

**NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of North Orange County Community College District (the District) as of and for the year ended June 30, 2011, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of North Orange County Community College District as of June 30, 2011, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Additional Supplementary Information on pages 79 through 86 has been presented at the request of District management for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2011



CLAUDETTE ELIAS DAIN, CPA
District Director
Fiscal Affairs

FRED WILLIAMS, CPA
Vice Chancellor
Finance & Facilities

NED DOFFONEY, Ed.D.
Chancellor

Introduction

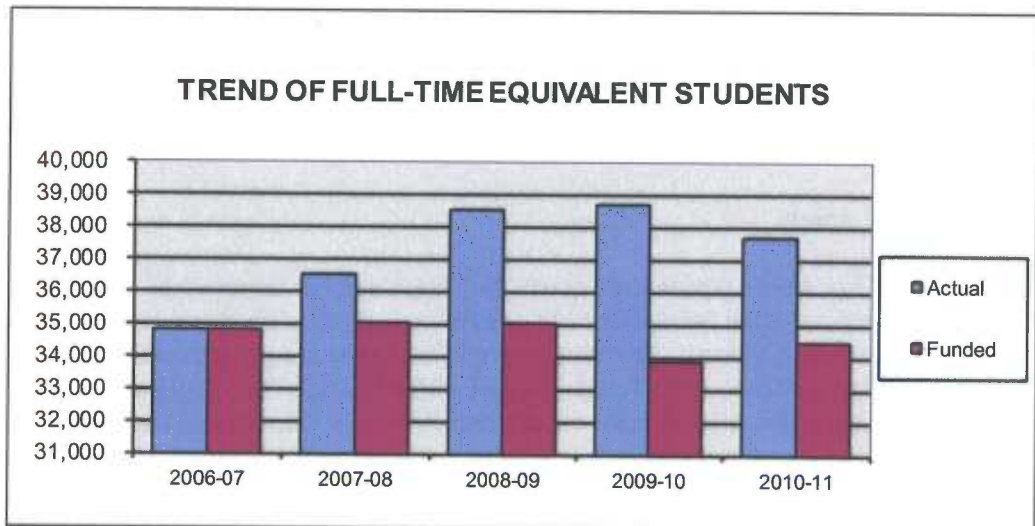
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

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

North Orange County Community College District includes two comprehensive community colleges and a large School of Continuing Education. The mission of the North Orange County Community College District is to serve and enrich our communities and inspire life-long learning by providing education that is exemplary, relevant, and accessible. Cypress College and Fullerton College offer associate degrees, vocational certificates, and transfer education, as well as developmental instruction and a broad array of specialized training. The School of Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses.

Selected Highlights

- During 2010-2011, total full-time equivalent students (FTES) decreased by approximately 969; 2.50 percent. This planned decrease occurred in response to the cuts received from the State in the form of workload measure reductions. While credit and non-credit FTES, along with a per college and per center allocation, are the basis for the District's State apportionment, State-established growth caps provide a ceiling on the level of FTES funding possible. Despite the planned reduction in FTES, the District still exceeded its growth cap for 2010-2011 by approximately 3,280 FTES; 9.52 percent. Thus, 2010-2011 was the fourth consecutive year in which the District exceeded its State-established growth cap.



NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

- 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. During the 2010-2011 fiscal year, the South Science Building, Physical Education Facilities, Storm Drain Improvement, and District Education Center/Berkeley Center projects at Fullerton College, and the Temporary Structures project at Cypress College were completed. The next major project is the Technology Complex renovation at Fullerton College. Construction began on this project in September 2011.

Financial Highlights

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

Financial Statement Presentation and Basis of Accounting

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

The financial statements noted above are prepared in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35 that provide an entity wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds including Student Financial Aid Programs.

Also, in accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2011, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net assets recorded on the full accrual basis of accounting, is found on page 57 of the report.

Statement of Net Assets

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

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

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

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011**

The Statement of Net Assets as of June 30, 2011 and 2010, is summarized below.

	(in thousands)	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and investments	\$ 114,946	\$ 174,718
Receivables	31,010	29,600
Inventory	978	1,517
Due from fiduciary funds	9,378	7,716
Other assets	2,277	2,112
Total current assets	<u>158,589</u>	<u>215,663</u>
Non-current assets		
Capital assets, net	<u>397,142</u>	<u>394,580</u>
Total non-current assets	<u>397,142</u>	<u>394,580</u>
TOTAL ASSETS	<u>555,731</u>	<u>610,243</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	22,407	22,371
Deferred revenue	3,689	2,455
Due to fiduciary funds	980	101
Compensated absences - current portion	3,398	3,185
Long-term liabilities - current portion	8,050	7,090
Total current liabilities	<u>38,524</u>	<u>35,202</u>
Non-current liabilities		
Long-term liabilities less current portion	<u>261,141</u>	<u>259,040</u>
Total non-current liabilities	<u>261,141</u>	<u>259,040</u>
TOTAL LIABILITIES	<u>299,665</u>	<u>294,242</u>
NET ASSETS		
Invested in capital assets, net	176,504	177,512
Restricted	36,222	44,280
Unrestricted *	<u>43,340</u>	<u>94,209</u>
TOTAL NET ASSETS	<u>\$ 256,066</u>	<u>\$ 316,001</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) JUNE 30, 2011

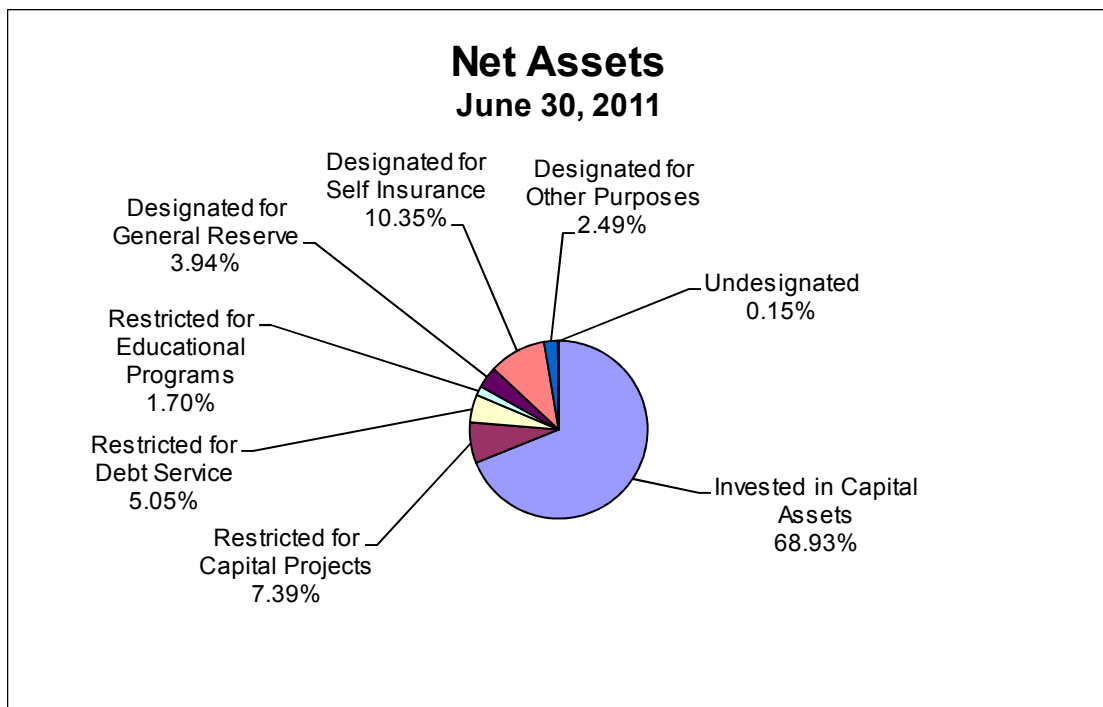
- Cash and cash equivalents consist primarily of cash held in the General Fund (\$38.3 million), Bond Fund (\$12.1 million), Capital Outlay Fund (\$18.9 million), and the Self-Insurance Fund (\$23.9 million). The decrease in this account is primarily related to a reclassification of the Retiree Benefits Fund for financial statement purposes. The Retiree Benefits Fund is included within the Fiduciary statements of this report whereas in previous fiscal years it was included as part of the Primary Government statements. Note 15 of the accompanying financial statements provides additional information on the reclassification. Cash in the Retiree Benefits Fund at June 30, 2011, was \$52.4 million; an increase of \$2.8 million over the prior year, due to a \$1.5 million contribution and interest income of \$1.3 million. The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2010-2011 fiscal year.
- Accounts receivable consist mainly of receivables from Federal and State sources for grant and entitlement programs and receivables from local sources for all other purposes. Note 4 of these financial statements provides a summary of the accounts receivable balance.
- Inventory is primarily made up of merchandise held for sale in the Bookstores located at Cypress College, Fullerton College, and the School of Continuing Education. The decrease in this account is related to a decrease in Bookstore inventory. In response to declining sales, the Bookstores have reduced the level of inventory maintained, and have increased efforts for timely returns of unsold books.
- Due from fiduciary funds and Due to fiduciary funds consist of amounts due from/to the Associated Students Trust, Student Representation Fee, and Other Trust funds, at Cypress College, Fullerton College, and the School of Continuing Education, and the Retiree Benefits Fund. The increase in the Due from account is primarily related to amounts owed from various Fullerton College Fiduciary funds to the General Fund as reimbursement for salaries and benefits expense. This change is related to the removal of Fullerton College funds from the Orange County Department of Education general ledger system. In addition, the increase in the Due to account is related to the reclassification of the Retiree Benefits Fund. In the previous year, interfund transactions between the General Fund and the Retiree Benefits Fund were eliminated in order to record balances under a single-column, roll-up presentation. However, in the current year, these amounts have not been eliminated and are reported separately as amounts due between the primary government and the fiduciary funds.
- Other assets are made up of prepaid Bond issuance costs for the District's general obligation bond program which are being amortized over the term of the bond, and other prepaid expenses.
- Capital assets, net is primarily made up of the District's investments in land, buildings and building improvements, construction in progress, and vehicles, at historical cost and net of accumulated depreciation. Note 6 of these financial statements provides a summary of changes during the 2010-2011 fiscal year.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2011. Accrued liabilities are amounts due to or on behalf of employees for wages and benefits earned as of the end of the fiscal year, but paid out subsequent to June 30, 2011.
- Deferred revenues are those funds that are received, but not yet earned. They typically involve restricted State and Federal grants that are earned when spent and allow more than one year to expend the funds. The increase in this account is primarily related to two new State-funded Economic Development multi-year grants in which the State advanced the District 60 percent of the total grant awards.
- 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

- The District currently has two bonded debt issues outstanding that amount to \$239 million. Additionally, the District issued Refunding Bonds on portions of the two outstanding issues in April 2005. The long-term debt balances include unamortized premiums and deferred charges on refunding related to the general obligation bond liability, compensated absences, and a net postemployment obligation for medical benefits for retirees, consistent with GASB Statement No. 45. Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.



Statement of Revenues, Expenses, and Change in Net Assets

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

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011

The Statement of Revenues, Expenses, and Change in Net Assets for the years ended June 30, 2011 and 2010, is summarized below:

	(in thousands)	
	<u>2011</u>	<u>2010</u>
Operating Revenues		
Net tuition and fees	\$ 16,917	\$ 19,023
Sales	8,274	9,483
Total operating revenues	<u>25,191</u>	<u>28,506</u>
Operating Expenses		
Salaries and benefits	168,774	168,172
Supplies, materials, depreciation, and other expenses	53,808	46,446
Student financial aid	45,551	36,301
Total operating expenses	<u>268,133</u>	<u>250,919</u>
Operating loss	<u>(242,942)</u>	<u>(222,413)</u>
Non-operating revenues (expenses)		
State apportionments, non-capital	92,277	86,219
Local property taxes	71,902	72,261
Grants and contracts, non-capital	63,592	55,827
State taxes and other revenues	7,262	5,788
Investment income	646	1,959
Other non-operating revenues (expenses), net	(4,047)	(2,234)
Total non-operating revenues (expenses)	<u>231,632</u>	<u>219,820</u>
Other revenues, expenses, gains or losses		
State revenue, capital	<u>2,017</u>	<u>22,599</u>
Change in net assets	(9,293)	20,006
Net assets, beginning of year	316,001	330,506
Prior period restatement (see Note 15)	<u>(50,642)</u>	<u>(34,511)</u>
Net assets, beginning of year, as restated	<u>265,359</u>	<u>295,995</u>
Net assets, end of year	<u>\$ 256,066</u>	<u>\$ 316,001</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

- Net tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the North Orange County Community College District. These include fees paid for health services, parking, community services classes, and other related fees. The decrease in this account is directly related to the decrease in FTES, resulting from reduced course offerings.
- Sales are primarily related to the sale of merchandise in the Bookstores located at Cypress College, Fullerton College, and the School of Continuing Education. The decrease in this account is related to a decrease in Bookstore sales as demand has been increasingly declining over the years.
- Salaries and benefits consist of 63 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 87 percent of total General Fund expenses as reflected on page 80 of this report.
- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The increase in this account is related to purchases of capital outlay items below our capitalization threshold. This activity increased over the previous year in order to address capital outlay needs that had been previously deferred for several years due to budgetary constraints.
- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs. The increase in this account over the prior year is primarily due to a change in reporting of the Federal Direct Loan program. In previous years, this program was administered through the U.S. Department of Education and the related revenues and expenses were thus excluded from our financial statements as amounts were passed directly to qualifying students. Beginning with the 2010-2011 fiscal year, however, due to new regulatory requirements, this program is now administered by the District and, consequently, related revenues and expenses have been included within these financial statements.
- The operating loss reported on the Statement of Revenues, Expenses, and Change in Net Assets is related to the reporting requirements of GASB Statement No. 35 that identify transactions as either exchange or non-exchange. If a transaction is considered an exchange transaction, then the revenue is considered operating revenue. Conversely, if a transaction is deemed a non-exchange transaction, then the revenue is considered non-operating revenue. In our case, the revenues received from the State of California as apportionment and from local property taxes are deemed non-exchange transactions and, consequently, non-operating revenues. Every community college district within the State of California will have a large operating loss due to this required reporting presentation.
- State apportionments, non-capital, local property taxes, and tuition and fees are all components of the community college apportionment funding model. The model is comprised of a base allocation, an amount per credit FTES, non-credit FTES, and an enhanced amount per qualifying non-credit FTES for career development and college preparation courses. 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 of State apportionment.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

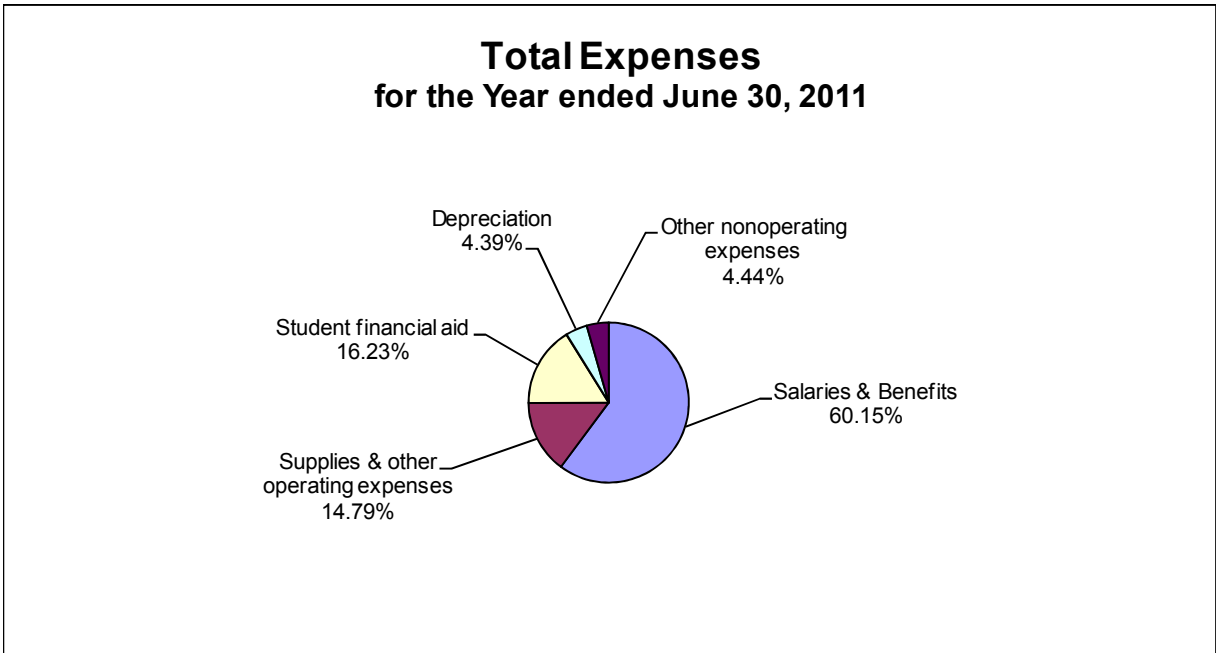
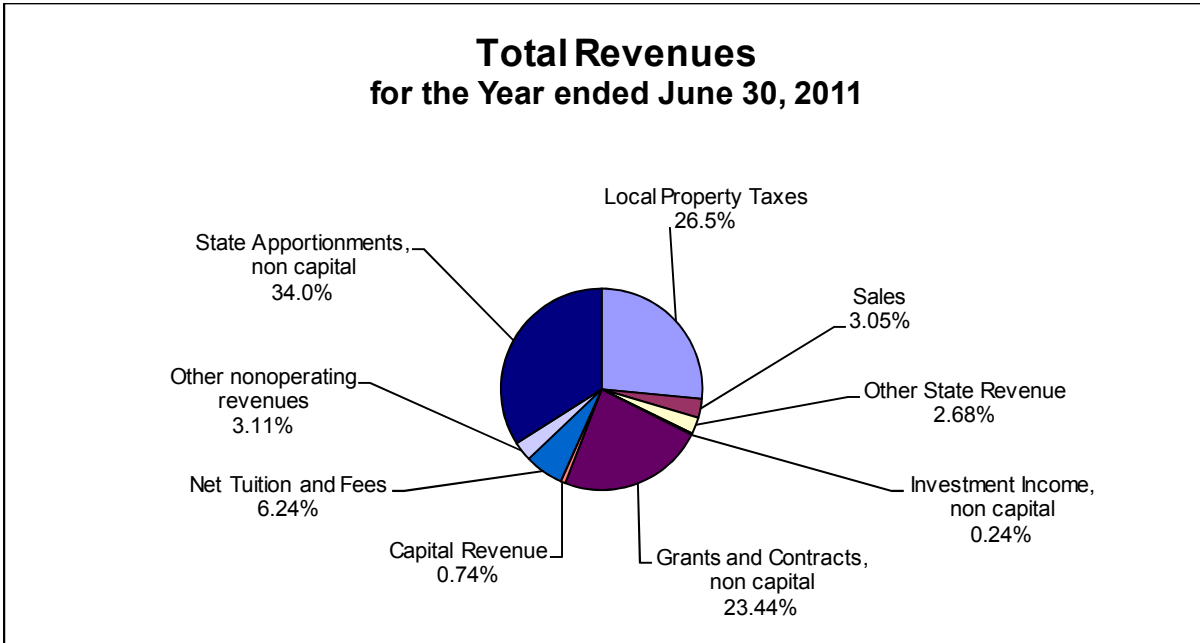
JUNE 30, 2011

- 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.
- Grants and contracts, non-capital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs, Vocational Education Programs, Disabled Student Programs and Services (DSPS) and Extended Opportunity Programs and Services (EOPS). Pages 52 through 54 of the supplementary information section of this report provide a complete listing of Federal and State non-capital grants and contracts. The increase in this account over the prior year is due to the change in reporting of the Federal Direct Loan Program.
- State taxes and other revenues are mainly comprised of State mandated cost revenues and Lottery revenues. The increase in this account is primarily due to the receipt of back-logged mandated cost reimbursements from the State in the amount of \$1.3 million.
- Investment income, net decreased due to the reclassification of the Retiree Benefits Fund, declining interest rates, and declining bond fund balances as we near the end of our bond program. In 2010-2011, the average interest rate earned for the Orange County Investment Pool was 0.60 percent whereas in 2009-2010, the average rate was 1.30 percent.
- Other non-operating revenues (expenses), net are comprised of the amounts recorded in the Bond Interest and Redemption Fund that was established for the General Obligation Bond, accrued interest on the general obligation bonds, other local revenues, local revenues designated for capital purposes, capital outlay fees received from non-resident students, transfers to and from the fiduciary funds, and an amount recorded for payments made by the State of California, to STRS, on the District's behalf, in the amount of \$2.9 million. The increase in this account is primarily due to the reclassification of the Retiree Benefits Fund. Contributions from the General Fund to the Retiree Benefits Fund are recorded as Transfers to fiduciary funds within these financial statements.
- State revenues, capital relate to projects for capital outlay, scheduled maintenance, and hazardous substance programs. The decrease in this account is mainly due to the completion of the Fullerton College South Science Building project. The majority of the capital reimbursements for this project were received in previous fiscal years when construction was heavily underway.
- Functional expenses, which show expenditures by activity such as instructional activities, academic support, student services, and other activities, are included in Note 14 of the financial statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011



NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2011**

Statement of Cash Flows

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

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

The summarized Statement of Cash Flows for the years ended June 30, 2011 and 2010, is presented below:

(in thousands)

	<u>2011</u>	<u>2010</u> <u>Reclassified</u>
Cash Provided By (Used in)		
Operating activities	\$ (223,716)	\$ (202,684)
Non-capital financing activities	217,720	206,621
Capital and related financing activities	(4,822)	(5,888)
Investing activities	<u>646</u>	<u>1,959</u>
Net increase (decrease) in cash and cash equivalents	(10,172)	8
Cash balance, beginning of year	<u>125,118</u>	<u>174,710</u>
Cash balance, end of year	<u><u>\$ 114,946</u></u>	174,718
Reclassification to fiduciary funds		<u>(49,600)</u>
Cash balance		<u><u>\$ 125,118</u></u>

- Operating activities mainly consist of cash receipts from student tuition and cash payments for salaries, benefits, supplies, other operating expenses, utilities, insurance, and other items related to the instructional program.
- Non-capital financing activities are primarily comprised of State apportionment, property taxes, and Federal, State and local grants for other than capital purposes. State apportionments and property taxes received account for 68 percent of the total cash provided by non-capital financing activities. Additionally, cash received from non-capital related grants and contracts accounts for 30 percent of the total cash provided by non-capital financing activities.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

- Capital financing activities are mostly made up of the purchase or sale of capital assets, principal and interest payments on any debt issued and proceeds received from any new debt issuances, and cash sources or uses from Federal, State, and local grants for capital purposes. The decrease in cash receipts in this category is primarily made up of the decreased activities in the State capital outlay construction program as the District has completed several of its State-funded capital outlay projects. The next major State-funded project is the Technology Complex renovation at Fullerton College. Reimbursements for this project are expected in the 2011-2012 and 2012-2013 fiscal years as construction began on this project in September 2011.
- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Investment Pool. The decrease in cash received from investing activities is due to the reclassification of the Retiree Benefits Fund and lower interest earnings from declining interest rates.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2011, the District had \$397.1 million invested in net capital assets. Total capital assets of \$498.3 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 \$101.2 million over the years they have been in service. During 2010-2011, \$82.3 million of building and improvement projects completed construction. In addition, \$13.1 million of construction in progress occurred during 2010-2011. Depreciation expense of \$12.3 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. As the District nears completion on its current capital construction program, an inverse relationship exists between the Buildings and Improvements and Construction in progress accounts. As more projects are completed, their accumulated expenses are reclassified from Construction in progress to Buildings and Improvements. During 2010-2011, capital additions of completed construction projects included the South Science Building, Physical Education Facilities, Storm Drain Improvement, and District Education Center/Berkeley Center projects at Fullerton College, and the Temporary Structures project at Cypress College. The next major project is the Technology Complex renovation at Fullerton College.

Note 6 to the financial statements provides additional information on capital assets. A summary of capital assets, net of depreciation, is presented below:

(in thousands)

	<u>2011</u>	<u>2010</u> <u>Restated</u>
Land and improvements	\$ 16,772	\$ 16,854
Buildings and improvements	358,998	287,208
Equipment	9,076	9,005
Construction in progress	<u>12,296</u>	<u>81,513</u>
Net capital assets	<u>\$ 397,142</u>	<u>\$ 394,580</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

Debt Administration

At June 30, 2011, the District had \$272.6 million in debt primarily made up of \$231.1 million from general obligation bonds; \$3.3 million from Self-Insurance claims payable; \$7.1 million from compensated absences payable, and \$31.1 million as the net OPEB obligation which represents the cumulative difference between the District's actuarially determined Annual Required Contribution and the amount the District made in contributions for postemployment medical benefit premium costs.

The general obligation bonds were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities, and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District's bond rating of AA has not changed from the prior year.

As reflected in the \$31.1 million net OPEB obligation, these financial statements include a liability for retiree benefits, in accordance with GASB Statement No. 45, which requires districts to recognize an expense on their financial statements for the sum of ongoing annual out-of-pocket retiree benefit costs, plus an amortized annual actuarially determined amount necessary to recognize the entire unfunded obligation over a period not to exceed 30 years. Based on an actuarial study dated March 2009, the District's actuarially determined unfunded liability was projected at \$157.8 million. As of June 30, 2011, the District had \$53.4 million set aside for retiree health benefits.

Note 9 to the financial statements provides additional information on long-term liabilities. A summary of long-term debt is presented below:

	(in thousands)	
	<u>2011</u>	<u>2010</u>
Long-term debt		
General Obligation Bonds	\$ 231,066	\$ 235,746
Claims payable	3,284	3,232
Compensated absences	7,133	7,012
Net OPEB obligation	<u>31,106</u>	<u>23,325</u>
Total long-term debt	272,589	269,315
Less current portion	<u>(11,448)</u>	<u>(10,275)</u>
Long-term portion	<u>\$ 261,141</u>	<u>\$ 259,040</u>

District's Fiduciary Responsibility

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2011

Economic Factors that May Affect the Future

As of June 30, 2011, the District ended the fiscal year with a healthy surplus due to prudent fiscal management in previous years. Based on the information currently available, the District believes it is in good financial shape for the 2011-2012 fiscal year; however, there is still significant concern of the unknown for the 2011-2012 fiscal year and future budget years as there remains an overall structural deficit in the State budget. The economic position of the District is closely tied to that of the State of California and until the overall economy regains its strength, the California State budget, and thus the California Community Colleges, will continue their struggles at a time when resources are scarce but demand is high. Furthermore, the worldwide economic struggles have caused additional budget turmoil for California. During the past couple fiscal years, the California Community Colleges have experienced significant budget reductions without adequate restoration. Additionally, it is anticipated that further reductions may still be imposed; which leaves colleges to rely on their reserves to sustain operations during these difficult economic times. Currently, the North Orange County Community College District is working through the budget challenges resulting from these deep ongoing cuts. Management will continue to closely monitor the State budget information and will maintain a close watch over resources to sustain our ability to react to internal and external issues.

Also of concern is the potential for significant increases in the PERS and STRS employer contribution rates. The PERS employer contribution rate has been increasing annually and is expected to further increase in 2012-2013 from 10.92 percent to 12.00 percent. This amounts to an increase of approximately \$580,000 for our District. There is currently no increase in the STRS employer contribution rate although projections indicate that the rates could potentially increase from 8.25 percent to 22 percent. While it is not believed that the STRS rate will increase this drastically, the STRS investment pool has struggled significantly following the substantial investment losses it experienced in 2008-2009. The cost of each 1 percent increase in the STRS employer contribution rate amounts to approximately \$500,000 for our District.

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 Romney Drive, Anaheim, CA 92801.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS - PRIMARY GOVERNMENT JUNE 30, 2011

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 3,240,947
Investments - unrestricted	58,657,828
Investments - restricted	53,047,530
Accounts receivable	30,941,055
Student loans receivable	69,009
Due from fiduciary funds	9,378,474
Prepaid expenses	828,981
Stores inventories	978,455
Deferred cost on issuance	1,446,585
Total Current Assets	158,588,864

Noncurrent Assets

Nondepreciable capital assets	27,052,408
Depreciable capital assets, net of depreciation	370,089,482
Total Noncurrent Assets	397,141,890
	555,730,754

LIABILITIES

Current Liabilities

Accounts payable	18,742,405
Accrued interest payable	3,664,498
Due to fiduciary funds	979,867
Deferred revenue	3,688,532
Compensated absences payable	3,398,496
Bonds payable	8,050,000
Total Current Liabilities	38,523,798

Noncurrent Liabilities

Compensated absences payable	3,734,454
Claims liability	3,284,067
Bonds payable	223,015,529
Other long-term liabilities - noncurrent portion	31,106,621
Total Noncurrent Liabilities	261,140,671
TOTAL LIABILITIES	299,664,469

NET ASSETS

Invested in capital assets, net of related debt	176,503,919
Restricted for:	
Debt service	12,953,393
Capital projects	18,913,616
Educational programs	4,355,049
Unrestricted	43,340,308
TOTAL NET ASSETS	\$ 256,066,285

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET ASSETS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2011**

OPERATING REVENUES	
Student Tuition and Fees	\$ 26,795,462
Less: Scholarship discounts and allowances	(9,878,572)
Net tuition and fees	<u>16,916,890</u>
 Auxiliary enterprise sales and charges	 <u>8,273,904</u>
TOTAL OPERATING REVENUES	<u>25,190,794</u>
OPERATING EXPENSES	
Salaries	122,843,916
Employee benefits	45,929,513
Supplies, materials, and other operating expenses and services	41,497,727
Student financial aid	45,551,334
Depreciation	12,309,838
TOTAL OPERATING EXPENSES	<u>268,132,328</u>
OPERATING LOSS	<u>(242,941,534)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	92,277,080
Local property taxes, levied for general purposes	54,777,397
Taxes levied for other specific purposes	17,124,917
Federal grants and contracts, noncapital	51,054,960
State grants and contracts, noncapital	12,537,158
State taxes and other revenues	7,262,377
Investment income	646,481
Interest expense on capital related debt	(10,780,160)
Investment income on capital asset-related debt, net	37,144
Transfer from fiduciary funds	48,942
Transfer to fiduciary funds	(1,698,216)
Other nonoperating revenues	8,343,496
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>231,631,576</u>
LOSS BEFORE OTHER REVENUES	<u>(11,309,958)</u>
State revenues, capital	<u>2,017,102</u>
TOTAL OTHER REVENUES	<u>2,017,102</u>
CHANGE IN NET ASSETS	(9,292,856)
 NET ASSETS, BEGINNING OF YEAR	 316,000,859
PRIOR PERIOD RESTATEMENT	<u>(50,641,718)</u>
NET ASSETS, BEGINNING OF YEAR (AS RESTATED)	<u>265,359,141</u>
NET ASSETS, END OF YEAR	<u>\$ 256,066,285</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 16,868,088
Auxiliary sales	8,273,904
Payments to or on behalf of employees	(162,245,923)
Payments to vendors for supplies and services	(41,061,044)
Payments to students for scholarships and grants	(45,551,334)
Net Cash Flows From Operating Activities	<u>(223,716,309)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	92,277,080
Property taxes - nondebt related	54,777,397
Grants and contracts	64,335,617
State taxes and other revenues	1,441,602
Other nonoperating revenues	4,888,831
Net Cash Flows From Noncapital Financing Activities	<u>217,720,527</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(13,273,768)
State revenue, capital projects	6,881,468
Property taxes - related to capital debt	17,124,917
Principal paid on capital debt	(7,191,508)
Interest paid on capital debt	(8,400,489)
Interest received on capital asset-related debt	37,144
Net Cash Flows From Capital Financing Activities	<u>(4,822,236)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>646,481</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,171,537)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (AS RESTATED)	<u>125,117,842</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 114,946,305</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2011**

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

Operating Loss	<u>\$ (242,941,534)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	12,309,838
Changes in Assets and Liabilities:	
Receivables, net	(48,802)
Stores inventories	538,752
Other assets	(163,033)
Accounts payable and accrued liabilities	(1,426,331)
Deferred revenue	60,964
Change in claims payable	51,318
OPEB obligation	7,782,021
Compensated absences	120,498
Total Adjustments	<u>19,225,225</u>
Net Cash Flows From Operating Activities	<u><u>\$ (223,716,309)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 3,240,947
Cash in county treasury	101,696,151
Premium Money Market	10,009,207
Total Cash and Cash Equivalents	<u><u>\$ 114,946,305</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits (see Note 12)	<u><u>\$ 2,913,795</u></u>
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The accompanying notes are an integral part of these financial statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS JUNE 30, 2011

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 11,686,634
Investments	56,485,393
Accounts receivable	249,043
Student loan receivable	382,470
Due from primary government	979,867
Total Assets	<u>69,783,407</u>
 LIABILITIES	
Accounts payable	354,391
Due to primary government	9,378,474
Deferred revenue	2,209,035
Due to student groups	2,446,022
Total Liabilities	<u>14,387,922</u>
 NET ASSETS	
Unreserved	55,395,485
Total Net Assets	<u><u>\$ 55,395,485</u></u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Trust Funds</u>
ADDITIONS	
Local revenues	\$ 1,901,701
DEDUCTIONS	
Classified salaries	99,607
Employee benefits	21,323
Books and supplies	68,867
Services and other operating expenditures	652,889
Capital outlay	12,229
Total Deductions	<u>854,915</u>
OTHER FINANCING SOURCES (USES)	
Transfers from governmental funds	1,698,216
Transfers to governmental funds	(48,942)
Total Other Financing Sources (Uses)	<u>1,649,274</u>
Change in Net Assets	2,696,060
Net Assets - Beginning of Year	2,057,707
Prior Period Restatement	50,641,718
Net Assets - Beginning of Year (as restated)	<u>52,699,425</u>
Net Assets - Ending	<u>\$ 55,395,485</u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - ORGANIZATION

The North Orange County Community College District (the District) provides higher education in the Counties of Orange and Los Angeles in the State of California and is governed by an elected Board of Trustees. The District is comprised of two college campuses, Cypress College and Fullerton College, the District office, a vocational and adult center, the School of Continuing Education, which offers courses and programs at the Anaheim campus, the Cypress College campus, the Wilshire campus, and other off-site locations. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39. The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 and as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective which was previously reported. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to colleges and universities, as well as those prescribed by the California Community College Chancellor's Office. The District reports are based on applicable GASB pronouncements, as well as applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date. Where applicable, certain prior year amounts have been reclassified to conform to current year presentation. The budgetary and financial accounts of the District are maintained in accordance with the State Chancellor's Office *Budget and Accounting Manual*.

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

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

Cash and Cash Equivalents

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Investments

Investments held at June 30, 2011, with original maturities greater than one year are stated at fair value. Fair value is estimated based upon quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Investments

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

Accounts Receivable

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2011.

Stores Inventories

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

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

Deferred Amount on Refunding

Deferred amount on refunding is amortized using the straight-line method over the remaining life of the new debt.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Capital Assets and Depreciation

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

The following estimated useful lives are used to compute depreciation:

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

Deferred Revenue

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

Noncurrent Liabilities

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

Compensated Absences

Compensated absences are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for eligible employees when they retire.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Net Assets

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The entity-wide financial statements report \$36,222,058 of restricted net assets.

Operating Revenues and Expenses

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

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

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

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

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

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

Scholarship Discounts and Allowances

Student tuition and fee revenue is reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Change in Net Assets. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that fee waivers and discounts have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Academic Competitiveness Grants, and Stafford Direct Loan programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as an operating expense or a scholarship allowance, which reduces revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. These programs are audited in accordance with the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2011, the District distributed \$8,090,909 in direct lending through the U.S. Department of Education. These amounts have been recorded as revenues and expenses within the accompanying financial statements as the amounts were passed directly to qualifying students.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Estimates

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

Interfund Activity

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

New Accounting Pronouncements

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. This Statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

NOTE 3 - CASH AND INVESTMENTS

Policies and Practices

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Summary of Deposits and Investments

Deposits and investments as of June 30, 2011, consist of the following:

Primary government	\$ 114,946,305
Fiduciary funds	68,172,027
Total Deposits and Investments	<u>\$ 183,118,332</u>
Cash on hand and in banks	\$ 14,702,581
Cash in revolving funds	225,000
Investments	168,190,751
Total Deposits and Investments	<u>\$ 183,118,332</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the County pool and in money market 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:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Average Days to Maturity</u>
County Pool - Orange	\$ 138,163,129	\$ 138,388,456	289
Premium Money Market	30,027,622	30,027,622	Not Applicable
Total	<u>\$ 168,190,751</u>	<u>\$ 168,416,078</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County pool and money market funds are not required to be rated. However, as of the year-end, the Orange County Investment Pool reflected an Aaa rating by Moody's Investor Service.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2011, of the District's bank balance of \$10,102,163, \$5,506,675 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 3,416,951	\$ -
State Government		
Apportionments	22,335,632	-
Categorical aid	633,942	-
Lottery	2,349,648	-
Capital outlay program reimbursement	1,248,066	-
Local Government		
Interest	72,913	23,925
Other	883,903	225,118
Total	\$ 30,941,055	\$ 249,043
Student receivables	\$ 69,009	\$ 382,470

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds, respectively, has been eliminated in the consolidation process of the basic financial statements. Balances owing between the primary governmental and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2011, the amount owed between the government and the fiduciary funds were \$9,378,474 and \$979,867, respectively.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	\$ 14,756,218	\$ -	\$ -	\$ 14,756,218
Construction in progress	81,513,249	13,061,909	82,278,968	12,296,190
Total Capital Assets Not Being Depreciated	<u>96,269,467</u>	<u>13,061,909</u>	<u>82,278,968</u>	<u>27,052,408</u>
Capital Assets Being Depreciated				
Land improvements	2,749,485	46,343	-	2,795,828
Buildings and improvements	364,302,258	82,300,533	-	446,602,791
Machinery and equipment	20,109,614	1,741,878	-	21,851,492
Total Capital Assets Being Depreciated	<u>387,161,357</u>	<u>84,088,754</u>	<u>-</u>	<u>471,250,111</u>
Total Capital Assets	<u>483,430,824</u>	<u>97,150,663</u>	<u>82,278,968</u>	<u>498,302,519</u>
Less Accumulated Depreciation				
Land improvements	651,978	128,283	-	780,261
Buildings and improvements	77,094,403	10,509,956	-	87,604,359
Machinery and equipment	11,104,410	1,671,599	-	12,776,009
Total Accumulated Depreciation	<u>88,850,791</u>	<u>12,309,838</u>	<u>-</u>	<u>101,160,629</u>
Net Capital Assets	<u>\$394,580,033</u>	<u>\$ 84,840,825</u>	<u>\$ 82,278,968</u>	<u>\$397,141,890</u>

Depreciation expense for the year was \$12,309,838.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2011, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Accrued payroll	\$ 4,361,206	\$ -
Services	7,714,752	236,142
Construction	3,812,147	-
Other	2,854,300	118,249
Total	<u>\$ 18,742,405</u>	<u>\$ 354,391</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2011, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal financial assistance	\$ 2,651	\$ -
State categorical aid	3,137,867	-
Student fees	-	2,209,035
Other local revenues	548,014	-
Total	<u>\$ 3,688,532</u>	<u>\$ 2,209,035</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2011 fiscal year consisted of the following:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds Payable					
2002A General obligation bonds	\$ 9,080,000	\$ -	\$ 2,640,000	\$ 6,440,000	\$ 3,020,000
2003B General obligation bonds	65,205,632	2,511,296	3,100,000	64,616,928	3,445,000
2005 General obligation refunding bonds	160,075,000	-	1,350,000	158,725,000	1,585,000
Unamortized premium	9,398,622	-	713,931	8,684,691	-
Deferred amount on refunding	(8,013,513)	-	(612,423)	(7,401,090)	-
Total Bonds Payable	<u>235,745,741</u>	<u>2,511,296</u>	<u>7,191,508</u>	<u>231,065,529</u>	<u>8,050,000</u>
Other Liabilities					
Compensated absences/Load banking	7,012,452	120,498	-	7,132,950	3,398,496
Net OPEB obligation	23,324,600	12,755,498	4,973,477	31,106,621	-
Claims payable	3,232,749	51,318	-	3,284,067	-
Total Other Liabilities	<u>33,569,801</u>	<u>12,927,314</u>	<u>4,973,477</u>	<u>41,523,638</u>	<u>3,398,496</u>
Total Long-Term Debt	<u>\$269,315,542</u>	<u>\$15,438,610</u>	<u>\$12,164,985</u>	<u>\$272,589,167</u>	<u>\$11,448,496</u>

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences will be paid by the fund for which the employee worked. The claims payable and the pay-as-you-go portion of the OPEB obligation will be paid by the Internal Service Fund.

Bonded Debt

Bonds Payable

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

2002A General Obligation Bonds

On May 21, 2002, \$139,000,000 of North Orange County Community College District, Election of 2002, Series 2002A Bonds were issued with a final maturity date of August 1, 2012, and interest rates ranging from 3.125 percent to 5.375 percent, depending on the maturity of the related bonds. Interest accrues from May 21, 2002, and is payable semiannually on February 1 and August 1 of each year commencing on February 1, 2003. The outstanding principal balance of these bonds at June 30, 2011, was \$6,440,000.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

2003B General Obligation Bonds

On December 23, 2003, \$99,999,001 of North Orange County Community College District, Election of 2002, Series 2003B Bonds were issued with a final maturity date of August 1, 2028, and interest rates ranging from 2.00 percent to 5.44 percent, depending on the maturity of the related bonds. Interest accrues from December 23, 2003, and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2004. The outstanding principal balance of these bonds at June 30, 2011, was \$64,616,928.

2005 General Obligation Refunding Bonds

On April 6, 2005, \$164,935,000 of North Orange County Community College District, 2005 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's Election of 2002 General Obligation Bonds, Series A maturing on and after August 1, 2013, and the District's Election of 2002 General Obligation Bonds, Series 2003B, and together with the Series A the "Refunded Bonds" maturing from August 1, 2015 through August 1, 2020, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$153,250,000 of the old debt with a final maturity date of August 1, 2023. Interest rates range from 3.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest accrues from April 6, 2005, and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2005.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,255,160. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2023 using the straight-line method. The District completed the refunding to reduce its debt service payments over the next 18 years by \$1,081,099 and obtain an economic gain (the difference of the present values of the old and new debt service payments) of \$1,993,290. The outstanding principal balance of these bonds at June 30, 2011, was \$158,725,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2010	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2011
2002	2013	3.125%-5.375%	\$139,000,000	\$ 9,080,000	\$ -	\$ -	\$ 2,640,000	\$ 6,440,000
2003	2029	2.00%-5.44%	99,999,001	65,205,632	-	2,511,296	3,100,000	64,616,928
2005	2024	3.00%-5.00%	164,935,000	160,075,000	-	-	1,350,000	158,725,000
				<u>\$234,360,632</u>	<u>\$ -</u>	<u>\$ 2,511,296</u>	<u>\$ 7,090,000</u>	<u>\$ 229,781,928</u>

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

Fiscal Year	Principal	Interest to Maturity	Total
2012	\$ 3,020,000	\$ 231,400	\$ 3,251,400
2013	3,420,000	85,500	3,505,500
Total	<u>\$ 6,440,000</u>	<u>\$ 316,900</u>	<u>\$ 6,756,900</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

<u>Fiscal Year</u>	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
2012	\$ 3,445,000	\$ -	\$ 552,429	\$ 3,997,429
2013	3,770,000	-	423,200	4,193,200
2014	4,150,000	-	264,800	4,414,800
2015	4,545,000	-	90,900	4,635,900
2016	-	-	-	-
2017-2021	-	-	-	-
2022-2026	23,559,601	21,800,397	-	45,359,998
2027-2029	25,147,327	36,577,673	-	61,725,000
Total	<u>\$ 64,616,928</u>	<u>\$ 58,378,070</u>	<u>\$ 1,331,329</u>	<u>\$ 124,326,327</u>

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

The 2005 Refunding Bonds mature through 2024 as follows:

<u>Fiscal Year</u>	Principal	Interest to Maturity	Total
2012	\$ 1,585,000	\$ 7,857,113	\$ 9,442,113
2013	1,845,000	7,780,587	9,625,587
2014	5,980,000	7,594,188	13,574,188
2015	6,780,000	7,282,844	14,062,844
2016	12,590,000	6,809,125	19,399,125
2017-2021	86,325,000	22,540,375	108,865,375
2022-2024	43,620,000	3,234,000	46,854,000
Total	<u>\$ 158,725,000</u>	<u>\$ 63,098,232</u>	<u>\$ 221,823,232</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2011, was \$12,700,000, and contributions made by the District during the year were \$4,973,477. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,049,607 and \$(994,109), respectively, which resulted in an increase to the net OPEB obligation of \$7,782,021. As of June 30, 2011, the net OPEB obligation was \$31,106,621. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The District currently provides retiree medical coverage to eligible academic and classified employees for the retiree's lifetime. Eligibility requirements vary by employee classification. All participants must have a minimum service of 15 years and be eligible to retire under CalSTRS or CalPERS. Academic and classified employees must be at least 55 and 50 years of age, respectively. The District pays for 100 percent of the premium for retiree coverage, and the retiree pays for the cost of dependant coverage. Membership of the Plan consists of 928 retirees and beneficiaries currently receiving benefits and 1,330 active plan members.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined feasible by Administration and the Board of Trustees. For fiscal year 2010-2011, the District contributed \$4,973,477 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 12,700,000
Interest on net OPEB obligation	1,049,607
Adjustment to annual required contribution	(994,109)
Annual OPEB cost (expense)	<u>12,755,498</u>
Contributions made	<u>(4,973,477)</u>
Increase in net OPEB obligation	7,782,021
Net OPEB obligation, beginning of year	23,324,600
Net OPEB obligation, end of year	<u><u>\$ 31,106,621</u></u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009, 2010, and 2011 was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2009	\$ 13,022,000	\$ 4,725,994	36%	\$ 16,325,541
2010	\$ 11,806,000	\$ 4,806,941	41%	\$ 23,324,600
2011	\$ 12,755,498	\$ 4,973,477	39%	\$ 31,106,621

Funding Status and Funding Progress

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

The above noted actuarial accrued liability was based on the March 2009 actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

In the March 2009 actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, based on the assumed long-term return on Plan assets or employer assets. The cost trend rate used for the Medical, Dental, and Vision Programs reflected an ultimate rate of 11.10 percent. The UAAL is being amortized at a level dollar method. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

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

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

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

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

As of June 30, 2011 and 2010, liabilities for claims amounted to \$3,284,067 and \$3,232,749, respectively. Changes in the claims liability amount in the fiscal years 2011 and 2010 are presented below:

	<u>Workers'</u> <u>Compensation</u>	<u>Property</u> <u>and Liability</u>	<u>Total</u>
Liability Balance, July 1, 2009	\$ 1,806,023	\$ 93,833	\$ 1,899,856
Claims and changes in estimates	1,903,809	278,036	2,181,845
Claims payments	<u>(825,572)</u>	<u>(23,380)</u>	<u>(848,952)</u>
Liability Balance, July 1, 2010	2,884,260	348,489	3,232,749
Claims and changes in estimates	1,364,741	55,213	1,419,954
Claims payments	<u>(1,349,393)</u>	<u>(19,243)</u>	<u>(1,368,636)</u>
Liability Balance, June 30, 2011	<u>\$ 2,899,608</u>	<u>\$ 384,459</u>	<u>\$ 3,284,067</u>
 Assets available to pay claims at June 30, 2011			 <u>\$ 26,503,186</u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Since January 1, 1999, this plan has been part of the State Teachers' Retirement System, a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS Executive Office, 7919 Folsom Boulevard, Sacramento, California 95826.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The CalSTRS, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of CalSTRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

Funding Policy

Active members of the DB Plan are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-2011 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The Cash Benefit Program (CB Benefit Program) is an alternative CalSTRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal to, or greater than, 8.0 percent.

Annual Pension Cost

The District's total contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$5,633,656, \$5,789,378, and \$6,066,356, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to CalSTRS on behalf of all community colleges in the State.

CalPERS

Plan Description

All full-time classified employees participate in CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The North Orange County Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is supplemented by Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2010-2011 was 10.707 percent of annual payroll. In addition, based on current agreements, the District currently pays the employee portion of CalPERS for all employees in the Classified and Confidential Employee groups.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2011, 2010, and 2009, were \$6,929,409, \$6,242,709, and \$6,645,764, respectively, and equaled 100 percent of the required contributions for each year.

Alternative Retirement Plan

Plan Description

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

Funding Policy

Active plan members are required to contribute 4.9 percent of their salary and the District is required to contribute 2.6 percent of annual payroll. The District's contributions to the Alternative Retirement Plan for the fiscal years ended June 30, 2011, 2010, and 2009, were \$0, \$0, and \$4,352, respectively.

On-Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, which amounted to \$2,913,795, \$2,994,337, and \$3,321,422, respectively, (4.267 percent) of salaries subject to CalSTRS. No contributions were made for CalPERS for the years ended June 30, 2011, 2010, and 2009. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. This amount has been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

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, 2011.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain bargain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The operating lease expense for the year ended June 30, 2011, was approximately \$116,000. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payments
2012	\$ 88,267
2013	53,397
2014	27,699
2015	23,550
2016	16,093
Total	<u>\$ 209,006</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

Construction Commitments

As of June 30, 2011, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
Fullerton College Technology and Engineering Complex Project	\$ 26,732,162	February 2013
Fullerton College Technology and Engineering Swing Space	738,300	July 2011
Fullerton College Science Remodel 400 Building	242,856	October 2011
Cypress College Temporary Structures - School of Continuation	100,000	October 2011
2008-2009 Scheduled Maintenance:		
Cypress College Business Building - Air Handler/Boiler/Chiller	668,965	October 2011
	<u>\$ 28,482,283</u>	

The projects are funded through a combination of general obligation bonds, capital project apportionments from the California Community College Chancellor's Office, and local funds.

Deferral of State Apportionments

Due to the State's budget situation, certain general apportionments owed to the District for the 2010-2011 fiscal year have been deferred to the 2011-2012 fiscal year. The District's total amount of funding deferred into the 2011-2012 fiscal year was \$22,335,632. These deferrals of apportionment are considered permanent with future funding also being subject to deferral into future years. As of the audit report date, the District had received all of the above deferrals owed to them by the State.

Fiscal Issues Relating to State-Wide Funding Reductions

The State of California economy is continuing through a recessionary economy. The California Community College system is reliant on the State of California to appropriate the funding necessary to provide for the educational services and student support programs that are mandated for the colleges. Current year appropriations have been deferred to a subsequent period, creating significant cash flow management issues for California community colleges in addition to requiring substantial budget reductions.

In addition to the deferral of cash payments, actual reductions in the funding of Full-Time Equivalent Students have cost the District approximately \$14 million in unfunded State apportionment funding for the 2010-2011 fiscal year. Significant reductions in funding for other categorical programs and services have also impacted the ability of the District to provide programs and services to the students attending North Orange County Community College District.

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 14 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2011, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 76,239,392	\$ 3,881,945	\$ -	\$ -	\$ 80,121,337
Academic support	24,584,111	3,556,594	-	-	28,140,705
Student services	19,724,809	1,382,209	-	-	21,107,018
Plant operations and maintenance	10,825,534	7,799,796	-	-	18,625,330
Instructional support services	23,494,281	7,377,874	-	-	30,872,155
Community services and economic development	1,907,485	899,303	-	-	2,806,788
Ancillary services and auxiliary operations	4,249,321	6,790,085	-	-	11,039,406
Student aid	-	34,419	45,551,334	-	45,585,753
Physical property and related acquisitions	515,973	9,775,502	-	-	10,291,475
Depreciation	-	-	-	12,309,838	12,309,838
Net OPEB obligation	7,232,523	-	-	-	7,232,523
Total	\$ 168,773,429	\$ 41,497,727	\$ 45,551,334	\$ 12,309,838	\$ 268,132,328

NOTE 15 - PRIOR PERIOD RESTATEMENT

The beginning net assets, as reported on the Statement of Revenues, Expenses, and Change in Net Assets - Primary Government and the Statement of Changes in Fiduciary Net Assets, have been restated to properly reflect the Retiree Benefits Fund as a Fiduciary Fund. The restatement decreases the net assets in the Primary Government in the amount of \$50,641,718 and increases the net assets in Fiduciary Funds by the same amount of \$50,641,718. Summarized below are the results of the changes:

Primary Government	
Net Assets - Beginning	\$ 316,000,859
Restatement of Retiree Benefits Fund	(50,641,718)
Net Assets - Beginning, as Restated	<u>\$ 265,359,141</u>
Fiduciary Funds	
Net Assets - Beginning	\$ 2,057,707
Restatement of Retiree Benefits Fund	50,641,718
Net Assets - Beginning, as Restated	<u>\$ 52,699,425</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2011**

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

SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2011

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Barbara Dunsheath	President	2014
Ms. Molly McClanahan	Vice President	2012
Ms. Donna Miller	Secretary	2014
Mr. Jeffrey P. Brown	Member	2014
Mr. Leonard L. Lahtinen	Member	2012
Mr. Michael B. Matsuda	Member	2012
Mr. M. Tony Ontiveros	Member	2012
Ms. Jennifer Caspellan	Student Trustee, Cypress College	2012
Mr. Chris Sanchez	Student Trustee, Fullerton College	2012

ADMINISTRATION

Dr. Ned Doffoney	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Mr. Jeffrey Horsley	Vice Chancellor, Human Resources
Dr. Michael J. Kasler	President, Cypress College
Dr. Rajen Vurdien	President, Fullerton College
Ms. Christine Terry	Provost, School of Continuing Education
Ms. Deborah Ludford	District Director, Information Services
Ms. Kai Stearns Moore	District Director, Public and Governmental Affairs
Mr. Kenneth Robinson	District Director, Equity and Diversity

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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		\$ 35,503,492
Federal Pell Administrative Allowance	84.063		32,526
Federal Academic Competitiveness Grant	84.375		233,210
Federal Direct Loan	84.268		8,090,909
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		259,700
Federal FSEOG Administrative Allowance	84.007		6,355
Federal Work-Study Program	84.033		380,478
Federal Work-Study Administrative Allowance	84.033		34,024
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Disadvantaged Students	93.925		73,841
ARRA - Scholarships for Disadvantaged Students	93.407		48,432
Subtotal Student Financial Aid Cluster			44,662,967
COLLEGE COST REDUCTION AND ACCESS ACT (CCRAA)			
Title V - Science, Technology, Engineering, or Mathematics (STEM)	84.031C		579,594
Passed through from Rancho Santiago Community College District			
Title V - Science, Technology, Engineering, or Mathematics (STEM)	84.031C	P031C080159	93,138
HIGHER EDUCATION ACT			
Title V - Strengthening Institutions	84.031S		197,325
ADULT EDUCATION AND FAMILY LITERACY ACT (AEFLA)			
Passed through from California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002	[1]	693,901
English Literacy and Civics Education Grant (EL Civics)	84.002	[1]	436,715
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community College Chancellor's Office			
Title I, Part C	84.048	10-C01-037	2,377,697
Technical Preparation	84.243	10-139-860	133,154
ARRA - State Fiscal Stabilization Funds	84.394	[1]	89,987
REHABILITATION ACT			
Passed through from California Department of Rehabilitation			
College to Career Program	84.126A	28110	197,310
NATIONAL SCIENCE FOUNDATION			
Passed through from North Carolina State University			
Dance Flies Research Project	47.074	DEB-0842118	18,264
Passed through from St. Petersburg College			
Medical Device Industry Education Grant	47.076	DUE-1003109	2,371
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ARRA - Equipment to Enhance Training for Health Professionals: Nursing Workforce Diversity	93.411		162,406
Passed through from Los Rios Community College District			
ARRA - Health Information Technology Grant	93.721	[1]	154,679

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, Continued			
Passed through from California Community College Chancellor's Office Health Resources and Services Administration - Allied Health	93.512	F10-0061	\$ 26,313
Passed through from California Community College Chancellor's Office Temporary Assistance for Needy Families (TANF)	93.558	[1]	142,338
Passed through from California Public Employee Retirement System (CalPERS) Medicare Part D	93.770	[1]	468,446
Passed through from California Department of Education Child Development: Quality Improvement Activities, Facilities Renovation and Repair	93.575	CPRM-0079	4,867
Child Development: Quality Improvement Activities, Facilities Renovation and Repair	93.575	CPRM-8094	12,960
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through from Orange County Transportation Authority Job Access - Reverse Commute	20.516	C-9-0640	77,314
U.S. DEPARTMENT OF LABOR			
WIA Cluster			
Passed through from California Community College Chancellor's Office Workforce Investment Act - Allied Health Program	17.258	08-115-13	16,695
Workforce Investment Act - Allied Health Program Expansion	17.258	09-115-13	49,743
ARRA Workforce Investment Act - Allied Health Program	17.258	09-115-13	57,376
Workforce Investment Act - Allied Health Program Expansion	17.258	09-127-16	113,029
ARRA - Workforce Investment Act - Allied Health Program Expansion	17.258	09-127-16	14,718
Passed through from State of California Employment Development Department ARRA - Clean Energy Project	17.258	K076827	245,474
Subtotal WIA Cluster			<u>497,035</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education Child Nutrition	10.558	2815-6A	38,382
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		9,367
Total Federal Program Expenditures			<u><u>\$ 51,076,530</u></u> ^[2]

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

[2] The difference between the schedule of expenditures of Federal awards and Federal revenues reported on the statement of revenues, expenses, and change in net assets is due to differences of \$21,570 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
STATE CATEGORICAL AID PROGRAMS			
Advanced Transportation Technology Energy (ATTE)	\$ 205,000	\$ -	\$ 205,000
AS Degree Nursing Program	132,437	75,913	208,350
Basic Skills	855,374	1,248,754	2,104,128
Board Financial Assistance Program (BFAP)	1,007,839	36,768	1,044,607
CalWORKs	476,956	-	476,956
Child Care Food Program	16,250	-	16,250
Child Care Renovation and Repair	9,733	-	9,733
Child Development Training Consortium	15,000	-	15,000
Clean Energy Grant	-	403,808	403,808
Cooperative Agencies Resources for Education (CARE)	215,100	-	215,100
Career Technical Education Community Collaborative Grant	400,000	342,426	742,426
CTE Supplemental Grant	130,000	-	130,000
Disabled Students Programs and Services (DSPS)	1,707,572	-	1,707,572
E-Books Grant	-	24,196	24,196
Emergency Preparedness Grant	4,800	-	4,800
Equal Employment Opportunities	13,862	74,394	88,256
Environmental Training Center (formerly REBRAC)	205,000	-	205,000
Extended Opportunity Programs and Services (EOPS)	1,435,565	-	1,435,565
General Child Care	236,548	-	236,548
Independent Living Skills	275,077	-	275,077
Industry-Driven Regional Collaboratives (IDRC)	239,520	71,000	310,520
Job Development Incentive Fund	1,000,000	-	1,000,000
Matriculation	896,535	-	896,535
Meat Cutting Apprenticeship	11,701	-	11,701
New Multimedia/Entertainment Center	205,000	-	205,000
Non-Credit Matriculation	641,280	-	641,280
Nursing Faculty Recruitment	-	15,997	15,997
Referee and Lane Technician	12,000	-	12,000
Responsive Training Fund - CACT	1,000,000	-	1,000,000
Responsive Training Fund - EHS2	180,000	-	180,000
Strategic Initiative HUBS - EHS2	50,000	31,571	81,571
TANF - Child Development Careers	11,690	-	11,690
Teacher Preparation Pipeline	224,640	-	224,640
Telecommunications Technology Improvement Program (TTIP)	-	48,025	48,025
Transfer and Articulation	-	2,151	2,151
Workforce Innovation Partnership	450,000	150,000	600,000
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	Program Expenditures
\$ 123,000	\$ 82,000	\$ -	\$ -	\$ 205,000	\$ 205,000
187,160	-	-	23,108	164,052	164,052
2,099,128	-	-	1,003,651	1,095,477	1,095,477
1,044,607	-	-	-	1,044,607	1,044,607
454,111	22,845	-	-	476,956	476,956
1,192	106	-	-	1,298	1,298
1,095	-	-	-	1,095	1,095
15,000	-	-	-	15,000	15,000
-	403,808	-	-	403,808	403,808
215,100	-	-	-	215,100	215,100
742,382	-	-	544,298	198,084	198,084
130,000	-	-	129,429	571	571
1,707,572	-	22,204	-	1,685,368	1,685,368
21,412	-	-	-	21,412	21,412
4,800	-	-	4,800	-	-
88,256	-	-	54,414	33,842	33,842
123,000	-	-	5,408	117,592	117,592
1,435,565	-	-	-	1,435,565	1,435,565
222,750	-	93,491	-	129,259	129,259
275,077	-	-	84,440	190,637	190,637
214,712	58,267	-	-	272,979	272,979
600,000	-	-	545,659	54,341	54,341
896,535	-	-	-	896,535	896,535
11,701	-	-	-	11,701	11,701
123,000	62,337	-	-	185,337	185,337
641,280	-	-	-	641,280	641,280
15,997	-	2,022	-	13,975	13,975
10,066	-	-	-	10,066	10,066
600,000	-	-	531,675	68,325	68,325
108,000	-	-	51,303	56,697	56,697
61,571	-	-	17,974	43,597	43,597
3,099	702	-	-	3,801	3,801
157,248	-	-	39,376	117,872	117,872
48,025	-	-	35,457	12,568	12,568
2,151	-	-	-	2,151	2,151
150,000	3,877	-	66,875	87,002	87,002
<u>\$ 12,534,592</u>	<u>\$ 633,942</u>	<u>\$ 117,717</u>	<u>\$ 3,137,867</u>	<u>\$ 9,912,950</u>	<u>\$ 9,912,950</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT
 FOR THE YEAR ENDED JUNE 30, 2011**

CATEGORIES	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession			
1. Noncredit	663	-	663
2. Credit	2,262	-	2,262
B. Summer Intersession			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	23,608	-	23,608
(b) Daily Census Contact Hours	1,404	-	1,404
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	6,259	-	6,259
(b) Credit	1,276	-	1,276
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,349	-	1,349
(b) Daily Census Contact Hours	912	-	912
D. Total FTES	<u>37,733</u>	<u>-</u>	<u>37,733</u>
E. Basic Skills courses and Immigrant Education (FTES)			
1. Noncredit	3,321	-	3,321
2. Credit	3,222	-	3,222
	<u>6,543</u>	<u>-</u>	<u>6,543</u>

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2011.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

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

General Fund	\$ 50,782,489
Special Revenue Funds	7,418,670
Capital Project Funds	29,341,174
Debt Service Fund	12,953,393
Internal Service Fund	26,503,186
Fiduciary Funds	<u>57,891,507</u>

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

\$ 184,890,419

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	498,302,519	
Accumulated depreciation is	<u>(101,160,629)</u>	397,141,890

Amounts held in trust on behalf of others (Trust and Agency Funds) (57,841,507)

Expenditures relating to the issuance of debt were recognized on the modified accrual basis and are amortized over the life of the debt on the accrual basis. 1,446,585

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred. (3,664,498)

Long-term obligations at year end consist of:

Bonds payable	231,065,529	
Compensated absences	7,132,950	
Net OPEB obligation	31,106,621	
Less load banking already recorded in funds	(2,568,496)	
Less compensated absences already recorded in funds	<u>(830,000)</u>	<u>(265,906,604)</u>
Total Net Assets		<u><u>\$ 256,066,285</u></u>

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	(Budget*) 2012		2011	
	Amount	%	Amount	%
GENERAL FUND				
Revenues				
Federal	\$ 6,274,189	3.5	\$ 6,929,584	3.6
State	99,902,912	55.4	110,322,172	57.2
Local	74,137,060	41.1	75,673,716	39.2
Total Revenues	<u>180,314,161</u>	<u>100.0</u>	<u>192,925,472</u>	<u>100.0</u>
Expenditures				
Academic salaries	74,395,903	37.1	77,085,392	41.1
Classified salaries	44,505,615	22.2	44,119,435	23.5
Employee benefits	40,933,468	20.4	37,623,550	20.2
Supplies and materials	7,711,958	3.8	3,411,385	1.8
Other operating expenses	19,305,613	9.6	14,043,242	7.5
Capital outlay	7,321,619	3.7	5,845,361	3.1
Student financial aid	909,314	0.5	589,256	0.3
Interfund transfers, net	5,313,849	2.6	4,780,511	2.5
Other uses, net	167,575	0.1	70,004	0.0
Total Expenditures and Other Uses	<u>200,564,914</u>	<u>100.0</u>	<u>187,568,136</u>	<u>100.0</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (20,250,753)</u>	<u>(11.2)</u>	<u>\$ 5,357,336</u>	<u>2.8</u>
ENDING FUND BALANCE	<u>\$ 30,531,736</u>	<u>16.9</u>	<u>\$ 50,782,489</u>	<u>26.3</u>
FULL-TIME EQUIVALENT STUDENTS	<u>33,338</u>		<u>37,733</u>	
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	<u>\$ 387,845,050</u>		<u>\$ 399,293,546</u>	

* The year 2012 General Fund budget was adopted by the Board on September 13, 2011. The budget is included for analytical purposes and has not been subjected to audit.

See accompanying note to supplementary information.

2010		2009	
Amount	%	Amount	%
\$ 7,714,908	4.0	\$ 6,403,596	3.2
103,457,506	54.3	116,056,133	57.7
79,383,090	41.7	78,571,791	39.1
<u>190,555,504</u>	<u>100.0</u>	<u>201,031,520</u>	<u>100.0</u>
79,069,990	43.1	82,325,570	42.6
43,903,295	23.9	43,470,962	22.5
35,688,060	19.5	37,146,909	19.2
3,334,216	1.8	3,579,511	1.9
12,694,383	6.9	15,031,452	7.8
2,823,646	1.5	4,427,730	2.3
741,882	0.4	1,050,371	0.5
5,105,891	2.8	5,920,390	3.1
156,675	0.1	159,640	0.1
<u>183,518,038</u>	<u>100.0</u>	<u>193,112,535</u>	<u>100.0</u>
<u>\$ 7,037,466</u>	<u>3.7</u>	<u>\$ 7,918,985</u>	<u>3.9</u>
<u>\$ 45,425,153</u>	<u>23.8</u>	<u>\$ 38,387,687</u>	<u>19.1</u>
<u>38,702</u>		<u>38,552</u>	
<u>\$ 403,801,942</u>		<u>\$ 414,736,008</u>	

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2011.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Career and Technical Education Act - Technical Preparation	84.243	
Anaheim Union High School District		\$ 15,013
Brea-Olinda Unified School District		4,982
Los Alamitos Unified School District		6,600
Placentia-Yorba Linda Unified School District		10,500
North Orange County Regional Occupational Program		19,187
College Cost Reduction and Access Act (CCRAA) Science, Technology, Engineering, or Mathematics (STEM)	84.031C	
University of California, Irvine		86,377
California State University, Fullerton		72,810
California State University, Long Beach		63,456
Total Pass-Through Awards		<u>\$ 278,925</u>

Schedule of Expenditures of State Awards

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2011

Schedule of Workload Measures for State General Apportionment

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

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

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

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

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

Schedule of Financial Trends and Analysis of the General Fund

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

INDEPENDENT AUDITORS' REPORTS



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

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

We have audited the basic financial statements of North Orange County Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of North Orange County Community College District in a separate letter dated December 7, 2011.

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

Varrinck, Trina, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2011



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

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

Compliance

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Orange County Community College District's major Federal programs for the year ended June 30, 2011. North Orange County Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of North Orange County Community College District's management. Our responsibility is to express an opinion on North Orange County Community College District's compliance based on our audit.

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

In our opinion, North Orange County Community College District complied, in all material respects, with the compliance requirements referred to above, which could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

The management of North Orange County Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered North Orange County Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Orange County Community College District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vaughan, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2011



REPORT ON STATE COMPLIANCE

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

We have audited the basic financial statements of North Orange County Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011.

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 of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of North Orange County Community College District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the North Orange County Community College District's compliance with the State laws and regulations applicable to the following items:

- Section 421 Salaries of Classroom Instructors: 50 Percent Law
Section 423 Apportionment for Instructional Service Agreements/Contracts
Section 424 State General Apportionment Required Data Elements
Section 425 Residency Determination for Credit Courses
Section 426 Students Actively Enrolled
Section 427 Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431 Gann Limit Calculation
Section 432 Enrollment Fee
Section 433 CalWORKS - Use of State and Federal TANF Funding
Section 435 Open Enrollment
Section 437 Student Fee - Instructional Materials and Health Fees
Section 473 Economic and Workforce Development (EWD)
Section 474 Extended Opportunity Programs and Services (EOPS)
Section 475 Disabled Student Programs and Services (DSPS)
Section 477 Cooperative Agencies Resources for Education (CARE)
Section 478 Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs
Section 479 To Be Arranged (TBA) Hours

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

Based on our audit, we found that for the items tested, the North Orange County Community College District complied with the State laws and regulations referred to above, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs as item 2011-2. Our audit does not provide a legal determination on North Orange County Community College District's compliance with the State laws and regulations referred to above.

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

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

Kavirach, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268, 84.375, 93.407 (ARRA), and 93.925	Student Financial Assistance Cluster (includes ARRA)
84.031C	Title V - Science, Technology, Engineering, or Mathematics (STEM)
84.031S	Title V - Strengthening Institutions
84.002	Adult Education and Family Literacy Act
84.002	English Literacy and Civics Education Grant (EL Civics)
93.411	ARRA - Equipment to Enhance Training for Health Professionals: Nursing Workforce Diversity
93.721	ARRA - Health Information Technology Grant
17.258 (ARRA)	Workforce Investment Act Cluster (Includes ARRA)
17.258 (ARRA)	ARRA - Clean Energy Project

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>Yes</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following finding represents a significant deficiency and/or instance of noncompliance including questioned cost that is required to be reported by OMB Circular A-133.

2011-1 RETURN OF TITLE IV FUNDS

Federal Program Affected

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

Compliance Requirement

Special Tests and Provisions - Return of Title IV Funds.

Criteria or Specific Requirement

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

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

Identified Condition

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

Questioned Costs

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

Context

We noted 30 instances at Cypress College where the College's portion of the Return to Title IV funds was not returned within the 45-day requirement.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Effect

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

Cause

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

Recommendation

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

Management Response and Corrective Action Plan

The late Title IV returns for the Spring semester occurred as a result of staff turnover within the Cypress College Financial Aid office. The previous Accounting Technician, who was responsible for performing the calculations and returning the funds, retired near the end of the Fall semester. The new Accounting Technician began near the start of the Spring semester. While the Director of Financial Aid ensured that the new Accounting Technician was performing the calculations, there was a lack of oversight to ensure that the next step, transmittal of funds to the Department of Education, occurred within the 45-day requirement.

The College has now instituted procedural changes to verify that Return to Title IV (R2T4) calculations and submittals are reviewed and submitted as required by statute. The responsible Accounting Technician will report to the Director of Financial Aid on a monthly basis to review all calculations, determine funds to be returned, and to ensure that funds are transmitted within the 45-day timeline established by regulation. Additionally, the Director of Financial Aid has established a reporting process and tool to use with the Accounting Technician to provide additional controls that will prevent this finding from recurring in the future.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

The following finding represents an instance of noncompliance and/or questioned cost relating to State program laws and regulations.

2011-2 CARE - ADVISORY COMMITTEE

Criteria or Specific Requirement

CARE Program Guidelines require that each CARE program shall have an advisory committee that includes a representative from the local county welfare department and holds meetings at least twice during each academic year.

Condition

The advisory committee for the CARE program at Fullerton College does not include a representative from the local county welfare department and only one meeting was held during the 2010-2011 academic year.

Questioned Costs

There are no questioned costs associated with this finding.

Recommendation

A representative from the local county welfare department should be requested to join the committee. In addition, the College's CARE program managers need to ensure that the committee meets at least twice during the academic year.

Management Response and Corrective Action Plan

The College will ensure compliance with the CARE Program Guidelines. Procedures have been developed to ensure that meetings are held at least twice each academic year and that the advisory committee has a representative from the County Welfare Department. Meetings for the 2011-2012 fiscal year have been scheduled for November 30, 2011 and April 24, 2012. In addition, a County Welfare Representative has been appointed to the Fullerton College CARE advisory committee.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

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

FEDERAL AWARD FINDINGS

2010-1 RETURN OF TITLE IV FUNDS

Federal Program Affected

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

Compliance Requirement

Special Tests and Provisions - Return of Title IV Funds.

Criteria or Specific Requirement

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

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

Identified Condition

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

Questioned Costs

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

Context

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Effect

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

Cause

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

Recommendation

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

Current Status

Not implemented. See current year finding 2011-1.

2010-2 STUDENT FINANCIAL AID ELIGIBILITY

Federal Program Affected

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

Compliance Requirement

Eligibility.

Criteria or Specific Requirement

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

Identified Condition

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

Questioned Costs

No questioned costs.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

2010-3 SUBRECIPIENT MONITORING

Federal Program Affected

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

Compliance Requirement

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

Criteria or Specific Requirement

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

Identified Condition

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2011

Questioned Costs

No questioned costs.

Context

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

Effect

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

Cause

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

Recommendation

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

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2011**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
ASSETS			
Cash and cash equivalents	\$ 150,313	\$ 1,732,863	\$ 1,282,771
Investments	38,127,531	-	-
Accounts receivable	29,133,065	1,968	1,251
Student loans receivable	460	6,124	-
Due from other funds	8,116,619	2,896,892	-
Prepaid expenses	-	828,981	-
Stores inventories	94,694	883,761	-
Total Assets	<u>\$ 75,622,682</u>	<u>\$ 6,350,589</u>	<u>\$ 1,284,022</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 9,905,802	\$ 218,497	\$ -
Due to other funds	11,247,738	-	-
Deferred revenue	3,686,653	-	-
Total Liabilities	<u>24,840,193</u>	<u>218,497</u>	<u>-</u>
FUND BALANCES			
Nonspendable	109,694	1,712,742	-
Restricted	4,355,049	-	-
Assigned	26,011,882	4,419,350	1,284,022
Unassigned	20,305,864	-	-
Total Fund Balances	<u>50,782,489</u>	<u>6,132,092</u>	<u>1,284,022</u>
Total Liabilities and Fund Balances	<u>\$ 75,622,682</u>	<u>\$ 6,350,589</u>	<u>\$ 1,284,022</u>

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ 3,165,947
135,946	12,953,393	18,934,443	12,131,239	82,282,552
58,286	-	1,354,989	9,878	30,559,437
-	-	-	-	6,584
258,726	-	3,239,794	-	14,512,031
-	-	-	-	828,981
-	-	-	-	978,455
<u>\$ 452,958</u>	<u>\$ 12,953,393</u>	<u>\$ 23,529,226</u>	<u>\$ 12,141,117</u>	<u>\$ 132,333,987</u>
\$ 164,953	\$ -	\$ 4,128,437	\$ 1,711,989	\$ 16,129,678
285,449	-	487,173	1,570	12,021,930
-	-	-	-	3,686,653
<u>450,402</u>	<u>-</u>	<u>4,615,610</u>	<u>1,713,559</u>	<u>31,838,261</u>
-	-	-	-	1,822,436
-	12,953,393	18,913,616	10,427,558	46,649,616
2,556	-	-	-	31,717,810
-	-	-	-	20,305,864
<u>2,556</u>	<u>12,953,393</u>	<u>18,913,616</u>	<u>10,427,558</u>	<u>100,495,726</u>
<u>\$ 452,958</u>	<u>\$ 12,953,393</u>	<u>\$ 23,529,226</u>	<u>\$ 12,141,117</u>	<u>\$ 132,333,987</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
REVENUES			
Federal revenues	\$ 6,929,584	\$ -	\$ -
State revenues	110,322,172	-	-
Local revenues	75,673,716	8,014,714	259,190
Total Revenues	<u>192,925,472</u>	<u>8,014,714</u>	<u>259,190</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	77,085,392	-	-
Classified salaries	44,119,435	1,287,703	-
Employee benefits	37,623,550	471,734	-
Books and supplies	3,411,385	5,708,387	-
Services and operating expenditures	14,043,242	213,031	20,682
Capital outlay	5,845,361	14,234	-
Debt service - principal	-	-	-
Debt service - interest	153,339	2,088	-
Total Expenditures	<u>182,281,704</u>	<u>7,697,177</u>	<u>20,682</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,643,768</u>	<u>317,537</u>	<u>238,508</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	81,629	-	33,942
Operating transfers out	(4,862,140)	(71,164)	(75,000)
Other sources	7,524	-	-
Other uses	(513,445)	-	-
Total Other Financing Sources (Uses)	<u>(5,286,432)</u>	<u>(71,164)</u>	<u>(41,058)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,357,336	246,373	197,450
FUND BALANCES, BEGINNING OF YEAR	45,425,153	5,885,719	1,086,572
FUND BALANCES, END OF YEAR	<u>\$ 50,782,489</u>	<u>\$ 6,132,092</u>	<u>\$ 1,284,022</u>

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
\$ 38,065	\$ -	\$ -	\$ -	\$ 6,967,649
131,653	158,767	2,017,102	-	112,629,694
151,776	17,162,061	1,587,068	28,744	102,877,269
<u>321,494</u>	<u>17,320,828</u>	<u>3,604,170</u>	<u>28,744</u>	<u>222,474,612</u>
-	-	-	-	77,085,392
305,505	-	-	-	45,712,643
161,844	-	-	-	38,257,128
19,235	-	479,081	17,636	9,635,724
43,940	-	1,214,376	1,096,693	16,631,964
5,962	-	14,089,829	7,164,075	27,119,461
-	7,090,000	-	-	7,090,000
-	8,958,993	-	-	9,114,420
<u>536,486</u>	<u>16,048,993</u>	<u>15,783,286</u>	<u>8,278,404</u>	<u>230,646,732</u>
(214,992)	1,271,835	(12,179,116)	(8,249,660)	(8,172,120)
214,989	-	3,050,000	-	3,380,560
-	-	-	-	(5,008,304)
-	7,518	-	-	15,042
-	-	-	-	(513,445)
<u>214,989</u>	<u>7,518</u>	<u>3,050,000</u>	<u>-</u>	<u>(2,126,147)</u>
(3)	1,279,353	(9,129,116)	(8,249,660)	(10,298,267)
2,559	11,674,040	28,042,732	18,677,218	110,793,993
<u>\$ 2,556</u>	<u>\$ 12,953,393</u>	<u>\$ 18,913,616</u>	<u>\$ 10,427,558</u>	<u>\$ 100,495,726</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2011**

	Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 75,000
Investments	23,804,965
Accounts receivable	10,626
Due from other funds	6,770,721
Total Assets	\$ 30,661,312
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 33,404
Due to other funds	840,655
Claim liabilities	3,284,067
Total Liabilities	4,158,126
FUND EQUITY	
Retained earnings	26,503,186
Total Liabilities and Fund Equity	\$ 30,661,312

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30, 2011

	Internal Service Fund
OPERATING REVENUES	
Premium contributions	\$ 7,991,721
OPERATING EXPENSES	
Classified salaries	138,597
Employee benefits	4,968,290
Books and supplies	229
Services and other operating expenditures	1,728,227
Total Operating Expenses	6,835,343
Operating Income	1,156,378
NONOPERATING REVENUES	
Interest income	168,144
Other income	120,108
Operating transfers in	30
Total Nonoperating Revenues	288,282
NET PROFIT	1,444,660
RETAINED EARNINGS, BEGINNING OF YEAR	25,058,526
RETAINED EARNINGS, END OF YEAR	\$ 26,503,186

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 7,991,721
Cash payments to employees for services	(138,597)
Cash payments for insurance claims	(4,968,290)
Cash payments to suppliers for goods and services	(229)
Cash payments for other operating expenses	(1,345,011)
Net Cash Provided from Operating Activities	<u>1,539,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	175,915
Other income	120,138
Net Cash Provided from Investing Activities	<u>296,053</u>
Net increase in cash and cash equivalents	1,835,647
Cash and cash equivalents - Beginning	22,044,318
Cash and cash equivalents - Ending	<u><u>\$ 23,879,965</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Operating Income	\$ 1,156,378
Changes in assets and liabilities:	
Due from other funds	(131,301)
Accounts payable	28,602
Due to other funds	434,597
Claim liabilities	51,318
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u><u>\$ 1,539,594</u></u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2011**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 861,232	\$ 46,647	\$ -
Investments	-	-	5,617,841
Accounts receivable	-	-	370,992
Student loans receivable	-	578	62,425
Due from other funds	-	-	-
Total Assets	\$ 861,232	\$ 47,225	\$ 6,051,258
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 10,022	\$ -	\$ 5,977,819
Due to other funds	26,385	-	21,560
Deferred revenue	-	-	1,879
Due to student groups	226,794	-	-
Total Liabilities	263,201	-	6,001,258
FUND BALANCES			
Reserved	-	-	50,000
Unreserved			
Designated	598,031	47,225	-
Total Fund Balances	598,031	47,225	50,000
Total Liabilities and Fund Balances	\$ 861,232	\$ 47,225	\$ 6,051,258

See accompanying note to additional supplementary information.

Retiree Benefits	Other Trust	Total
\$ -	\$ 10,778,755	\$ 11,686,634
52,429,643	4,055,750	62,103,234
23,925	225,118	620,035
-	381,892	444,895
979,867	-	979,867
<u>\$ 53,433,435</u>	<u>\$ 15,441,515</u>	<u>\$ 75,834,665</u>

\$ 2,622	\$ 341,747	\$ 6,332,210
-	9,352,089	9,400,034
-	2,209,035	2,210,914
-	2,219,228	2,446,022
<u>2,622</u>	<u>14,122,099</u>	<u>20,389,180</u>

-	-	50,000
<u>53,430,813</u>	<u>1,319,416</u>	<u>55,395,485</u>
<u>53,430,813</u>	<u>1,319,416</u>	<u>55,445,485</u>
<u>\$ 53,433,435</u>	<u>\$ 15,441,515</u>	<u>\$ 75,834,665</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 44,087,311
State revenues	-	-	1,464,023
Local revenues	272,824	17,132	25,871
Total Revenues	<u>272,824</u>	<u>17,132</u>	<u>45,577,205</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	74,681	-	-
Employee benefits	18,240	-	-
Books and supplies	52,180	-	-
Services and operating expenditures	126,781	15,633	4,311
Capital outlay	4,899	-	-
Total Expenditures	<u>276,781</u>	<u>15,633</u>	<u>4,311</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,957)</u>	<u>1,499</u>	<u>45,572,894</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	17,949	-	-
Operating transfers out	(15,000)	-	(21,560)
Other uses	-	-	(45,551,334)
Total Other Financing Sources (Uses)	<u>2,949</u>	<u>-</u>	<u>(45,572,894)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(1,008)</u>	<u>1,499</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR (AS RESTATED)	<u>599,039</u>	<u>45,726</u>	<u>50,000</u>
FUND BALANCES, END OF YEAR	<u>\$ 598,031</u>	<u>\$ 47,225</u>	<u>\$ 50,000</u>

See accompanying note to additional supplementary information.

Retiree Benefits	Other Trust	Total
\$ -	\$ -	\$ 44,087,311
-	-	1,464,023
1,336,538	275,207	1,927,572
<u>1,336,538</u>	<u>275,207</u>	<u>47,478,906</u>
-	24,926	99,607
-	3,083	21,323
-	16,687	68,867
47,443	463,032	657,200
-	7,330	12,229
<u>47,443</u>	<u>515,058</u>	<u>859,226</u>
<u>1,289,095</u>	<u>(239,851)</u>	<u>46,619,680</u>
1,500,000	180,267	1,698,216
-	(33,942)	(70,502)
-	-	(45,551,334)
<u>1,500,000</u>	<u>146,325</u>	<u>(43,923,620)</u>
2,789,095	(93,526)	2,696,060
50,641,718	1,412,942	52,749,425
<u>\$ 53,430,813</u>	<u>\$ 1,319,416</u>	<u>\$ 55,445,485</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2011

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.