Local property taxes	137,753,741	140,696,807
Federal and State financial aid grants, noncapital	72,657,207	58,117,037
State taxes and other revenues	8,929,619	8,562,420
Investment income	8,580,248	6,274,935
Other nonoperating revenues (expenses), net	(4,575,110)	(3,315,917)
Total nonoperating revenues (expenses)	319,438,041	303,840,676
Other Revenues		
State revenue, capital	219,696	504,546
Gain on disposal of capital assets	399,835	-
Total other revenues	619,531	504,546
Change in Net Position	$ 12,245,783	$ 32,487,310

- Net tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the District. These include fees paid for enrollment, health services, parking, community services classes, and other related fees. The decrease in these amounts is attributable to attrition in students resulting from the COVID-19 pandemic- related requirements to move classes to off-site, or distance, education.

- 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. On pages 77 through 80 of the supplementary information section of this report provides a complete listing of Federal and State noncapital grants and contracts.

- Sales are primarily related to the sale of merchandise in the Bookstores located at Fullerton College and North Orange Continuing Education. There has been a declining trend in bookstore sales, with overall revenue decreasing by 44 percent since 2014-2015. With the increase in alternative sources and technology for traditional college textbooks, college bookstores continue to work to redefine themselves to meet student needs. Additionally, this year, starting in March, instruction was moved to distance learning resulting in additional decreases in bookstore activity.

- Salaries and benefits comprise 66 percent of total operating expenses from a District-wide full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries as compared to total expenses since it is computed using all Capital Outlay and Bond Fund expenditures that are primarily capital outlay expenditures. Salaries and benefits in the General Fund make up 82 percent of total General Fund expenses as reflected on page 103 of this report. Academic salaries increased $6 million, which is attributable to the increase in full-time faculty required to meet our compliance faculty obligation number. The District is still experiencing lower FTES than we had in 2017-18. Subsequently more than 60 faculty members did retire from the District prior to the start of the 2019-20 academic year as a result of a SERP offered in 2018-19. However, in 2018-19, the State provided districts with additional full-time faculty funding which increased the 2019-20 faculty obligation number for our District by 18 positions. Adjunct faculty increases were settled midyear in 2018-19 and are reflected for the full year for 2019-20. Additionally, starting with the Spring 2020 semester, in response to the Governor's stay-at-home orders related to the pandemic, additional costs for faculty were incurred for training on and transitioning on-site classes to distance education. Classified salaries increased by $5 million, which reflects an increase of approximately 15 positions from the prior year in filled non-academic positions, the settled salary increases and payments for 2019-2020 as well as additional increases from movements in step and column on the salary schedules. Benefits costs increased $2.7 million. This is primarily attributable to expected increases in the PERS and STRS rates, SERP payments, and additional contributions to the OPEB Trust.

- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The slight decrease in this account is related to the implementation of the Governor's stay-at-home orders starting in March which reduced the costs normally associated with on-campus activities as well as putting a halt to employee attendance at conferences.

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

- The operating loss reported on the Statement of Revenues, Expenses, and Changes in Net Position is related to the reporting requirements of GASB Statement No. 35 that identify transactions as either exchange or non-exchange. If a transaction is considered an exchange transaction, then the revenue is considered operating revenue. Conversely, if a transaction is deemed a non-exchange transaction, then the revenue is considered nonoperating revenue. In our case, the revenues received from the State of California as apportionment and from local property taxes are deemed non-exchange transactions and consequently, nonoperating revenues. Every community college district within the State of California will have a large operating loss due to this required reporting presentation.

- State apportionments, 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. With the implementation of the Student Centered Funding Formula, additional components provide a supplemental allocation that targets equity of access and opportunity for low-income students and a student success allocation incentivizing successful outcomes of students. An important aspect of the community college apportionment funding model is the inverse relationship between State apportionment and local property taxes. Thus, our funding essentially comes from enrollment fees and local property taxes with the difference made up by State apportionment. The District was in hold harmless status for 2019-2020, receiving the 2017-2018 apportionment plus an increase for COLA.

- Local property taxes are received through the Auditor-Controller's Office for Orange and Los Angeles Counties. The amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State. The decrease in property taxes is attributable to decreases in capital debt-related property taxes, which are driven by debt repayment requirements associated with bond issuances and is controlled and managed by the Orange County Treasurer’s Office.

- 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. As a result of the pandemic, we did see an increase in Federal funding from the U.S. Department of Education to provide supplementary assistance directly to students and to the District to assist with providing a continuity of education. Pages 77 through 80 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.

- State taxes and other revenues are mainly comprised of State mandated cost revenues and lottery revenues. Lottery revenue is based on the prior year's FTES. Funding for these remained fairly consistent with the prior year.

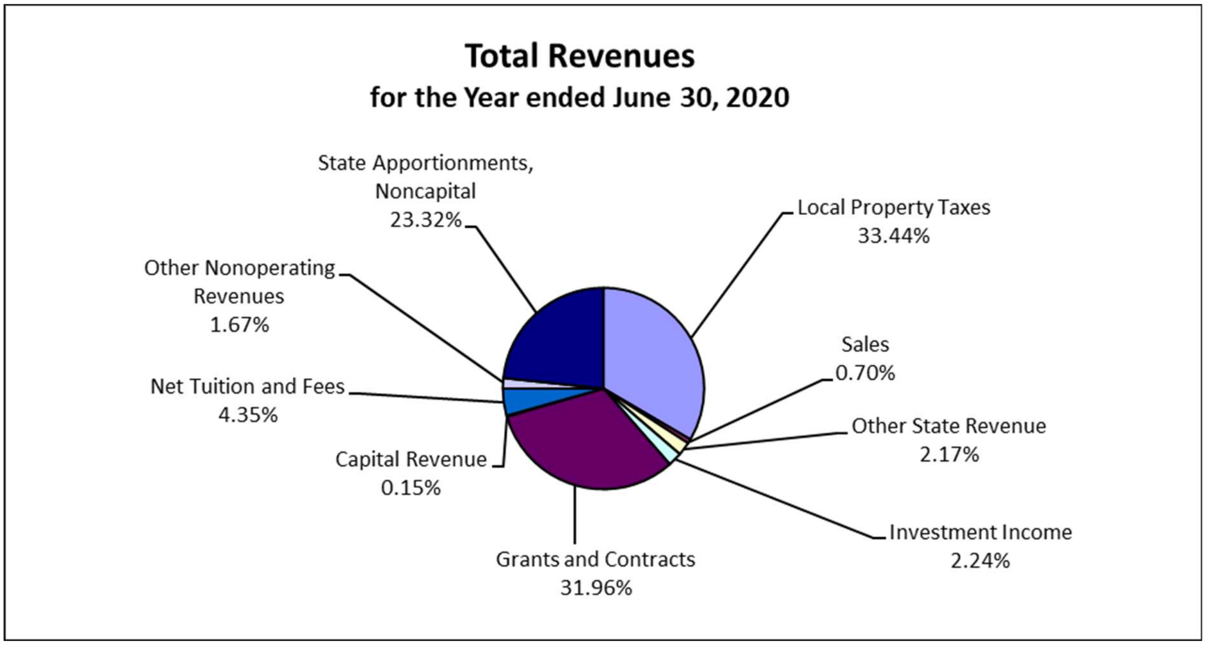
- Investment income, net increased due to an increase in interest rates and overall increase in cash balances.

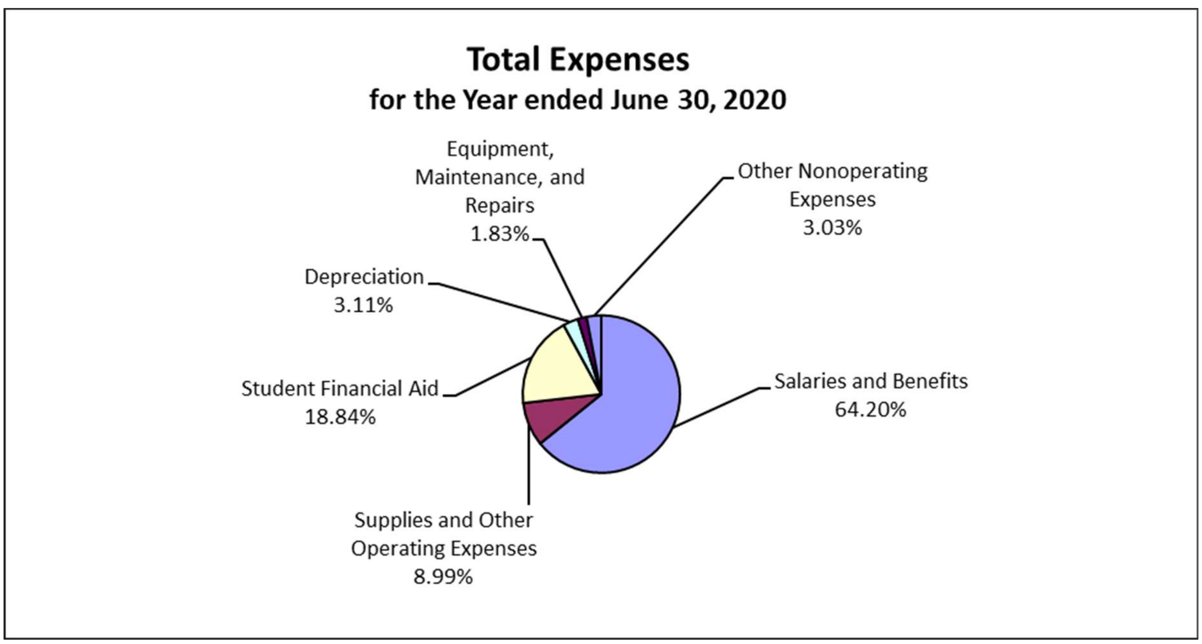
- Other nonoperating revenues (expenses), net are comprised of the amounts recorded in the Bond Interest and Redemption Fund that was established for the General Obligation Bond, accrued interest on the general obligation bonds, other local revenues, local revenues designated for capital purposes, capital outlay fees received from non-resident students, and transfers to and from the fiduciary funds.

- State revenues, capital relate to projects for capital outlay. The decrease in this account is mainly due to the close out of Proposition 39 funded projects.

- Gain on disposal of capital assets was from the sale of two vacant lots in Fullerton, California, which were not in use by the District and for which the best use was determined to be disposition for purposes of redevelopment within the city of Fullerton.

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, 2020 and 2019, is presented below:

	2020	2019
Cash from (used for)		
Operating activities	$(280,540,135)	$(249,749,490)
Noncapital financing activities	283,305,154	267,463,628
Capital financing activities	(58,450,555)	140,005,226
Investing activities	8,791,851	6,158,271
Net Change in Cash and Cash Equivalents	(46,893,685)	163,877,635
Cash Balance, Beginning of Year	500,706,143	336,828,508
Cash Balance, End of Year	$ 453,812,458	$ 500,706,143

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

- Noncapital financing activities are primarily comprised of State apportionment, property taxes, and Federal and State financial aid grants for other than capital purposes. State apportionments and property taxes received account for 68.2 percent of the total cash provided by noncapital financing activities. Additionally, cash received from noncapital related grants and contracts accounts for 25.5 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 cash sources or uses from Federal, State, and local grants for capital purposes. The District has had no significant new financing activity this year. The decrease in cash receipts in this category is the result of continued construction associated with projects related to the Measure J bond issuances as well as principal and interest payments on outstanding bonds.

- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Educational Investment Pool. The 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 issuances as well as increased carryover funds arising as a result of the additional hold harmless funds received and set aside pending approved spending plans.

Capital Asset and Long-Term Liability Administration

Capital Assets

As of June 30, 2020, the District had $463.5 million invested in net capital assets. Total capital assets of $670.2 million consist of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $206.8 million over the years they have been in service. During 2019-2020, $8.3 million of building and improvement projects completed construction. In addition, $62.5 million of construction in progress occurred during 2019-2020 primarily as a result of Measure J funded projects. Depreciation expense of $12.4 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. Construction continued in 2019-2020 for two projects at Cypress College: a new Science, Engineering, and Mathematics Building and a new Veterans' Resource Center and Student Activities Center Expansion. Fullerton College started construction on a new Instructional Building, which included the expansion of the campus's Chilled Water plant, and a Districtwide Network Refresh project also got underway. The District will also be continuing with other locally funded projects.

Note 7 in the financial statements provides additional information on capital assets. A summary of capital assets is presented below.

	2020	2019
Land and improvements, net	$ 20,681,589	$ 19,239,557
Buildings and improvements, net	346,590,533	350,896,781
Equipment, net	7,618,472	8,262,957
Construction in progress	88,564,225	34,370,423
Net capital assets	$ 463,454,819	$ 412,769,718

Long-term Liabilities

At June 30, 2020, the District had $624.3 million in long-term liabilities consisting of $345.8 million from general obligation bonds; $3.3 million from self-insurance claims payable; $10.5 million from compensated absences payable; $5.4 million from the supplemental early retirement program; $6.5 million from the aggregate net OPEB liability; and $252.6 million as the aggregate net pension obligation which represents the proportionate share of net pension liability of CalSTRS and CalPERS based on GASB Statements No. 68 and No. 71. (See Note 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 AA+.

The aggregate net OPEB liability has been determined under the most recent required accounting principles of GASB 74 and 75, which provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. The net amount of our OPEB liability takes into account the value of assets in the District's Irrevocable Retiree Benefit Trust. As of June 30, 2020, our total OPEB liability is 95 percent funded by the value of the assets in the Trust.

Notes 10 and 11 in the financial statements provide additional information on long-term liabilities. A summary of long-term liabilities is presented below:

	2020	2019
Long-Term Liabilities		
General obligation bonds	$ 345,840,680	$ 378,195,941
Claims payable	3,302,395	3,302,081
Compensated absences and load banking	10,546,983	8,673,049
Supplemental early retirement plan	5,386,692	7,182,256
Aggregate net OPEB liability	6,547,907	5,047,051
Aggregate net pension liability	252,648,458	263,134,668
Total long-term obligations	624,273,115	665,535,046
Less current portion	(45,247,211)	(41,543,391)
Long-term portion	$ 579,025,904	$ 623,991,655

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, employees, 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

- **Economy** –This is a difficult time to predict the future of the economy, especially when state officials try to balance re-opening the economy while maintaining public health standards. On September 30, 2020, UCLA's Anderson Forecast Report was released. Here is what we can take away from it (summary of the School Services' publication dated October 1, 2020): First, we are in the greatest downturn since the Great Depression but there are some signs of a recovery. The Gross Domestic Product and Unemployment Rates are expected to improve in 2021 and 2022. Second, the nation's unemployment picture is expected to gradually improve. The report mentions a disproportionate impact between high and low wage jobs and between more and less educated workers due to the COVID-19 recession. Third, specific to California, the forecast suggests that California's recovery will follow the nation's track although state unemployment will continue to be higher than the national rate. The forecast was predicated on the key assumption that COVID-19 will loosen its grip on the economy and that an additional federal stimulus package will materialize by year end. We are still waiting to see how those assumptions play out.

- **Cash Flow/Deferrals** – Throughout the state, community colleges are scrambling to find cash to backfill for the scheduled deferrals starting in February 2021 and continuing through the end of June 2021. Repayments are scheduled starting in November 2021 and continue until July 2022. Our District is expected to be shorted $45.53 million or about $9 million per month. Due to the significant reserve balance, the District cash flow projections show that the District should have sufficient cash to get through the 2020-21 fiscal year without resorting to cash borrowing.

- **One-time Funds** – As of June 30, 2020, 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 in the prior couple of years, which were largely set aside pending determination of the best use of these funds to support operations.

- **Ongoing Costs of COVID-19 Pandemic on Campus Revenues** – The District has set aside $5 million to help backfill for lost revenue for the Fall semester at the colleges from on-campus student-based activities such as parking, health fees, bookstore activities. If the District remains on mostly remote instruction for the Spring semester, there is the likelihood that an additional $5 million would be required, which has already been assigned, to help supplement the campus' budget shortfall for 2020-21. The District expects to provide this support from its one-time funds.

- **Salaries and Benefits** – Still a major concern is how to align salaries and benefits to be more competitive with comparable districts responsibly. In recent years, the rising costs of health care have been of increased concern. Therefore, during 2019-2020, the District began the process of evaluating alternatives to its ongoing participation in CalPERS Health and will continue with this process in 2020-2021.

- 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.

Assets	
Cash and cash equivalents	$ 4,360,728
Investments	449,451,730
Accounts receivable	16,802,967
Student loans receivable	1,028,103
Due from fiduciary funds	9,503,514
Prepaid expenses	79,788
Stores inventories	564,850
Capital assets	
Nondepreciable capital assets	105,304,597
Depreciable capital assets, net of depreciation	358,150,222
Total capital assets	463,454,819
Total assets	945,246,499
Deferred Outflows of Resources	
Deferred outflows of resources related to aggregate net other postemployment benefits (OPEB) liability	8,830,931
Deferred outflows of resources related to pensions	63,082,105
Total deferred outflows of resources	71,913,036
Liabilities	
Accounts payable	40,024,318
Accrued interest payable	3,487,230
Due to fiduciary funds	2,513,768
Unearned revenue	16,942,809
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	45,247,211
Long-term liabilities other than OPEB and pensions, due in more than one year	319,829,539
Aggregate net OPEB liability	6,547,907
Aggregate net pension liability	252,648,458
Total liabilities	687,241,240
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	3,240,928
Deferred inflows of resources related to pensions	25,351,555
Total deferred inflows of resources	28,592,483
Net Position	
Net investment in capital assets	330,071,186
Restricted for	
Debt service	41,609,161
Capital projects	75,987,617
Educational programs	3,740,380
Unrestricted	(150,082,532)
Total net position	$ 301,325,812

Operating Revenues	
Student tuition and fees	$ 37,381,163
Less: scholarship discounts and allowances	(19,471,846)
Net student tuition and fees	17,909,317
Grants and contracts, noncapital	
Federal	6,889,404
State	49,832,523
Local	2,275,226
Total grants and contracts, noncapital	58,997,153
Auxiliary enterprise sales and charges	
Bookstore	2,828,478
Cafeteria	54,246
Total operating revenues	79,789,194
Operating Expenses	
Salaries	181,279,728
Employee benefits	75,339,322
Supplies, materials, and other operating expenses and services	35,941,567
Student financial aid	75,293,603
Equipment, maintenance, and repairs	7,309,354
Depreciation	12,437,409
Total operating expenses	387,600,983
Operating Loss	(307,811,789)
Nonoperating revenues (expenses)	
State apportionments, noncapital	96,092,336
Local property taxes, levied for general purposes	102,882,030
Taxes levied for other specific purposes	34,871,711
Federal financial aid grants, noncapital	61,951,013
State financial aid grants, noncapital	10,706,194
State taxes and other revenues	8,929,619
Investment income	8,580,248
Interest expense on capital related debt	(11,853,865)
Investment income on capital asset-related debt	662,142
Transfers to fiduciary funds	(246,190)
Other nonoperating revenues	6,862,803
Total nonoperating revenues (expenses)	319,438,041
Income before other revenues	11,626,252
Other revenues	
State revenues, capital	219,696
Gain on disposal of capital assets	399,835
Total other revenues	619,531
Change in Net Position	12,245,783
Net Position, Beginning of Year	289,080,029
Net Position, End of Year	$ 301,325,812

Operating Activities	
Tuition and fees	$ 17,910,406
Auxiliary sales	2,882,724
Federal, state, and local operating grants and contracts	60,461,874
Payments to or on behalf of employees	(246,670,963)
Payments to vendors for supplies and services	(39,830,573)
Payments to students for scholarships and grants	(75,293,603)
Net Cash Flows from Operating Activities	(280,540,135)
Noncapital Financing Activities	
State apportionments	90,231,597
Federal and state financial aid grants	72,165,982
Property taxes - nondebt related	102,882,030
State taxes and other revenues	8,929,619
Other nonoperating revenues	9,095,926
Net Cash Flows from Noncapital Financing Activities	283,305,154
Capital Financing Activities	
Purchase of capital assets	(52,249,687)
Proceeds from sale of capital assets	425,000
State revenue, capital projects	219,696
Property taxes - related to capital debt	34,871,711
Principal paid on capital debt	(35,690,000)
Interest paid on capital debt	(6,689,417)
Interest received on capital asset-related debt	662,142
Net Cash Flows from Capital Financing Activities	(58,450,555)
Investing Activities	
Interest received from investments	8,791,851
Net Change in Cash and Cash Equivalents	(46,893,685)
Cash and Cash Equivalents, Beginning of Year	500,706,143
Cash and Cash Equivalents, End of Year	$ 453,812,458

Reconciliation of net operating loss to net cash flows from operating activities	
Operating loss	$(307,811,789)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation expense	12,437,409
Changes in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable	613,825
Stores inventories	(138,527)
Prepaid expenses	106,423
Deferred outflows of resources related to OPEB	(7,587,469)
Deferred outflows of resources related to pensions	10,490,940
Accounts payable	2,611,318
Unearned revenue	851,985
Compensated absences and load banking	1,873,934
Supplemental early retirement plan	(1,795,564)
Claims payable	314
Aggregate net OPEB liability	1,500,856
Aggregate net pension liability	(10,486,210)
Deferred inflows of resources related to OPEB	3,240,928
Deferred inflows of resources related to pensions	13,551,492
Total adjustments	27,271,654
Net Cash Flows from Operating Activities	$(280,540,135)
Cash and Cash Equivalents Consist of	
Cash in banks	$ 4,360,728
Cash in county treasury	449,451,730
Total cash and cash equivalents	$ 453,812,458
Non Cash Transactions	
Amortization of debt premium	$ 709,731
Accretion of interest on capital appreciation bonds	$ 4,044,470

	Retiree OPEB Trust	Other Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	$ -	$ 11,527,534	$ 43,191
Investments	108,842,954	7,621,961	-
Accounts receivable	-	2,523,331	19,000
Student loans receivable	-	1,774,153	8,031
Due from primary government	1,000,000	1,513,768	-
Due from trust funds	1,328,513	-	-
Other current assets	-	500	-
Total assets	111,171,467	24,961,247	$ 70,222
Liabilities			
Accounts payable	-	843,841	-
Due to primary government	-	9,503,514	-
Due to Retiree OPEB Trust	-	1,328,513	-
Unearned revenue	-	6,102,188	-
Due to student groups	-	3,470,956	70,222
Total liabilities	-	21,249,012	$ 70,222
Net Position			
Restricted for postemployment benefits other than pensions	111,171,467	-	
Unrestricted	-	3,712,235	
Total net position	$ 111,171,467	$ 3,712,235	

	Retiree OPEB Trust	Other Trust Funds
Additions		
District contributions	$ 7,601,257	$ -
Interest and investment income	4,241,044	-
Net realized and unrealized gains	52,272	-
Local revenues	-	2,461,890
Transfers from primary government	-	246,190
Total additions	11,894,573	2,708,080
Deductions		
Classified salaries	-	193,010
Employee benefits	5,272,744	1,354,109
Books and supplies	-	40,748
Services and other operating expenditures	382,846	671,413
Capital outlay	-	313,707
Total deductions	5,655,590	2,572,987
Change in Net Position	6,238,983	135,093
Net Position - Beginning of Year	104,932,484	3,577,142
Net Position - End of Year	$ 111,171,467	$ 3,712,235

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.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - Measurement Focus 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 government-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.

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

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

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

Investments

Investments with original maturities greater than one year 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.

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

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

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 rather than when purchased.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than $150,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	50 years
Buildings and improvements	50 years
Machinery and equipment	5-20 years

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide financial statements. Noncurrent liabilities include compensated absences and load banking, claims payable, bonds payable, supplemental early retirement plan, aggregate net OPEB liability, and aggregate net pension liability with maturities greater than one year.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest 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 until then. The District reports deferred outflows of resources for OPEB and pension related items.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

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

Compensated Absences and Load Banking

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $121,337,158 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 No. 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, non-capital Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 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, Supplemental Educational Opportunity Grants (SEOG), 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 are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

The provisions of this Statement have been implemented as of June 30, 2020, with the exception of Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The District has already implemented these standards as of June 30, 2020.

New Accounting Pronouncements

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the District's financial statements have not yet been determined.

Note 3 - Deposits and Investments

Policies and Practices

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

Investment in County Treasury – In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be the involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local agency bonds, notes, warrants	5 years	None	None
Registered state bonds, notes, warrants	5 years	None	None
U.s. treasury obligations	5 years	None	None
U.s. agency securities	5 years	None	None
Banker's acceptance	180 days	40%	30%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	None
Repurchase agreements	1 year	None	None
Reverse repurchase agreements	92 days	20% of base	None
Medium-term corporate notes	5 years	30%	None
Mutual funds	N/A	20%	10%
Money market mutual funds	N/A	20%	10%
Mortgage pass-through securities	5 years	20%	None
County pooled investment funds	N/A	None	None
Local agency investment fund (laif)	N/A	None	None
Joint powers authority pools	N/A	None	None

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, consist of the following:

Primary Government	$ 453,812,458
Fiduciary Funds	128,035,640
Total deposits and investments	$ 581,848,098
Cash on Hand and in Banks	$ 15,706,453
Cash in Revolving Funds	225,000
Investments	565,916,645
Total deposits and investments	$ 581,848,098

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	Reported Amount	Weighted Average Days to Maturity
Orange County Educational Investment Pool	$ 455,167,561	266
Certificates of deposit	1,906,130	469
Mutual funds	108,842,954	No maturity
Total	$ 565,916,645	

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 and Investments

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of approximately $9.3 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2020, the District's investment balance of approximately $108.3 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Level 1 Inputs
Certificates of deposit	$ 1,906,130	$ 1,906,130
Mutual funds	108,842,954	108,842,954
Total	$ 110,749,084	$ 110,749,084

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

Note 5 - Accounts Receivable

Accounts receivable at June 30, 2020, 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	$ 5,286,283	$ -
State Government		
Apportionment	5,953,543	-
Categorical aid	492,459	-
Lottery	1,710,398	-
Local Government		
Interest	389,781	-
Other	2,970,503	2,542,331
Total	$ 16,802,967	$ 2,542,331
Student receivables	$ 1,028,103	$ 1,782,184

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 primary government and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2020, the amount owed to the fiduciary funds from the primary government was $2,513,768 and the amount owed to the primary government from the fiduciary funds was $9,503,514.

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 2020 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $246,190.

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions/ Reclassifications	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	$ 16,765,537	$ -	$ (25,165)	$ 16,740,372
Construction in progress	34,370,423	62,463,150	(8,269,348)	88,564,225
Total capital assets not being depreciated	51,135,960	62,463,150	(8,294,513)	105,304,597
Capital Assets Being Depreciated				
Land improvements	4,627,069	1,731,488	-	6,358,557
Buildings and improvements	522,412,316	6,356,302	-	528,768,618
Machinery and equipment	28,962,115	866,083	(27,925)	29,800,273
Total capital assets being depreciated	556,001,500	8,953,873	(27,925)	564,927,448
Total capital assets	607,137,460	71,417,023	(8,322,438)	670,232,045
Less Accumulated Depreciation				
Land improvements	(2,153,049)	(264,291)	-	(2,417,340)
Buildings and improvements	(171,515,535)	(10,662,550)	-	(182,178,085)
Machinery and equipment	(20,699,158)	(1,510,568)	27,925	(22,181,801)
Total accumulated depreciation	(194,367,742)	(12,437,409)	27,925	(206,777,226)
Net Capital Assets	$ 412,769,718	$ 58,979,614	$ (8,294,513)	$ 463,454,819

Depreciation expense for the year was $12,437,409.

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 6,964,410	$ -
Construction	17,572,732	-
State categorical aid	7,191	-
Vendor payables	15,479,985	843,841
Total	$ 40,024,318	$ 843,841

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	Primary Government	Fiduciary Funds
Federal categorical aid	$ 5,035	$ -
State categorical aid	16,700,234	-
Other local revenues	237,540	-
Student fees	-	6,102,188
Total	$ 16,942,809	$ 6,102,188

Note 10 - Long-Term Liabilities Other Than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the 2020 fiscal year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Bonds Payable					
2003B General obligation bonds	$ 74,389,277	$ 4,044,470	$ -	$ 78,433,747	$ -
2013 General refunding bonds	84,375,000	-	(20,140,000)	64,235,000	21,440,000
2016A General obligation bonds	52,645,000	-	(15,550,000)	37,095,000	585,000
2019B General obligation bonds	150,000,000	-	-	150,000,000	17,140,000
Unamortized premium	16,786,664	-	(709,731)	16,076,933	-
Total bonds payable	378,195,941	4,044,470	(36,399,731)	345,840,680	39,165,000
Other long-term liabilities					
Compensated absences and load banking	8,673,049	1,873,934	-	10,546,983	4,286,647
Supplemental early retirement plan	7,182,256	-	(1,795,564)	5,386,692	1,795,564
Claims payable	3,302,081	440,618	(440,304)	3,302,395	-
Total other long-term liabilities	19,157,386	2,314,552	(2,235,868)	19,236,070	6,082,211
Total	$ 397,353,327	$ 6,359,022	$ (38,635,599)	$ 365,076,750	$ 45,247,211

Description of Long-term Liabilities

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

Bonded Debt

Measure X

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

2003B General Obligation Bonds

On December 23, 2003, $99,999,001 of North Orange County Community College District, Election of 2002, Series 2003B Bonds were issued with a final maturity date of August 1, 2028, and interest rates ranging from 2.00 percent to 5.44 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2020, was $78,433,747.

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, 2020, was $64,235,000.

Measure J

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

2016A General Obligation Bonds

On June 2, 2016, $100,000,000 of North Orange County Community College District, Election of 2014, Series 2016A Bonds were issued with a final maturity date of August 1, 2040, and interest rates ranging from 2.00 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2020, was $37,095,000.

2019B General Obligation Bonds

On May 29, 2019, $150,000,000 North Orange County Community College District, Election of 2014, Series 2019B Bonds were issued with a final maturity date of August 1, 2044, and interest rates ranging from 2.63 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2020, was $150,000,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2020
2003	2029	2.00% - 5.44%	99,999,001	$ 74,389,277	$ 4,044,470	$ -	$ 78,433,747
2013	2024	0.40% - 2.65%	145,910,000	84,375,000	-	(20,140,000)	64,235,000
2016	2041	2.00% - 4.00%	100,000,000	52,645,000	-	(15,550,000)	37,095,000
2019	2045	2.63% - 4.00%	150,000,000	150,000,000	-	-	150,000,000
				$361,409,277	$ 4,044,470	$ (35,690,000)	$ 329,763,747

The bonds mature through 2045 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Unmatured Accreted Interest*	Current Interest to Maturity	Total
2021	$39,165,000	$ -	$7,785,046	$ 46,950,046
2022	40,639,353	620,647	6,662,820	47,922,820
2023	38,761,673	1,058,327	5,619,134	45,439,134
2024	22,484,171	1,515,829	4,901,546	28,901,546
2025	9,732,724	1,992,276	4,643,026	16,368,026
2026-2030	64,900,826	23,464,174	21,468,626	109,833,626
2031-2035	27,540,000	-	17,383,175	44,923,175
2036-2040	40,775,000	-	11,895,663	52,670,663
2041-2045	45,765,000	-	4,576,950	50,341,950
Total	$ 329,763,747	$ 28,651,253	$ 84,935,986	$ 443,350,986

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

Compensated Absences

At June 30, 2020, the liability for compensated absences was $7,260,336.

Load Banking

At June 30, 2020, the liability for load banking was $3,286,647.

Supplemental Early Retirement Plan (SERP)

On February 13, 2018, the District adopted a one-time SERP for certificated, classified, faculty, and confidential employees. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS or CalPERS, and be resigned from District employment by August 17, 2018. In exchange for early retirement, the District will contribute 75 percent of the 2017-2018 actual paid step/column salary. The District had 118 employees that enrolled in the SERP. The remaining obligation as of June 30, 2020, is $5,386,692.

Fiscal Year	SERP Payment
2021	$ 1,795,564
2022	1,795,564
2023	1,795,564
Total	$ 5,386,692

Note 11 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 5,599,904	$ 8,830,931	$ 3,240,928	$ (1,719,286)
Medicare Premium Payment (MPP) Program	948,003	-	-	(126,399)
Total	$ 6,547,907	$ 8,830,931	$ 3,240,928	$ (1,845,685)

The details of each plan are as follows:

District Plan

Plan Administration

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

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

Plan Membership

At June 30, 2020, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	1,016
Active employees	1,352
Total	2,368

Retiree Health Benefit OPEB Trust

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Unified Faculty (UF), the local California Service Employees Association (CSEA), and unrepresented groups. The contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by District management and the District's Governing Board. For fiscal year 2019-2020, the District contributed $7,601,257 to the Plan, of which $5,272,744 was used for current premiums and $2,328,513 was used to fund the OPEB Trust.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2020:

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

Rate of Return

For the year ended June 30, 2020, the annual money-weighed rate of return on investments, net of investment expense, was 3.78 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $5,599,904 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2020, were as follows:

Total OPEB liability	$ 116,771,371
Plan fiduciary net position	(111,171,467)
Net OPEB liability	$ 5,599,904
Plan fiduciary net position as a percentage of the total OPEB liability	95.20%

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent
Healthcare cost trend rates	4.00 percent

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study as of June 2020.

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, 2020, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.1%
Fixed income	5.5%
International equity	5.6%
Real estate	7.6%
Cash	1.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019	$ 108,905,133	$ 104,932,484	$ 3,972,649
Service cost	3,059,846	-	3,059,846
Interest	7,006,914	-	7,006,914
Contributions - employer	-	7,601,257	(7,601,257)
Expected investment income	-	6,808,169	(6,808,169)
Differences between projected and actual earnings on OPEB plan investments	-	(2,514,853)	2,514,853
Differences between expected and actual experience	(3,763,659)	-	(3,763,659)
Changes in assumptions	6,835,881	-	6,835,881
Benefit payments	(5,272,744)	(5,272,744)	-
Administrative expense	-	(382,846)	382,846
Net change in total OPEB liability	7,866,238	6,238,983	1,627,255
Balance at June 30, 2020	$ 116,771,371	$ 111,171,467	$ 5,599,904

There were no changes to benefit terms or changes of economic assumptions since the previous valuation.

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 OPEB Liability/(Asset)
1% decrease (5.50%)	$ 23,090,428
Current discount rate (6.50%)	5,599,904
1% increase (7.50%)	(4,618,365)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare Cost Trend Rates	Net OPEB Liability/(Asset)
1% decrease (3.00%)	$ (6,505,509)
Current healthcare cost trend rate (4.00%)	5,599,904
1% increase (5.00%)	25,815,388

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At, June 30, 2020, 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
Differences between projected and actual earnings on OPEB plan investments	$ 2,944,478	$ -
Differences between expected and actual experience	-	3,240,928
Changes of assumptions	5,886,453	-
Total	$ 8,830,931	$ 3,240,928

The deferred outflows of resources related to the difference between projected and actual earnings on OPEB 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 of Resources
2021	$ 813,837
2022	813,837
2023	813,837
2024	502,967
Total	$ 2,944,478

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the net OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7.2 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 426,697
2022	426,697
2023	426,697
2024	426,697
2025	426,697
Thereafter	512,040
Total	$ 2,645,525

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $948,003 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2019 and June 30, 2018, was 0.2546 percent and 0.2807 percent, respectively, resulting in a net idecrease in the proportionate share of 0.0261 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(126,399).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 1,034,489
Current discount rate (3.50%)	948,003
1% increase (4.50%)	868,485

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 888,563
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	948,003
1% increase (4.7% Part A and 5.1% Part B)	1,066,735

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, 2020 and 2019, liabilities for claims amounted to $3,302,395 and $3,302,081, respectively. Changes in the claims liability amount in the fiscal years 2020 and 2019 are presented below:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2018	$ 2,182,479	$ 1,052,159	$ 3,234,638
Claims and Changes in Estimates	(108,251)	751,358	643,107
Claims Payments	(355,307)	(220,357)	(575,664)
Liability Balance, July 1, 2019	1,718,921	1,583,160	3,302,081
Claims and Changes in Estimates	351,712	88,906	440,618
Claims Payments	(351,398)	(88,906)	(440,304)
Liability Balance, June 30, 2020	$ 1,719,235	$ 1,583,160	$ 3,302,395
Assets Available to Pay Claims at June 30, 2020			$ 33,670,528

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, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 129,968,324	$ 35,253,794	$ 19,630,091	$ 14,686,036
CalPERS	122,680,134	27,828,311	5,721,464	20,088,543
Total	$ 252,648,458	$ 63,082,105	$ 25,351,555	$ 34,774,579

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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31,	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%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and 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, 2020, are presented above, and the District's total contributions were $14,974,965.

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

At June 30, 2020, 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	
Proportionate share of net pension liability	$ 129,968,324
State's proportionate share of the net pension liability	70,906,397
Total	$ 200,874,721

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.1439 percent and 0.1564 percent, respectively, resulting in a net decrease in the proportionate share of 0.0125 percent.

For the year ended June 30, 2020, the District recognized pension expense of $14,686,036. In addition, the District recognized pension expense and revenue of $10,559,492 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 14,974,965	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,512,576	10,961,315
Differences between projected and actual earnings on pension plan investments	-	5,006,419
Differences between expected and actual experience in the measurement of the total pension liability	328,101	3,662,357
Changes of assumptions	16,438,152	-
Total	$ 35,253,794	$ 19,630,091

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
2021	$ (504,983)
2022	(3,974,507)
2023	(825,170)
2024	298,241
Total	$ (5,006,419)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,686,752
2022	1,686,752
2023	2,943,288
2024	2,500,346
2025	(1,446,804)
Thereafter	(1,715,177)
Total	$ 5,655,157

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.80%
Fixed income	12%	1.30%
Real estate	13%	3.60%
Private equity	13%	6.30%
Risk mitigating strategies	9%	1.80%
Inflation sensitive	4%	3.30%
Cash/liquidity	2%	-0.40%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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 (6.10%)	$ 193,533,593
Current discount rate (7.10%)	129,968,324
1% increase (8.10%)	77,260,611

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, 2018, annual actuarial valuation report, Schools Pool Actuarial Valuation. This reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death

Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	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%	7.00%
Required employer contribution rate	19.721%	19.721%

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, 2020, are presented above, and the total District contributions were $12,135,115.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $122,680,134. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, was 0.4209 percent and 0.4478 percent, respectively, resulting in a net decrease in the proportionate share of 0.0269 percent.

For the year ended June 30, 2020, the District recognized pension expense of $20,088,543. At June 30, 2020, 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	$ 12,135,115	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	941,739	4,583,584
Differences between projected and actual earnings on pension plan investments	-	1,137,880
Differences between expected and actual experience in the measurement of the total pension liability	8,911,502	-
Changes of assumptions	5,839,955	-
Total	$ 27,828,311	$ 5,721,464

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
2021	$ 1,123,215
2022	(2,243,586)
2023	(339,988)
2024	322,479
Total	$ (1,137,880)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 8,406,871
2022	2,749,439
2023	(42,451)
2024	(4,247)
Total	$ 11,109,612

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	$ 176,835,347
Current discount rate (7.15%)	122,680,134
1% increase (8.15%)	77,754,645

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2020, which amounted to $7,406,399 (10.328 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, 2020. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions has been recorded in these financial statements.

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, 2020.

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, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Cypress College Pond Renovation	$ 59,155	April 2021
Cypress College Waterproof Piazza Deck	250,175	Ongoing
Fullerton College Relocate 300/500 Building (State Funded Project)	165,863	September 2022
Districtwide Network Refresh Project	10,251,788	Ongoing
Cypress College Baseball Field and Clubhouse	166,432	Ongoing
Fullerton College Field Netting Project	157,300	Started 7/2020
Cypress College Bridge	40,721	April 2021
Cypress College Tribute Garden	169,557	April 2021
Cypress College Plaza	412,834	April 2021
Fullerton College Bldg. 3100 HVAC Replacement	78,307	December 2020
Fullerton College Theater, 700/900 Light Replacement	14,542	Ongoing
Fullerton College Renovate 300/500 Buildings (State Project Bond Match)	1,180,795	September 2022
Fullerton College Instructional Building	36,182,001	Ongoing
Fullerton College Thermal Energy Storage Expansion	7,176,906	Ongoing
Fullerton College Update and Improve Infrastructure	2,386,367	Ongoing
Fullerton College SWI Local and Greenhouse Replacement	1,090,933	Ongoing
Cypress College Veteran's Resource Center Expansion	2,696,149	Ongoing
Cypress College Science, Engineering, and Math Building	38,793,318	Ongoing
Mass Communication and Security	350,404	Ongoing
Update and Improve Infrastructure VRC - SAC	1,278,501	Ongoing
	$ 102,902,048	

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, 2020, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 116,151,044	$ 3,725,803	$ 6,579	$ 318,096	$ -	$ 120,201,522
Academic support	25,731,023	3,779,927	17,216	63,550	-	29,591,716
Student services	57,544,049	5,905,636	1,505,071	185,191	-	65,139,947
Plant operations and maintenance	13,816,605	6,718,026	-	37,199	-	20,571,830
Instructional support services	34,779,720	9,153,715	66,250	93,360	-	44,093,045
Community services and economic development	1,107,196	39,620	-	1,560	-	1,148,376
Ancillary services and auxiliary operations	5,383,894	3,043,394	-	23,949	-	8,451,237
Student aid	24,757	3,890	73,698,487	-	-	73,727,134
Physical property and related acquisitions	2,080,762	3,571,556	-	6,586,449	-	12,238,767
Depreciation	-	-	-	-	12,437,409	12,437,409
Total	$ 256,619,050	$ 35,941,567	$ 75,293,603	$ 7,309,354	$ 12,437,409	$ 387,600,983

Note 16 - Subsequent Events

Subsequent to year end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

North Orange County Community College District

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 3,059,846	$ 3,100,787	$ 2,792,913
Interest	7,006,914	6,713,723	6,431,647
Differences between expected and actual experience	(3,763,659)	-	-
Changes of assumptions	6,835,881	-	-
Benefit payments	(5,272,744)	(5,294,051)	(4,865,894)
Net changes in total OPEB liability	7,866,238	4,520,459	4,358,666
Total OPEB liability - beginning	108,905,133	104,384,674	100,026,008
Total OPEB liability - ending (A)	$ 116,771,371	$ 108,905,133	$ 104,384,674
Plan Fiduciary Net Position			
Contributions - employer	$ 7,601,257	$ 9,652,804	$ 8,346,685
Expected investment income	6,808,169	6,376,959	6,387,641
Differences between projected and actual earnings on OPEB plan investments	(2,514,853)	(1,554,328)	-
Benefit payments	(5,272,744)	(5,294,051)	(4,865,894)
Administrative expense	(382,846)	(353,179)	(342,392)
Net change in plan fiduciary net position	6,238,983	8,828,205	9,526,040
Plan fiduciary net position - beginning	104,932,484	96,104,279	86,578,239
Plan fiduciary net position - ending (B)	$ 111,171,467	$ 104,932,484	$ 96,104,279
District's net OPEB liability - ending (A) - (B)	$ 5,599,904	$ 3,972,649	$ 8,280,395
Plan fiduciary net position as a percentage of the total OPEB liability	95.20%	96.35%	92.07%
Covered-employee payroll	$ 149,106,869	$ 140,501,970	$ 145,864,293
District's net OPEB liability as a percentage of covered-employee payroll	3.76%	2.83%	5.68%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018

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

	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	3.78%	5.00%	7.22%

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

Year ended June 30,	2020	2019	2018
District's proportion of the net OPEB liability	0.2546%	0.2807%	0.2785%
District's proportionate share of the net OPEB liability	$ 948,003	$ 1,074,402	$ 1,171,698
District's covered payroll	N/A[1]	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.1439%	0.1564%	0.1538%	0.1561%	0.1495%	0.1590%
District's proportionate share of the net pension liability	$ 129,968,324	$ 143,727,367	$ 142,266,269	$ 126,233,864	$ 100,670,970	$ 92,916,230
State's proportionate share of the net pension liability associated with the district	70,906,397	82,290,640	84,163,523	71,862,687	53,243,846	56,106,831
Total	$ 200,874,721	$ 226,018,007	$ 226,429,792	$ 198,096,551	$ 153,914,816	$ 149,023,061
District's covered payroll	$ 82,950,043	$ 87,329,002	$ 84,243,824	$ 79,575,871	$ 70,822,399	$ 70,820,109
District's proportionate share of the net pension liability as a percentage of its covered payroll	156.68%	164.58%	168.87%	158.63%	142.15%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.4209%	0.4478%	0.4401%	0.4350%	0.4304%	0.4088%
District's proportionate share of the net pension liability	$ 122,680,134	$ 119,407,301	$ 105,057,688	$ 85,920,879	$ 63,443,575	$ 46,408,766
District's covered payroll	$ 57,551,927	$ 58,535,291	$ 55,210,837	$ 50,283,625	$ 46,862,170	$ 43,007,787
District's proportionate share of the net pension liability as a percentage of its covered payroll	213.16%	203.99%	190.28%	170.87%	135.38%	107.91%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 14,974,965	$ 13,504,267	$ 12,601,575	$ 10,597,873	$ 8,538,491	$ 6,289,029
Contributions in relation to the contractually required contribution	14,974,965	13,504,267	12,601,575	10,597,873	8,538,491	6,289,029
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	87,572,895	82,950,043	87,329,002	84,243,824	79,575,871	70,822,399
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 12,135,115	$ 10,395,029	$ 9,091,116	$ 7,667,681	$ 5,957,101	$ 5,516,146
Contributions in relation to the contractually required contribution	12,135,115	10,395,029	9,091,116	7,667,681	5,957,101	5,516,146
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 61,533,974	$ 57,551,927	$ 58,535,291	$ 55,210,837	$ 50,283,625	$ 46,862,170
Contributions as a percentage of covered payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

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

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

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

***Changes in Benefit Terms* -** There were no changes in the benefit terms since the previous valuation.

***Changes of Assumptions* -** There were no changes in the economic assumptions since the previous valuation.

Schedule of OPEB Investment Returns

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

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

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

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

***Changes in Benefit Terms* -** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes of 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
June 30, 2020

North Orange County Community College District

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

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. Kai Stearns Moore	District Director, Public and Governmental Affairs

AUXILIARY ORGANIZATIONS IN GOOD STANDING

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

Community College Foundation of North Orange County, established 1987
Master Agreement currently in progress
Cheryl Marshall, Board President

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		$ 50,416,132
Federal Pell Grant Program Administrative Allowance	84.063		68,817
Federal Direct Student Loans	84.268		6,450,739
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		1,241,567
FSEOG Administrative Allowance	84.007		7,331
Federal Work-Study Program	84.033		535,975
Federal Work-Study Program Administrative Allowance	84.033		67,764
Subtotal Student Financial Assistance Cluster			58,788,325
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E		3,842,575
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F		1,217,101
Subtotal			5,059,676
Promise Career Pathways	84.031S		565,402
Passed Through California State University Fullerton Auxiliary Services Corporation			
Project Raise: Regional Alliance in Stem Education	84.031C	P031C160152	36,049
Subtotal			601,451
Passed Through California State University Fullerton Auxiliary Services Corporation			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	P334A180130	1,220
Passed Through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002A	V002A180005	887,753
English Literacy and Civics Education Grant (El Civics)	84.002A	V002A180005	485,966
Subtotal			1,373,719
Passed Through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	19-C01-037	1,911,168
Title I, CTEA Transitions	84.048A	19-C01-037	87,664
Subtotal			1,998,832
Passed Through from California Department of Rehabilitation			
College to Career Program	84.126A	30494	250,000
Workability III Program	84.126A	29865	217,253
Subtotal			467,253
Total U.S. Department of Education			68,290,476
U.S. Department of Defense			
Passed through from Solano Community College District			
California Advances Supply Chain Analysis and Diversification Effort (CASCADE)	12.617	OPR19113	3,715

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	15,161
Passed Through California State University Fullerton Auxiliary Services Corporation			
Urban-Agriculture Community-Based Research Experience (U-ACRE 3.0)	10.223	2016-38422-25550	32,648
Total U.S. Department of Agriculture			47,809
U.S. Department of Transportation			
Passed Through from Orange County Transportation Authority			
Transit Services Programs Cluster			
Job Access - Reverse Commute	20.516	CA-37-X113	181,903
Subtotal Transit Services Programs Cluster			181,903
National Science Foundation			
Research and Development Cluster			
Passed Through from Rancho Santiago Community College District			
Advanced Technological Education Grant	47.076	15-1621.01	36,612
Passed Through from Regents of the University of California			
Innovate from the Start: Engaging Engineering and Computer Science Upgrades	47.076	DUE-1432701	54,699
Subtotal Research and Development Cluster			91,311
U.S. Department of Veterans Affairs			
Veterans Services	64.117		12,072
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]	162,455
Passed Through California State University Fullerton Auxiliary Services Corporation			
Health Careers Opportunity Program (Health Resources and Services Administration)	93.822	1D18HP32119	84,554
Total U.S. Department of Health and Human Services			247,009
Total Federal Program Expenditures			$ 68,874,295 [2]

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

[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of $33,878 related to revenue recognition principles in various programs

Program	Program Entitlements: Current Year	Program Entitlements: Prior Year	Program Entitlements: Total Entitlement	Program Revenues: Cash Received	Program Revenues: Accounts Receivable	Program Revenues: Accounts Payable	Program Revenues: Unearned Revenue	Program Revenues: Total Revenue	Program Expenditures
AS Degree Nursing	$ 153,879	$ -	$ 153,879	$ 153,879	$ -	$ -	$ 32,752	$ 121,127	$ 121,127
Baccalaureate Degree Pilot Program	-	56,721	56,721	56,721	-	-	-	56,721	56,721
Board Financial Assistance Program (BFAP)	1,275,543	-	1,275,543	1,275,543	-	-	21,882	1,253,661	1,253,661
California Adult Education Program (CAEP), AB86 Adult Education Consortium Planning	3,935,722	4,313,785	8,249,507	8,249,507	-	-	2,817,062	5,432,445	5,432,445
California College Promise	2,540,341	646,219	3,186,560	3,186,559	-	-	2,230,414	956,145	956,145
CalWORKs	982,905	-	982,905	982,905	-	-	112,383	870,522	870,522
Campus Safety and Sexual Assault Prevention	-	63,316	63,316	63,316	-	-	33,976	29,340	29,340
Career Technical Education Data Unlocked Initiative	-	45,470	45,470	45,469	-	-	45,469	-	-
CCAP STEM Pathways Academy Grant	1,666,666	-	1,666,666	333,333	-	-	139,091	194,242	194,242
Child Care Food Program	656	-	656	656	-	-	-	656	656
Child Development Training Consortium	15,600	-	15,600	15,600	-	-	-	15,600	15,600
Classified Professional Development	-	121,558	121,558	121,558	-	-	121,558	-	-
Cooperative Agencies Resources for Education (CARE)	391,461	-	391,461	391,461	-	3	-	391,458	391,458
Disabled Students Programs and Services (DSPS)	3,421,013	-	3,421,013	3,421,013	-	-	147,855	3,273,158	3,273,158
Education Futures Initiative: TPPP	-	19,305	19,305	9,929	-	6,981	-	2,948	2,948
Equal Employment Opportunities	50,000	84,113	134,113	134,112	-	-	86,187	47,925	47,925
Extended Opportunity Programs and Services (EOPS)	2,861,754	-	2,861,754	2,861,755	-	207	-	2,861,548	2,861,548
Financial Aid Technology	93,849	192,805	286,654	286,652	-	-	160,973	125,679	125,679
General Child Care	130,507	-	130,507	127,708	2,799	-	-	130,507	130,507
Guided Pathways	864,575	1,587,018	2,451,593	2,451,592	-	-	1,958,920	492,672	492,672
Historically Black Colleges and Universities (HBCU) Umoja Grant	16,000	-	16,000	16,000	-	-	-	16,000	16,000
Hunger Free Campus Program	117,339	288,158	405,497	405,497	-	-	195,708	209,789	209,789
Industry Sector Project in Common (ISPIC) Nasdaq Grant	2,500	-	2,500	1,500	1,000	-	-	2,500	2,500
Innovation and Effectiveness Grant	-	57,335	57,335	57,335	-	-	-	57,335	57,335
Mental Health Support	-	286,878	286,878	286,878	-	-	13,046	273,832	273,832
Puente Project	4,500	13,549	18,049	18,048	-	-	11,928	6,120	6,120
QRIS Block Grant	10,000	10,000	20,000	20,000	-	-	11,550	8,450	8,450
Referee and Lane Technician	12,000	-	12,000	12,000	-	-	-	12,000	12,000

Program	Program Entitlements			Program Revenues					
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
Strong Workforce - Regional	$ 1,166,519	$ 1,890,801	$ 3,057,320	$ 581,224	$ 482,849	$ -	$ -	$ 1,064,073	$ 1,064,073
Strong Workforce - Local	4,078,003	3,789,601	7,867,604	7,867,604	-	-	4,925,601	2,942,003	2,942,003
Student Equity and Achievement Program	12,758,190	3,280,882	16,039,072	16,039,069	-	-	2,706,820	13,332,249	13,332,249
Telecom Technology Infrastructure Program (TTIP)	-	2,562	2,562	2,562	-	-	2,562	-	-
Veteran Resource Center (VRC) Grant	-	100,000	100,000	39,999	5,811	-	-	45,810	45,810
Veteran Resource Center Student Services	224,105	114,365	338,470	338,469	-	-	190,394	148,075	148,075
Welding Program Improvement Grant	-	851,448	851,448	851,447	-	-	734,103	117,344	117,344
Work Independence Self-Advocacy Education	565,938	-	565,938	565,938	-	-	-	565,938	565,938
Total state programs				$ 51,272,838	$ 492,459	$ 7,191	$ 16,700,234	$ 35,057,872	$ 35,057,872

See Note to Supplementary Information

Categories	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2019 Only)			
Noncredit*	564.98	-	564.98
Credit	2,242.46	-	2,242.46
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
Noncredit*	-	-	-
Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census procedure courses			
(a) Weekly census contact hours	20,604.82	-	20,604.82
(b) Daily census contact hours	955.43	-	955.43
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	4,343.05	-	4,343.05
(b) Credit	529.17	-	529.17
3. Alternative Attendance Accounting Procedures			
(a) Weekly census procedure courses	2,912.67	-	2,912.67
(b)Daily census procedure courses	1,184.87	-	1,184.87
(c) Noncredit independent study/distance education courses	-	-	-
D. Total FTES	33,337.45	-	33,337.45

Supplemental Information (Subset of Above Information)

E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	1,283.01	-	1,283.01
2. Credit	188.22	-	188.22
CCFS-320 Addendum			
CDCP Noncredit FTES	2,292.71	-	2,292.71
Centers FTES			
1. Noncredit*	4,776.68	-	4,776.68
2. Credit	-	-	-

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 46,780,273	$ -	$ 46,780,273	$ 46,780,273	$ -	$ 46,780,273
Other	1300	30,131,274	-	30,131,274	30,131,274	-	30,131,274
Total Instructional Salaries		76,911,547	-	76,911,547	76,911,547	-	76,911,547
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	19,128,518	-	19,128,518
Other	1400	-	-	-	1,085,761	-	1,085,761
Total Noninstructional Salaries		-	-	-	20,214,279	-	20,214,279
Total Academic Salaries		76,911,547	-	76,911,547	97,125,826	-	97,125,826
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	41,332,803	-	41,332,803
Other	2300	-	-	-	3,245,998	-	3,245,998
Total Noninstructional Salaries		-	-	-	44,578,801	-	44,578,801
Instructional Aides							
Regular Status	2200	4,426,762	-	4,426,762	4,426,762	-	4,426,762
Other	2400	1,023,816	-	1,023,816	1,023,816	-	1,023,816
Total Instructional Aides		5,450,578	-	5,450,578	5,450,578	-	5,450,578
Total Classified Salaries		5,450,578	-	5,450,578	50,029,379	-	50,029,379
Employee Benefits	3000	29,136,799	-	29,136,799	57,692,987	-	57,692,987
Supplies and Material	4000	-	-	-	1,856,834	-	1,856,834
Other Operating Expenses	5000	-	-	-	15,624,807	-	15,624,807
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		111,498,924	-	111,498,924	222,329,833	-	222,329,833

See Note to Supplementary Information

		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
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 2,430,456	$ -	$ 2,430,456	$ 2,430,456	$ -	$ 2,430,456
Student Health Services Above Amount Collected	6441	-	-	-	15,752	-	15,752
Student Transportation	6491	-	-	-	86,432	-	86,432
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,244,278	-	3,244,278
Objects to Exclude							
Rents and Leases	5060	-	-	-	190,540	-	190,540
Lottery Expenditures							-
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 5,400,094	$ -	$ 5,400,094
Total Exclusions		2,430,456	-	2,430,456	11,367,552	-	11,367,552
Total for ECS 84362, 50 Percent Law		$ 109,068,468	$ -	$ 109,068,468	$ 210,962,281	$ -	$ 210,962,281
Percent of CEE (Instructional Salary Cost/Total CEE)		51.70%		51.70%	100.00%		100.00%
50% of Current Expense of Education					$ 105,481,141		$ 105,481,141

See Note to Supplementary Information

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2020.

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 17,523,273
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 17,523,273	$ -	$ -	$ 17,523,273
Total Expenditures for EPA		$ 17,523,273	$ -	$ -	$ 17,523,273
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance and retained earnings	
General Fund	$ 93,547,510
Special Revenue Funds	2,209,791
Capital Project Funds	243,449,918
Debt Service Fund	45,096,391
Internal Service Fund	30,368,133
Fiduciary Funds	118,474,880
Total fund balance and retained earnings	533,146,623
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	670,232,045
Accumulated depreciation is	(206,777,226)
Total capital assets	463,454,819
Amounts held in trust on behalf of others (Trust Funds)	(118,424,880)
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.	(3,487,230)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:	
Deferred outflows of resources related to OPEB	8,830,931
Deferred outflows of resources related to pensions	63,082,105
Total deferred outflows of resources	71,913,036
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources at year-end consist of:	
Deferred inflows of resources related to OPEB	(3,240,928)
Deferred inflows of resources related to pensions	(25,351,555)
Total deferred inflows of resources	(28,592,483)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable	$(300,845,934)
Compensated absences and load banking	(10,546,983)
Supplemental early retirement plan	(5,386,692)
Aggregate net other postemployment benefits (OPEB) liability	(6,547,907)
Aggregate net pension liability	(252,648,458)
Less compensated absences and load banking already recorded in funds	4,286,647
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is:	(44,994,746)
Total long-term liabilities	(616,684,073)
Total net position	$ 301,325,812

	(Budget[1]) 2021		2020		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
General Fund [2]								
Revenues								
Federal	$ 17,758,883	5.8	$ 6,874,243	2.4	$ 6,053,921	2.1	$ 5,555,966	2.0
State	188,191,617	61.1	151,383,861	52.9	151,254,713	52.7	152,412,463	55.5
Local	102,104,087	33.1	128,019,051	44.7	129,613,589	45.2	116,726,187	42.5
Total revenues	308,054,587	100.0	286,277,155	100.0	286,922,223	100.0	274,694,616	100.0
Expenditures [2]								
Academic salaries	104,088,679	32.6	107,006,972	36.3	101,043,423	37.5	105,077,549	41.2
Classified salaries	71,083,001	22.2	70,552,950	23.9	65,560,561	24.4	62,945,984	24.6
Employee benefits	56,820,853	17.8	63,491,235	21.5	60,748,787	22.6	53,789,705	21.1
Supplies and materials	13,454,533	4.2	5,102,227	1.7	4,873,073	1.8	5,007,627	2.0
Other operating expenses	48,781,606	15.3	22,512,906	7.6	22,950,515	8.5	18,426,508	7.2
Capital outlay	17,886,742	5.6	7,384,586	2.5	8,501,072	3.2	6,334,545	2.5
Student financial aid	4,208,204	1.3	2,636,396	0.9	2,129,408	0.8	1,426,017	0.6
Interfund transfers, net	3,243,105	1.0	16,348,844	5.6	3,364,642	1.2	2,030,349	0.8
Other uses, net	63,785	0.0	51,050	0.0	48,848	0.0	45,210	0.0
Total expenditures and other uses	319,630,508	99.9	295,087,166	100.0	269,220,329	100.0	255,083,494	100.0
Increase (Decrease) in Fund Balance	$ (11,575,921)	(3.8)	$ (8,810,011)	(3.1)	$ 17,701,894	6.2	$ 19,611,122	7.1
Ending Fund Balance	$ 81,971,589	26.6	$ 93,547,510	32.7	$ 102,357,521	35.7	$ 84,655,627	30.8
Full-Time Equivalent Students	33,578.64		33,337.45		33,268.05		32,446.80	
Total long-term liabilities, including retiree benefit liability	N/A		$624,273,115		$ 665,535,046		$ 525,797,954	

[1] The year 2021 General Fund budget was adopted by the Board on October 27, 2020. The budget is included for analytical purposes and has not been subjected to audit.

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

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations as of June 30, 2020.

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

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

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

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 Annual (Actual) Attendance

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

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

ECS 84362 requires the District to expend a minimum of 50 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 Audited Financial Statements

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of the Governmental Funds to the Statement of Net Position

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

Schedule of Financial Trends and Analysis of the General Fund

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

Independent Auditor's Reports
June 30, 2020

North Orange County Community College District

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of North Orange County Community College District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 16, 2021.

Internal Control over Financial Reporting

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

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

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

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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

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

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred in the table below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2019-2020 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed in the table below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Section 411	SCFF Data Management Control Environment
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

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

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

Unmodified Opinion
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted above that were audited for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2019-20 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
February 16, 2021

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: CARES Act Higher Education Emergency Relief Funds, Student Portion	84.425E
COVID-19: CARES Act Higher Education Emergency Relief Funds, Institutional Portion	84.425F

Dollar threshold used to distinguish between type A and type B programs:	$ 2,066,228
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

None reported.

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

2020-001 Reporting

Direct Programs – Department of Education
CFDA# 84.425E
COVID-19 - Higher Education Emergency Relief Funds – Student Share
Reporting
Significant Deficiency in Internal Control Over Compliance

Criteria or Specific Requirement
Section 18004(a)(1) of The Coronavirus Aid, Relief, and Economic Security Act required that institutions that received the HEERF 18004(a)(1) Student Aid Portion award to publicly post certain information on their website no later than 30 days after their award allocation date, and update that information every 45 days thereafter.

Condition
During our testing over reporting for the student aid portion at Cypress College, we noted that the report required to be publicly available 30 days following the award becoming available was late by 36 days and therefore, the District did not meet the timeliness requirement.

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

Effect
The College's 30 day report was uploaded to their website 36 days late.

Questioned Costs
None reported

Context/Sampling
The District has two colleges that were required to report student grant metrics and other data within 30 days of their award allocation date. Both reports were reviewed for compliance, with one report not submitted in a timely manner.

Repeat Finding from Prior Year
No

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

View of Responsible Officials and Corrective Action Plan

Upon receipt of funds, the Cypress College was immediately challenged with the urgency of creating distribution methodologies with vague award program guidance and documentation. The immediate rush to get funds to needy students, as quickly as possible, coupled with website content coordination issues due to a remote work environment as well as transition to a new campus website, caused the delayed posting of the initial required report. After the initial reporting, the information was updated as required until all funds were exhausted. For the Institutional portion, Cypress College was also late in submitting the first quarter's report, which was due to be submitted by October 10, 2020 and was submitted on January 20, 2021, due to misinterpretation of the required submission process. Cypress College has improved documentation and understanding of award requirements and has implemented internal controls, including assigned personnel for report coordination and improved remote work environment coordination for website content, to ensure timely submission and posting of required reports.

None reported.

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

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.

Additional Supplementary Information
June 30, 2020

North Orange County Community College District

North Orange County Community College District

Governmental Funds
Balance Sheets
June 30, 2020

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
Assets								
Cash and cash equivalents	$ 150,003	$ (105,356)	$ 2,486,922	$ -	$ -	$ 1,537,264	$ -	$ 4,068,833
Investments	115,648,496	-	-	45,271	45,003,279	70,794,546	183,656,681	415,148,273
Accounts receivable	13,947,143	12,733	222	2,755	93,112	1,556,028	186,831	15,798,824
Student loans receivable	-	408	-	-	-	-	-	408
Due from other funds	11,281,669	-	-	485,685	-	3,327,107	318	15,094,779
Prepaid expenses	-	79,788	-	-	-	-	-	79,788
Stores inventories	68,391	496,459	-	-	-	-	-	564,850
Total assets	$ 141,095,702	$ 484,032	$ 2,487,144	$ 533,711	$ 45,096,391	$ 77,214,945	$ 183,843,830	$ 450,755,755
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 18,128,884	$ 71,408	$ 22,294	$ 16,549	$ -	$ 1,192,451	$ 16,380,281	$ 35,811,867
Due to other funds	12,696,553	711,831	-	461,464	-	34,877	1,248	13,905,973
Unearned revenue	16,722,755	-	-	11,550	-	-	-	16,734,305
Total liabilities	47,548,192	783,239	22,294	489,563	-	1,227,328	16,381,529	66,452,145
Fund Balances								
Nonspendable	218,391	576,247	-	-	-	-	-	794,638
Restricted	3,690,380	-	-	-	45,096,391	75,987,617	167,462,301	292,236,689
Committed	6,337,728	-	-	-	-	-	-	6,337,728
Assigned	38,262,983	(875,454)	2,464,850	44,148	-	-	-	39,896,527
Unassigned	45,038,028	-	-	-	-	-	-	45,038,028
Total fund balances	93,547,510	(299,207)	2,464,850	44,148	45,096,391	75,987,617	167,462,301	384,303,610
Total liabilities and fund balances	$ 141,095,702	$ 484,032	$ 2,487,144	$ 533,711	$ 45,096,391	$ 77,214,945	$ 183,843,830	$ 450,755,755

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
Revenues								
Federal revenues	$ 6,874,243	$ -	$ -	$ 15,161	$ -	$ -	$ -	$ 6,889,404
State revenues	153,868,217	-	-	128,594	188,930	219,696	-	154,405,437
Local revenues	128,019,051	2,828,478	54,246	351,803	35,533,853	5,299,664	4,098,773	176,185,868
Total revenues	288,761,511	2,828,478	54,246	495,558	35,722,783	5,519,360	4,098,773	337,480,709
Expenditures								
Current Expenditures								
Academic salaries	107,006,972	-	-	-	-	-	-	107,006,972
Classified salaries	70,552,950	1,010,830	10,088	557,335	-	272,816	-	72,404,019
Employee benefits	65,975,591	329,927	827	192,867	-	81,753	-	66,580,965
Books and supplies	5,102,227	2,223,749	2,545	23,852	-	12,203	2,563	7,367,139
Services and operating expenditures	22,512,906	100,129	28,350	40,327	-	2,724,892	1,335,262	26,741,866
Capital outlay	7,384,586	-	-	4,023	-	6,223,878	56,844,542	70,457,029
Debt service - principal	-	-	-	-	35,690,000	-	-	35,690,000
Debt service - interest	51,050	-	-	-	6,638,367	-	-	6,689,417
Total expenditures	278,586,282	3,664,635	41,810	818,404	42,328,367	9,315,542	58,182,367	392,937,407
Excess (Deficiency) of Revenues over Expenditures	10,175,229	(836,157)	12,436	(322,846)	(6,605,584)	(3,796,182)	(54,083,594)	(55,456,698)

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
Other Financing Sources (Uses)								
Operating transfers in	$ 1,133,742	$ -	$ -	$ 322,846	$ -	$ 17,059,148	$ -	$ 18,515,736
Operating transfers out	(17,482,586)	-	(145,598)	-	-	(1,000,000)	-	(18,628,184)
Other sources - proceeds from sale of property	-	-	-	-	-	425,000	-	425,000
Other uses - student financial aid	(2,636,396)	-	-	-	-	-	-	(2,636,396)
Total other financing sources (uses)	(18,985,240)	-	(145,598)	322,846	-	16,484,148	-	(2,323,844)
Net Change in Fund Balances	(8,810,011)	(836,157)	(133,162)	-	(6,605,584)	12,687,966	(54,083,594)	(57,780,542)
Fund Balances, Beginning of Year	102,357,521	536,950	2,598,012	44,148	51,701,975	63,299,651	221,545,895	442,084,152
Fund Balances, End of Year	$ 93,547,510	$ (299,207)	$ 2,464,850	$ 44,148	$ 45,096,391	$ 75,987,617	$ 167,462,301	$ 384,303,610

	Internal Service Fund
Assets	
Cash and cash equivalents	$ 75,000
Investments	27,699,628
Accounts receivable	28,398
Due from other funds	6,323,739
Total assets	$ 34,126,765
Liabilities and Fund Equity	
Liabilities	
Accounts payable	$ 4,409
Due to other funds	451,828
Claim liabilities	3,302,395
Total liabilities	3,758,632
Fund Equity	
Retained earnings	30,368,133
Total liabilities and fund equity	$ 34,126,765

	Internal Service Fund
Operating Revenues	
Premium contributions	$ 6,323,739
Operating Expenses	
Classified salaries	223,623
Employee benefits	5,348,386
Services and other operating expenditures	1,978,267
Total operating expenses	7,550,276
Operating Loss	(1,226,537)
Nonoperating Revenues	
Interest income	602,296
Net Loss	(624,241)
Retained Earnings, Beginning of Year	30,992,374
Retained Earnings, End of Year	$ 30,368,133

	Internal Service Fund
Operating Activities	
Cash received from user charges	$ 6,291,301
Cash payments to employees for services	(5,572,009)
Cash payments for insurance claims	(2,046,983)
Net Cash Flows from Operating Activities	(1,327,691)
Investing Activities	
Interest on investments	632,908
Net Change in Cash and Cash Equivalents	(694,783)
Cash and Cash Equivalents - beginning	28,469,411
Cash and Cash Equivalents - ending	$ 27,774,628
Reconciliation of operating loss to net cash flows from operating activities	
Operating loss	$ (1,226,537)
Changes in assets and liabilities:	
Due from other funds	(36,119)
Accounts payable	(69,030)
Due to other funds	3,681
Claim liabilities	314
Net Cash Flows from Operating Activities	$ (1,327,691)

North Orange County Community College District
Fiduciary Funds
Balance Sheets
June 30, 2020

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Retiree Benefits	Retiree OPEB Trust	Other Trust	Other Agency Fund	Total
Assets								
Cash and cash equivalents	$ 652,112	$ 148,761	$ 216,895	$ -	$ -	$ 10,726,661	$ 43,191	$ 11,787,620
Investments	451,342	-	6,603,829	1,329,856	108,842,954	5,840,763	-	123,068,744
Accounts receivable	-	-	975,745	1,327	-	2,522,004	19,000	3,518,076
Student loans receivable	-	4,806	1,027,695	-	-	1,769,347	8,031	2,809,879
Due from other funds	-	-	118,666	1,409,159	2,328,513	104,609	-	3,960,947
Other current assets	-	-	-	-	-	500	-	500
Total Assets	$ 1,103,454	$ 153,567	$ 8,942,830	$ 2,740,342	$ 111,171,467	$ 20,963,884	$ 70,222	$ 145,145,766
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 510	$ 17,167	$ 8,494,689	$ 49	$ -	$ 826,115	$ -	$ 9,338,530
Due to other funds	113,744	-	189,637	1,328,513	-	9,389,770	-	11,021,664
Other current liabilities	-	-	-	-	-	-	-	-
Unearned revenue	-	-	208,504	-	-	6,102,188	-	6,310,692
Due to student groups	111,122	-	-	-	-	3,359,834	70,222	3,541,178
Total Liabilities	225,376	17,167	8,892,830	1,328,562	-	19,677,907	70,222	30,212,064
Fund Balances								
Restricted	-	136,400	50,000	-	111,171,467	-	-	111,357,867
Assigned	-	-	-	1,411,780	-	-	-	1,411,780
Unassigned	878,078	-	-	-	-	1,285,977	-	2,164,055
Total fund balances	878,078	136,400	50,000	1,411,780	111,171,467	1,285,977	-	114,933,702
Total liabilities and fund balances	$ 1,103,454	$ 153,567	$ 8,942,830	$ 2,740,342	$ 111,171,467	$ 20,963,884	$ 70,222	$ 145,145,766

	Associated Students Trust	Student Representation Fee	Student Financial Aid	Retiree Benefits	Retiree OPEB Trust	Other Trust	Total
Revenues							
Federal revenues	$ -	$ -	$ 61,951,013	$ -	$ -	$ -	$ 61,951,013
State revenues	-	-	10,706,194	-	-	-	10,706,194
Local revenues	355,534	48,972	138,037	1,432,263	6,621,829	625,121	9,221,756
Total revenues	355,534	48,972	72,795,244	1,432,263	6,621,829	625,121	81,878,963
Expenditures							
Current expenditures							
Classified salaries	177,073	-	-	-	-	15,937	193,010
Employee benefits	24,675	-	-	1,328,513	-	921	1,354,109
Books and supplies	23,106	-	-	-	-	17,642	40,748
Services and operating expenditures	71,959	17,167	4,295	706	382,846	581,581	1,058,554
Capital outlay	7,878	-	-	-	-	305,829	313,707
Total expenditures	304,691	17,167	4,295	1,329,219	382,846	921,910	2,960,128
Excess (Deficiency) of Revenues over Expenditures	50,843	31,805	72,790,949	103,044	6,238,983	(296,789)	78,918,835
Other Financing Sources (Uses)							
Operating transfers in	17,167	-	-	-	-	261,190	278,357
Operating transfers out	(15,000)	(17,167)	(133,742)	-	-	-	(165,909)
Other uses - student financial aid	-	-	(72,657,207)	-	-	-	(72,657,207)
Total other financing sources (uses)	2,167	(17,167)	(72,790,949)	-	-	261,190	(72,544,759)
Net Change in Fund Balances	53,010	14,638	-	103,044	6,238,983	(35,599)	6,374,076
Fund Balances, Beginning of Year	825,068	121,762	50,000	1,308,736	104,932,484	1,321,576	108,559,626
Fund Balances, End of Year	$ 878,078	$ 136,400	$ 50,000	$ 1,411,780	$ 111,171,467	$ 1,285,977	$ 114,933,702

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.