

**NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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, 2012, 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, 2012, 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 3, 2012, 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 required supplementary information, such as the Management's Discussion and Analysis on pages 4 through 17 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 50, 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 opinions on the financial statements that collectively comprise the District's basic financial statements. 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* (Circular A-133) and other supplementary information listed in the Table of Contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Additional Supplementary Information on pages 81 through 88 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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2012



NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FRED WILLIAMS
Vice Chancellor
Finance & Facilities

NED DOFFONEY, Ed.D.
Chancellor

Introduction

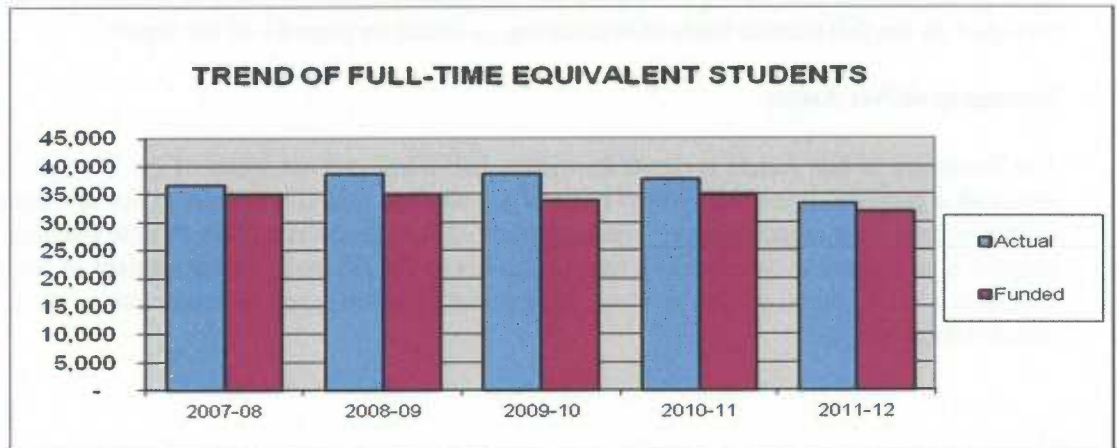
The following discussion and analysis provides an overview of the financial position and activities of North Orange County Community College District (the District) for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements 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 diverse communities by providing a comprehensive program of educational opportunities that are accessible, academically excellent, and committed to student success and lifelong learning. Cypress College and Fullerton College offer associate degrees, vocational certificates, and transfer education, as well as developmental instruction and a broad array of specialized training. The School of Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses. Specific activities in both the college and School of Continuing Education will be directed toward economic development within the community.

Selected Highlights

- During 2011-2012, total full-time equivalent students (FTES) decreased by approximately 4,467; 11.84 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 2011-2012 by approximately 1,336 FTES; 4.18 percent. Thus, 2011-2012 was the fifth 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, 2012

- 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 2011-2012 fiscal year, the Cypress College Central Plant project was completed. The remaining major project is the Technology Complex renovation at Fullerton College, expected to be completed in May 2013.

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, with Inter-fund transactions eliminated.

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, 2012, 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 61 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, 2012

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

The Net 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, 2012

The Statement of Net Assets as of June 30, 2012 and 2011, is summarized below.

	(in thousands)	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and investments	\$ 117,861	\$ 114,946
Receivables	35,745	31,010
Inventory	1,554	978
Due from fiduciary funds	8,864	9,378
Other assets	1,825	2,277
Total current assets	<u>165,849</u>	<u>158,589</u>
Non-current assets		
Capital assets, net	400,278	397,142
Total non-current assets	<u>400,278</u>	<u>397,142</u>
TOTAL ASSETS	<u>566,127</u>	<u>555,731</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	19,434	22,407
Deferred revenue	13,698	3,689
Due to fiduciary funds	969	980
Compensated absences - current portion	3,028	3,398
Long-term liabilities - current portion	9,035	8,050
Total current liabilities	<u>46,164</u>	<u>38,524</u>
Non-current liabilities		
Long-term liabilities less current portion	261,607	261,141
Total non-current liabilities	<u>261,607</u>	<u>261,141</u>
TOTAL LIABILITIES	<u>307,771</u>	<u>299,665</u>
NET ASSETS		
Invested in capital assets, net	183,415	176,504
Restricted	38,942	36,222
Unrestricted *	35,999	43,340
TOTAL NET ASSETS	<u>\$ 258,356</u>	<u>\$ 256,066</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)

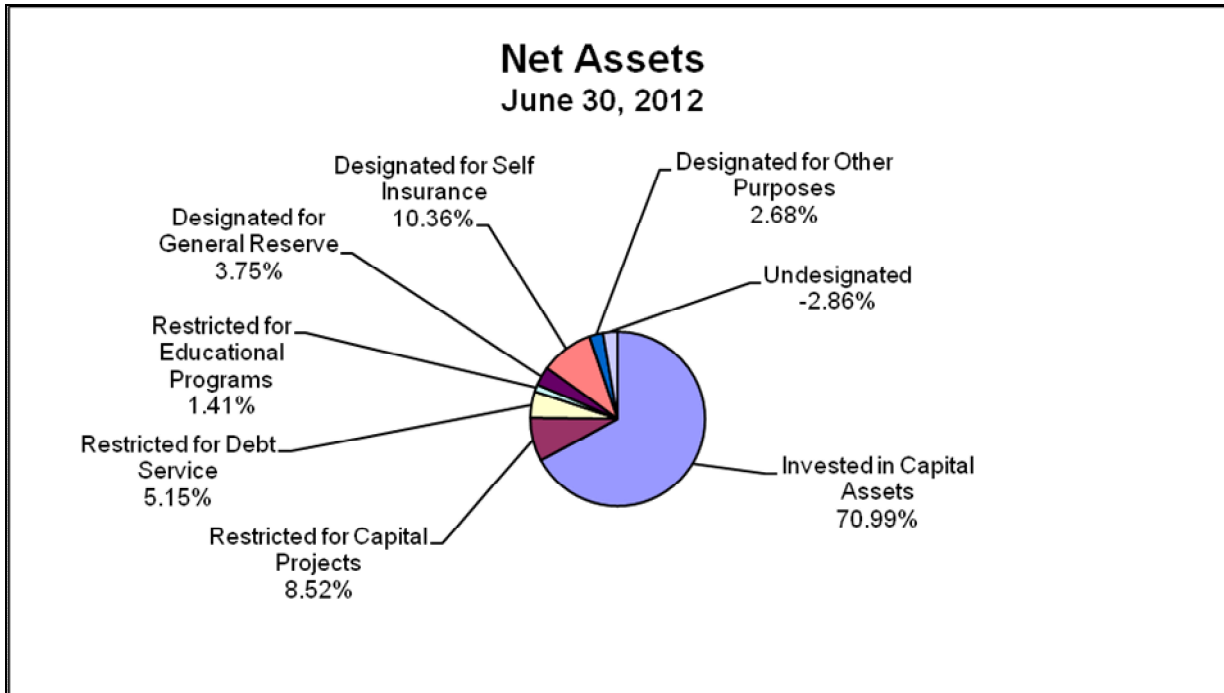
JUNE 30, 2012

- Cash and cash equivalents consist primarily of cash held in the General Fund (\$31 million), Bond Fund (\$7.7 million), Capital Outlay Fund (\$34.2 million), and the Self-Insurance Fund (\$23.1 million). Cash in the Retiree Benefits Fund at June 30, 2012, was \$53.7 million; an increase of \$1.3 million over the prior year, due to contributions and interest income. The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2011-2012 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 increase in this account is related to an increase in Bookstore inventory. The increase in inventory was primarily due to the early shipment of the fall semesters used books, as well as an increase of used books buy back activities throughout the year.
- 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.
- 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. The decrease in this account is primarily due to a decrease in credit memos in the Bookstore Fund which decreased the amount of 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 2011-2012 fiscal year.
- Accounts payable are amounts due as of the fiscal year end for goods and services received as of June 30, 2012. 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, 2012. Decrease in this account is due to the decrease in expenditures in the General Fund, as well a decrease in expenditures in the Capital Outlay and Bond Funds as the District's construction projects come to an end.
- 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 a new Capital Outlay Financing program for the Fullerton College Technology and Engineering Complex renovation in which the State advanced the District the majority of the funds rather than submitting it on a reimbursement basis.
- Compensated absences are amounts accrued for accumulated, unpaid employee vacation benefits and load banking where eligible academic employees may teach extra courses in one period for exchange for time off in another period.
- The District currently has two bonded debt issues outstanding that amount to \$225.6 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012



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, 2012

The Statement of Revenues, Expenses, and Change in Net Assets for the years ended June 30, 2012 and 2011, is summarized below:

	(in thousands)	
	<u>2012</u>	<u>2011</u>
Operating Revenues		
Net tuition and fees	\$ 16,914	\$ 16,917
Sales	7,285	8,274
Total operating revenues	<u>24,199</u>	<u>25,191</u>
Operating Expenses		
Salaries and benefits	167,054	168,774
Supplies, materials, depreciation, and other expenses	41,405	53,808
Student financial aid	43,804	45,551
Total operating expenses	<u>252,263</u>	<u>268,133</u>
Operating loss	<u>(228,064)</u>	<u>(242,942)</u>
Non-operating revenues (expenses)		
State apportionments, non-capital	80,406	92,277
Local property taxes	68,791	71,902
Grants and contracts, non-capital	62,396	63,592
State taxes and other revenues	6,376	7,262
Investment income	590	646
Other non-operating revenues (expenses), net	(956)	(4,047)
Total non-operating revenues (expenses)	<u>217,603</u>	<u>231,632</u>
Other revenues, expenses, gains or losses		
State revenue, capital	<u>12,751</u>	<u>2,017</u>
Change in net assets	2,290	(9,293)
Net assets, beginning of year	256,066	316,001
Prior period restatement	<u>-</u>	<u>(50,642)</u>
Net assets, beginning of year, as restated	<u>256,066</u>	<u>265,359</u>
Net assets, end of year	<u>\$ 258,356</u>	<u>\$ 256,066</u>

- 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 enrollment, 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

- Salaries and benefits consist of 66 percent of total operating expenses from a District-wide, full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries as compared to total expenses since it is computed using all Capital Outlay and Bond Fund expenditures that are primarily capital outlay expenditures. Salaries and benefits in the General Fund make up 87.2 percent of total General Fund expenses as reflected on page 62 of this report.
- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The decrease in this account is related to decreased purchases of capital outlay items below our capitalization threshold. This activity decreased over the previous year due to the completion of the Fullerton College South Science Building, Physical Ed Facilities, and Berkeley Center in 2010-2011 which required a significant amount of Furniture, Fixtures, and Equipment (FF&E) to be purchased. The Cypress College Central Plant was the only project completed in 2011-2012 in which no FF&E was required.
- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs.
- The operating loss reported on the Statement of Revenues, Expenses, and 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. The decrease is primarily made up of an 8.15 percent workload reduction in 2011-2012 that amounted to \$11.3 million. An important aspect of the community college apportionment funding model is the inverse relationship between State apportionment and local property taxes. Thus, our funding essentially comes from enrollment fees and local property taxes with the difference made up of State apportionment.
- Local property taxes are received through the Auditor-Controller's Office for Orange and Los Angeles Counties. The amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State.
- 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 53 through 55 of the supplementary information section of this report provide a complete listing of Federal and State non-capital grants and contracts.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

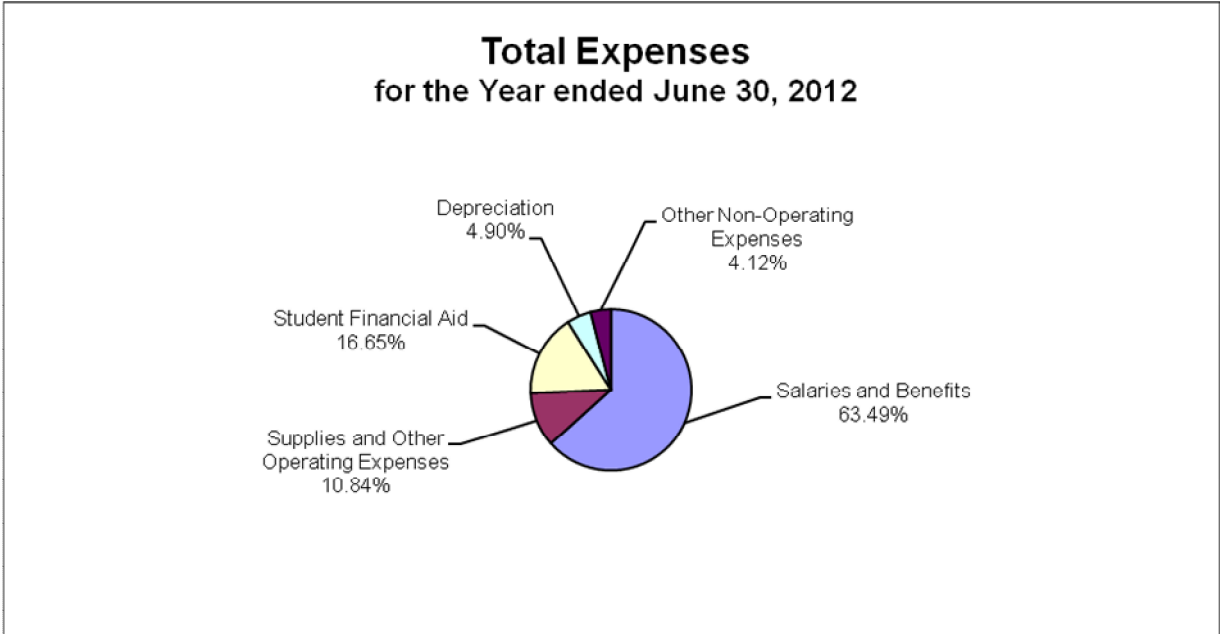
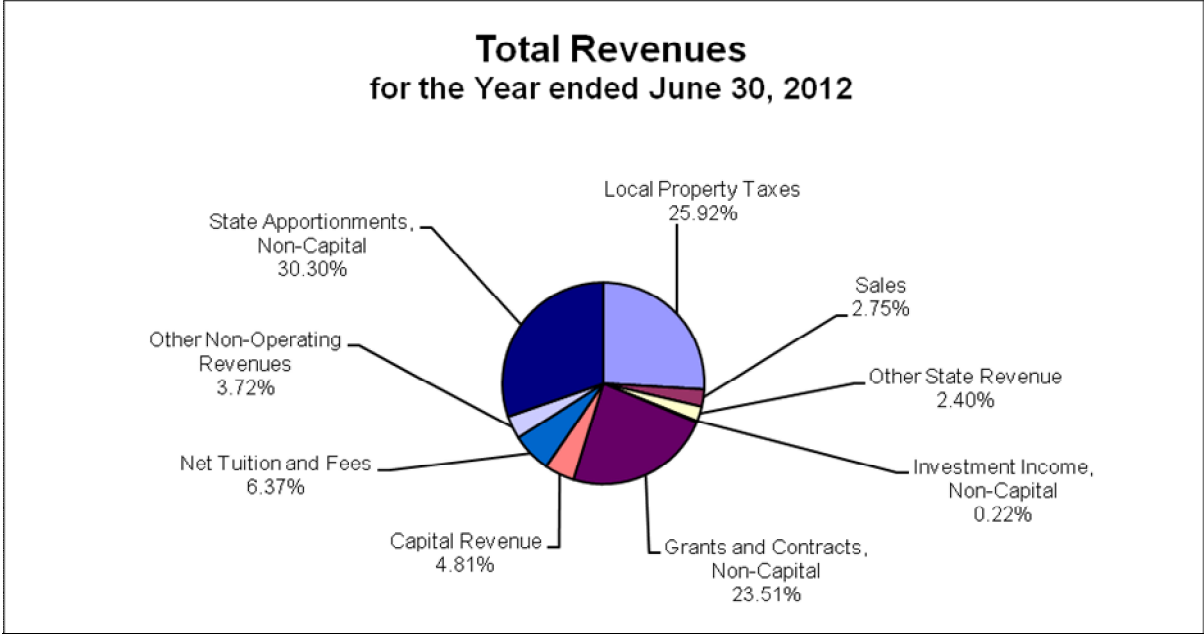
JUNE 30, 2012

- State taxes and other revenues are mainly comprised of State mandated cost revenues and Lottery revenues. The decrease in this account is primarily due to the receipt of \$869 thousand less of back-logged mandated cost reimbursements from the State than the previous year.
- Investment income, net decreased due to declining interest rates and declining bond fund balances as we near the end of our bond program. In 2011-2012, the average interest rate earned for the Orange County Investment Pool was 0.44 percent whereas in 2010-2011, the average rate was 0.60 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 \$3.4 million. The decrease in this account is primarily due to suspending a \$1.5 million transfer to the Retiree Benefits Fund and the receipt of approximately \$1 million in Redevelopment Agency (RDA) revenues due to the dissolution of RDAs.
- State revenues, capital relate to projects for capital outlay. The increase in this account is mainly due to the recognition of revenues for the Fullerton College Technology and Engineering Complex renovation project.
- The beginning net assets, as reported on the 2011 Statement of Revenues, Expenditures, and Changes 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 decreased the net assets in the Primary Government in the amount of \$50.6 million and increased the net assets in the Fiduciary Funds by the same amount.
- 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, 2012



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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

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, 2012 and 2011, is presented below:

(in thousands)

	<u>2012</u>	<u>2011</u>
Cash Provided By (Used in)		
Operating activities	\$ (209,092)	\$ (223,716)
Non-capital financing activities	204,489	217,720
Capital and related financing activities	6,928	(4,822)
Investing activities	<u>590</u>	<u>646</u>
Net increase (decrease) in cash and cash equivalents	2,915	(10,172)
Cash balance, beginning of year	<u>114,946</u>	<u>125,118</u>
Cash balance, end of year	<u>\$ 117,861</u>	<u>\$ 114,946</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 65 percent of the total cash provided by non-capital financing activities. Additionally, cash received from non-capital related grants and contracts accounts for 31 percent of the total cash provided by non-capital financing activities.
- Capital financing activities are mostly made up of the purchase or sale of capital assets, principal and interest payments on any debt issued and proceeds received from any new debt issuances, and cash sources or uses from Federal, State, and local grants for capital purposes. The increase in cash receipts in this category is primarily made up of cash received in advance for 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 lower interest earnings from declining interest rates.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the District had \$400.3 million invested in net capital assets. Total capital assets of \$514.2 million consist of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of \$113.9 million over the years they have been in service. During 2011-2012, \$7.6 million of building and improvement projects completed construction. In addition, \$15.8 million of construction in progress occurred during 2011-2012. Depreciation expense of \$12.9 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 2011-2012, capital additions of completed construction projects included the Central Plant project at Cypress College. The current major project is the Technology and Engineering 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>2012</u>	<u>2011</u>
Land and improvements	\$ 16,642	\$ 16,772
Buildings and improvements	355,422	358,998
Equipment	7,634	9,076
Construction in progress	<u>20,580</u>	<u>12,296</u>
Net capital assets	<u>\$ 400,278</u>	<u>\$ 397,142</u>

Debt Administration

At June 30, 2012, the District had \$273.7 million in debt primarily made up of \$225.6 million from general obligation bonds; \$2.7 million from Self-Insurance claims payable; \$6.9 million from compensated absences payable, and \$38.5 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 post-employment 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

As reflected in the \$38.5 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 June 2010, the District's actuarially determined unfunded liability was projected at \$166.1 million. As of June 30, 2012, the District had \$54.7 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>2012</u>	<u>2011</u>
Long-term debt		
General obligation bonds	\$ 225,562	\$ 231,066
Claims payable	2,709	3,284
Compensated absences	6,931	7,133
Net OPEB obligation	<u>38,467</u>	<u>31,106</u>
Total long-term debt	273,669	272,589
Less current portion	<u>(12,062)</u>	<u>(11,448)</u>
Long-term portion	<u><u>\$ 261,607</u></u>	<u><u>\$ 261,141</u></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.

Economic Factors that May Affect the Future

As of June 30, 2012, 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 2012-2013 fiscal year; however, there is still significant concern of the unknown for the 2012-2013 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)

JUNE 30, 2012

Also of concern is the potential for significant increases in the STRS employer contribution rates. 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, 2012

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 3,265,190
Investments - unrestricted	50,614,102
Investments - restricted	63,981,862
Accounts receivable	35,555,096
Student loans receivable	189,304
Due from fiduciary funds	8,863,359
Prepaid expenses	502,247
Stores inventories	1,554,362
Deferred cost on issuance	1,322,947
Total Current Assets	165,848,469

Noncurrent Assets

Nondepreciable capital assets	35,335,951
Depreciable capital assets, net of depreciation	364,942,196
Total Noncurrent Assets	400,278,147
TOTAL ASSETS	566,126,616

LIABILITIES

Current Liabilities

Accounts payable	15,897,950
Accrued interest payable	3,536,286
Due to fiduciary funds	969,254
Deferred revenue	13,697,945
Compensated absences payable	3,027,370
Bonds payable	9,035,000
Total Current Liabilities	46,163,805

Noncurrent Liabilities

Compensated absences payable	3,903,519
Claims liability	2,709,240
Bonds payable	216,526,930
Other long-term liabilities - noncurrent portion	38,466,975
Total Noncurrent Liabilities	261,606,664
TOTAL LIABILITIES	307,770,469

NET ASSETS

Invested in capital assets, net of related debt	183,415,438
Restricted for:	
Debt service	13,297,078
Capital projects	22,008,405
Educational programs	3,636,177
Unrestricted	35,999,049
TOTAL NET ASSETS	\$ 258,356,147

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, 2012

OPERATING REVENUES	
Student Tuition and Fees	\$ 31,272,309
Less: Scholarship discounts and allowances	(14,358,313)
Net tuition and fees	<u>16,913,996</u>
Auxiliary enterprise sales and charges	<u>7,284,974</u>
TOTAL OPERATING REVENUES	<u>24,198,970</u>
OPERATING EXPENSES	
Salaries	118,960,250
Employee benefits	48,093,415
Supplies, materials, and other operating expenses and services	28,513,856
Student financial aid	43,803,853
Depreciation	<u>12,891,387</u>
TOTAL OPERATING EXPENSES	<u>252,262,761</u>
OPERATING LOSS	<u>(228,063,791)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	80,406,407
Local property taxes, levied for general purposes	51,955,080
Taxes levied for other specific purposes	16,835,402
Federal grants and contracts, noncapital	47,983,925
State grants and contracts, noncapital	14,411,686
State taxes and other revenues	6,376,200
Investment income	590,257
Interest expense on capital related debt	(10,575,464)
Investment income on capital asset-related debt, net	35,908
Loss on disposal of capital assets	(59,652)
Transfer from fiduciary funds	25,000
Transfer to fiduciary funds	(197,687)
Other nonoperating revenues	<u>9,815,747</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>217,602,809</u>
LOSS BEFORE OTHER REVENUES	<u>(10,460,982)</u>
State revenues, capital	<u>12,750,844</u>
TOTAL OTHER REVENUES	<u>12,750,844</u>
CHANGE IN NET ASSETS	2,289,862
NET ASSETS, BEGINNING OF YEAR	<u>256,066,285</u>
NET ASSETS, END OF YEAR	<u><u>\$ 258,356,147</u></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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 16,793,701
Auxiliary sales	7,284,974
Payments to or on behalf of employees	(160,560,885)
Payments to vendors for supplies and services	(28,806,301)
Payments to students for scholarships and grants	(43,803,853)
Net Cash Flows From Operating Activities	<u>(209,092,364)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	80,406,407
Property taxes - nondebt related	51,955,080
Grants and contracts	62,873,071
State taxes and other revenues	(384,906)
Other nonoperating revenues	9,639,396
Net Cash Flows From Noncapital Financing Activities	<u>204,489,048</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(18,841,065)
State revenue, capital projects	13,998,910
Property taxes - related to capital debt	27,941,430
Principal paid on capital debt	(8,151,508)
Interest paid on capital debt	(8,055,767)
Interest received on capital asset-related debt	35,908
Net Cash Flows From Capital Financing Activities	<u>6,927,908</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	<u>590,257</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,914,849
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>114,946,305</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 117,861,154</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, 2012

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

Operating Loss	<u>\$ (228,063,791)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	12,891,387
Changes in Assets and Liabilities:	
Receivables, net	(120,295)
Stores inventories	(575,907)
Other assets	450,372
Accounts payable and accrued liabilities	(90,686)
Deferred revenue	(166,910)
Change in claims payable	(574,827)
OPEB obligation	7,360,354
Compensated absences	<u>(202,061)</u>
Total Adjustments	<u>18,971,427</u>
Net Cash Flows From Operating Activities	<u><u>\$ (209,092,364)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 3,265,190
Cash in county treasury	104,535,025
Premium Money Market	<u>10,060,939</u>
Total Cash and Cash Equivalents	<u><u>\$ 117,861,154</u></u>

NON CASH TRANSACTIONS

On behalf payments for benefits (see Note 12)	<u><u>\$ 3,406,679</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, 2012

	<u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 9,915,001
Investments	57,745,950
Accounts receivable	2,554,863
Student loan receivable	473,906
Due from primary government	969,254
Total Assets	<u>71,658,974</u>
 LIABILITIES	
Accounts payable	880,747
Due to primary government	8,863,359
Deferred revenue	1,143,613
Due to student groups	4,132,680
Total Liabilities	<u>15,020,399</u>
 NET ASSETS	
Unreserved	56,638,575
Total Net Assets	<u><u>\$ 56,638,575</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, 2012

	<u>Trust Funds</u>
ADDITIONS	
Local revenues	<u>\$ 1,798,734</u>
DEDUCTIONS	
Classified salaries	101,271
Employee benefits	20,684
Books and supplies	66,172
Services and other operating expenditures	538,205
Capital outlay	1,999
Total Deductions	<u>728,331</u>
OTHER FINANCING SOURCES (USES)	
Transfers from governmental funds	197,687
Transfers to governmental funds	(25,000)
Total Other Financing Sources (Uses)	<u>172,687</u>
Change in Net Assets	<u>1,243,090</u>
Net Assets - Beginning of Year	<u>55,395,485</u>
Net Assets - Ending	<u><u>\$ 56,638,575</u></u>

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 1 - ORGANIZATION

The North Orange County Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the Counties of Orange and Los Angeles in the State of California and is governed by an elected Board of Trustees. The District is comprised of two college campuses, Cypress College and Fullerton College, the District office, a vocational and adult center, 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. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency and intra-fund transactions have been eliminated.

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (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.

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, 2012

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2012, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

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, 2012.

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, 2012

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, 2012

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. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets – net of related debt.

Restricted - 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 \$38,941,660 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, 2012

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.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers 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 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, 2012, the District distributed \$5,802,066 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, 2012

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

From time to time, the Governmental Accounting Standards Board will issue additional guidance on the accounting and reporting for financial transactions affecting governmental entities. The following is a summary of the most recent pronouncements which will impact future reporting or accounting requirements for the District. The full text of the following statements, along with implementation guides, may be found on the GASB website: www.gasb.org.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*.

This Statement modifies and amends certain requirements for inclusion and reporting of component units in the financial reporting entity. Guidance is provided for both blended and discretely presented component units. 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. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District or related component units for the June 30, 2013, financial statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

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In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included within other pronouncements issued on or before November 30, 1989, which does not conflict or contradict the GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. The provisions of this Statement are required to be applied retroactively for all periods presented. Management is in the process of determining the impact to the District reporting for the June 30, 2013, financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2013, financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

In March 2012, GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*.

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in GASB Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier implementation is encouraged. Management does not believe the implementation of this Statement will materially impact the reporting of the District for the June 30, 2014, financial statements.

In June 2012, GASB issued Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions - an amendment of Statement No. 27*.

The primary objective of these Statements is to improve accounting and financial reporting by State and local governments for pensions. It also improves information provided by State and local governmental employers about financial support for pensions that is provided by other entities. This Statement and Statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014. Earlier implementation is encouraged. Management is in the process of determining the impact of both GASB Statements No. 67 and No. 68 on the June 30, 2015, financial statements.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 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.

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

General Authorizations

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

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2012, consist of the following:

Primary government	\$ 117,861,154
Fiduciary funds	67,660,951
Total Deposits and Investments	<u>\$ 185,522,105</u>
Cash on hand and in banks	\$ 12,955,191
Cash in revolving funds	225,000
Investments	172,341,914
Total Deposits and Investments	<u>\$ 185,522,105</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:

Investment Type	Book Value	Fair Value	Average Days to Maturity
Orange County Investment Pool	\$ 142,159,098	\$ 142,371,896	347
Premium Money Market	30,182,816	30,182,816	Not Applicable
Total	<u>\$ 172,341,914</u>	<u>\$ 172,554,712</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, 2012**

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, 2012, of the District's bank balance of \$9,210,414, \$2,997,993 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, 2012, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal Government		
Categorical aid	\$ 2,559,356	\$ -
State Government		
Apportionments	29,150,845	-
Categorical aid	260,569	-
Lottery	2,295,541	-
Local Government		
Interest	32,607	13,878
Other	1,256,178	2,540,985
Total	<u>\$ 35,555,096</u>	<u>\$ 2,554,863</u>
Student receivables	<u>\$ 189,304</u>	<u>\$ 473,906</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012, the amount owed between the government and the fiduciary funds were \$8,863,359 and \$969,254, respectively.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, 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	12,296,190	15,838,493	7,554,950	20,579,733
Total Capital Assets Not Being Depreciated	<u>27,052,408</u>	<u>15,838,493</u>	<u>7,554,950</u>	<u>35,335,951</u>
Capital Assets Being Depreciated				
Land improvements	2,795,828	-	-	2,795,828
Buildings and improvements	446,602,791	7,554,950	-	454,157,741
Machinery and equipment	21,851,492	248,803	218,219	21,882,076
Total Capital Assets Being Depreciated	<u>471,250,111</u>	<u>7,803,753</u>	<u>218,219</u>	<u>478,835,645</u>
Total Capital Assets	<u>498,302,519</u>	<u>23,642,246</u>	<u>7,773,169</u>	<u>514,171,596</u>
Less Accumulated Depreciation				
Land improvements	780,261	129,441	-	909,702
Buildings and improvements	87,604,359	11,131,410	-	98,735,769
Machinery and equipment	12,776,009	1,630,536	158,567	14,247,978
Total Accumulated Depreciation	<u>101,160,629</u>	<u>12,891,387</u>	<u>158,567</u>	<u>113,893,449</u>
Net Capital Assets	<u>\$ 397,141,890</u>	<u>\$ 10,750,859</u>	<u>\$ 7,614,602</u>	<u>\$ 400,278,147</u>

Depreciation expense for the year was \$12,891,387.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Accrued payroll	\$ 4,270,520	\$ -
Services	7,203,044	173,020
Construction	3,118,789	-
Other	1,305,597	707,727
Total	<u>\$ 15,897,950</u>	<u>\$ 880,747</u>

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of the following:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Federal financial assistance	\$ 255	\$ -
State categorical aid	2,210,557	-
Other State revenues - capital outlay	11,106,028	-
Student fees	-	1,143,613
Other local revenues	381,105	-
Total	<u>\$ 13,697,945</u>	<u>\$ 1,143,613</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2012 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	\$ 6,440,000	\$ -	\$ 3,020,000	\$ 3,420,000	\$ 3,420,000
2003B General obligation bonds	64,616,928	2,647,909	3,445,000	63,819,837	3,770,000
2005 General obligation refunding bonds	158,725,000	-	1,585,000	157,140,000	1,845,000
Unamortized premium	8,684,691	-	713,931	7,970,760	-
Deferred amount on refunding	(7,401,090)	-	(612,423)	(6,788,667)	-
Total Bonds Payable	<u>231,065,529</u>	<u>2,647,909</u>	<u>8,151,508</u>	<u>225,561,930</u>	<u>9,035,000</u>
Other Liabilities					
Compensated absences/Load banking	7,132,950	-	202,061	6,930,889	3,027,370
Net OPEB obligation	31,106,621	12,479,274	5,118,920	38,466,975	-
Claims payable	3,284,067	-	574,827	2,709,240	-
Total Other Liabilities	<u>41,523,638</u>	<u>12,479,274</u>	<u>5,895,808</u>	<u>48,107,104</u>	<u>3,027,370</u>
Total Long-Term Debt	<u>\$ 272,589,167</u>	<u>\$ 15,127,183</u>	<u>\$ 14,047,316</u>	<u>\$ 273,669,034</u>	<u>\$ 12,062,370</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/load banking 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, 2012, was \$3,420,000.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012, was \$63,819,837.

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, 2012, was \$157,140,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted Interest		Bonds	
				Outstanding July 1, 2011	Issued	Addition	Redeemed	Outstanding June 30, 2012	
2002	2013	3.125%-5.375%	\$ 139,000,000	\$ 6,440,000	\$ -	\$ -	\$ 3,020,000	\$ 3,420,000	
2003	2029	2.00%-5.44%	99,999,001	64,616,928	-	2,647,909	3,445,000	63,819,837	
2005	2024	3.00%-5.00%	164,935,000	158,725,000	-	-	1,585,000	157,140,000	
				<u>\$ 229,781,928</u>	<u>\$ -</u>	<u>\$ 2,647,909</u>	<u>\$ 8,050,000</u>	<u>\$ 224,379,837</u>	

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

Fiscal Year	Principal	Interest to Maturity	Total
2013	<u>\$ 3,420,000</u>	<u>\$ 85,500</u>	<u>\$ 3,505,500</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
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	-	-	-	-
2018-2022	5,198,654	3,236,346	-	8,435,000
2023-2027	24,268,119	22,741,881	-	47,010,000
2028-2029	21,888,064	29,751,936	-	51,640,000
Total	\$ 63,819,837	\$ 55,730,163	\$ 778,900	\$ 120,328,900

* 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:

Fiscal Year	Principal	Interest to Maturity	Total
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	14,000,000	6,147,250	20,147,250
2018-2022	86,645,000	18,216,125	104,861,125
2023-2024	29,300,000	1,411,000	30,711,000
Total	\$ 157,140,000	\$ 55,241,119	\$ 212,381,119

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2012, was \$12,436,243, and contributions made by the District during the year were \$5,118,920. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$1,399,798 and \$(1,356,767), respectively, which resulted in an increase to the net OPEB obligation of \$7,360,354. As of June 30, 2012, the net OPEB obligation was \$38,466,975. 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, 2012

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 915 retirees and beneficiaries currently receiving benefits and 1,270 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 2011-2012, the District contributed \$5,118,920 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	\$ 12,436,243
Interest on net OPEB obligation	1,399,798
Adjustment to annual required contribution	<u>(1,356,767)</u>
Annual OPEB cost (expense)	12,479,274
Contributions made	<u>(5,118,920)</u>
Increase in net OPEB obligation	7,360,354
Net OPEB obligation, beginning of year	<u>31,106,621</u>
Net OPEB obligation, end of year	<u><u>\$ 38,466,975</u></u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 2010, 2011, and 2012, was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 11,806,000	\$ 4,806,941	41%	\$ 23,324,600
2011	\$ 12,755,498	\$ 4,973,477	39%	\$ 31,106,621
2012	\$ 12,479,274	\$ 5,118,920	41%	\$ 38,466,975

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 166,148,230
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 166,148,230</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	<u>\$ 108,668,918</u>
UAAL as Percentage of Covered Payroll	<u>153%</u>

The above noted actuarial accrued liability was based on the June 2010 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, 2012

In the June 2010 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 4.0 percent. The UAAL is being amortized at a level percentage of payroll 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, 2012

As of June 30, 2012 and 2011, liabilities for claims amounted to \$2,709,240 and \$3,284,067, respectively. Changes in the claims liability amount in the fiscal years 2012 and 2011 are presented below:

	<u>Workers'</u> <u>Compensation</u>	<u>Property</u> <u>and Liability</u>	<u>Total</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, July 1, 2011	2,899,608	384,459	3,284,067
Claims and changes in estimates	288,960	(227,534)	61,426
Claims payments	<u>(594,981)</u>	<u>(41,272)</u>	<u>(636,253)</u>
Liability Balance, June 30, 2012	<u>\$ 2,593,587</u>	<u>\$ 115,653</u>	<u>\$ 2,709,240</u>
 Assets available to pay claims at June 30, 2012			 <u>\$ 26,778,973</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, 2012

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 2011-2012 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, 2012, 2011, and 2010, were \$5,416,189, \$5,633,656, and \$5,789,378, 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, 2012

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 2011-2012 was 10.923 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, 2012, 2011, and 2010, were \$6,937,010, \$6,929,409, and \$6,242,709, respectively, and equaled 100 percent of the required contributions for each year.

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, 2012, 2011, and 2010, which amounted to \$3,406,679, \$2,913,795, and \$2,994,337, respectively, (4.855 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the years ended June 30, 2012, 2011, and 2010. 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.

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, 2012.

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, 2012.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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, 2012, was approximately \$146,000. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payments
2013	\$ 166,100
2014	145,995
2015	141,846
2016	134,388
2017	79,416
Total	<u>\$ 667,745</u>

Construction Commitments

As of June 30, 2012, 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	\$12,745,950	May 2013
District Education Center - General	262,105	On going
2010-2011 Scheduled Maintenance:		
Fullerton College - Quad Redesign and Restoration/Repaint Exterior Buildings	153,941	September 2012
2011-2012 Scheduled Maintenance:		
Cypress College Tech Ed. I Roof/HVAC Replacement	545,578	August 2012
	<u>\$13,707,574</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 2011-2012 fiscal year have been deferred to the 2012-2013 fiscal year. The District's total amount of funding deferred into the 2012-2013 fiscal year was \$28,988,883. 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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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 \$5 million in unfunded State apportionment funding for the 2011-2012 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.

NOTE 14 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2012, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 81,924,655	\$ 2,051,891	\$ -	\$ -	\$ 83,976,546
Academic support	24,300,732	2,568,386	-	-	26,869,118
Student services	19,681,351	1,218,464	-	-	20,899,815
Plant operations and maintenance	32,992,548	10,239,953	-	-	43,232,501
Community services and economic development	2,348,989	1,104,651	-	-	3,453,640
Ancillary services and auxiliary operations	4,308,969	5,552,801	-	-	9,861,770
Student aid	-	-	43,803,853	-	43,803,853
Physical property and related acquisitions	1,496,421	5,777,710	-	-	7,274,131
Depreciation	-	-	-	12,891,387	12,891,387
Total	\$ 167,053,665	\$ 28,513,856	\$ 43,803,853	\$ 12,891,387	\$ 252,262,761

REQUIRED SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012**

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%
June 2010	\$ -	\$ 166,148,230	\$ 166,148,230	0%	\$ 108,668,918	153%

SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2012

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>
Ms. Molly McClanahan	President	2012
Ms. Donna Miller	Vice President	2014
Mr. Jeffrey P. Brown	Secretary	2014
Dr. Barbara Dunsheath	Member	2014
Mr. Leonard L. Lahtinen	Member	2012
Mr. Michael B. Matsuda	Member	2012
Mr. M. Tony Ontiveros	Member	2012
Ms. Alie McCaskill	Student Trustee, Cypress College	2013
Mr. Gabael Botello	Student Trustee, Fullerton College	2013

ADMINISTRATION

Dr. Ned Doffoney	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Mr. Jeffrey Horsley	Vice Chancellor, Human Resources
Dr. Michael 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, 2012**

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		\$ 35,423,048
Federal Pell Administrative Allowance	84.063		40,279
Federal Academic Competitiveness Grant	84.375		1,025
Federal Direct Loan	84.268		5,802,066
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		498,167
Federal FSEOG Administrative Allowance	84.007		3,822
Federal Work-Study Program	84.033		395,269
Federal Work-Study Administrative Allowance	84.033		42,688
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Scholarships for Disadvantage Students	93.925		59,030
Subtotal Student Financial Assistance Cluster			<u>42,265,394</u>
COLLEGE COST REDUCTION AND ACCESS ACT (CCRAA)			
Passed through from California State University			
Fullerton Auxiliary Services Corporation			
Strengthening Transfer Education and Matriculation in STEM	84.031C	S-5261-NOCCCD	52,796
Passed through from Rancho Santiago Community College District			
Title III, Part F, Hispanic-Serving Institutions Science Technology Engineering and Mathematics and Articulation Programs	84.031C	P031C110183	176,245
HIGHER EDUCATION ACT			
Title V - Strengthening Institutions	84.031		665,201
ADULT EDUCATION AND FAMILY LITERACY ACT (AEFLA)			
Passed through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002	AO-400	596,702
English Literacy and Civics Education Grant (EL Civics)	84.002	AO-400	541,265
CAREER AND TECHNICAL EDUCATION ACT			
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048	09-C01-037	2,029,837
Technical Preparation	84.243	09-139-860	72,308
REHABILITATION ACT			
Passed through from California Department of Rehabilitation			
College to Career Program	84.126A	28110	250,000
Workability III Program	84.126A	28306	100,000
NATIONAL SCIENCE FOUNDATION			
Passed through from North Carolina State University			
Dance Flies Research Project	47.047	DEB-0842118	10,460
Passed through from St. Petersburg College			
Medical Device Industry Education Grant	47.076	DUE-1003109	2,420

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, 2012

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			
Passed through from State Council on Developmental Disabilities Hands on Job Training Projects, Independent Living Skills Program	93.630	C3411011122	\$ 3,958
Passed through from California Community College Chancellor's Office Health Resources and Services Administration - Allied Health	93.512	F11-0084	133,367
Passed through from California Community Colleges Chancellor's Office Temporary Assistance to Needy Families (TANF)	93.558	[1]	187,146
Passed through California Public Employee Retirement System (CalPERS) Medicare Part D	93.770	[1]	485,049
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through from Orange County Transportation Authority Job Access - Reverse Commute	20.516	C-9-0640	172,472
U.S. DEPARTMENT OF LABOR			
Passed through from California Community Colleges Chancellor's Office Workforce Investment Act - Allied Health Program	17.258	08-115-13	74,914
Passed through from California State University Fullerton Workforce Investment Act - Youth Funding, Teacher Pathway Partnership	17.259	12SP0244	81,973
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education Child Nutrition	10.558	2815-6A	39,086
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		6,153
Total Federal Program Expenditures			<u>\$ 47,946,746</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 \$37,179 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, 2012**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
STATE CATEGORICAL AID PROGRAMS			
Advanced Transportation Technology & Energy (ATTE)	\$ 203,182	\$ -	\$ 203,182
AS Degree Nursing Program	132,437	44,298	176,735
Basic Skills	808,501	1,003,651	1,812,152
Board Financial Assistance Program (BFAP)	1,089,003	-	1,089,003
CalWORKs	482,404	-	482,404
Child Care Food Program	2,000	-	2,000
Child Care Renovation and Repair	6,560	8,638	15,198
Child Development Training Consortium	15,000	-	15,000
Cooperative Agencies Resources for Education (CARE)	214,332	-	214,332
CTE Community Collaborative Grant	411,350	544,298	955,648
CTE Supplemental Grant	-	129,429	129,429
Disabled Students Programs and Services (DSPS)	1,740,136	-	1,740,136
Equal Employment Opportunities (formerly Staff Diversity)	13,862	54,414	68,276
Emergency Preparedness Grant	-	4,800	4,800
Environmental Training Center (formerly REBRAC)	205,000	87,408	292,408
Extended Opportunity Programs and Services (EOPS)	1,453,264	-	1,453,264
General Child Care	192,890	-	192,890
Independent Living Skills	268,535	84,440	352,975
Industry-Driven Regional Collaboratives (IDRC)	261,081	37,541	298,622
Job Development Incentive Fund (JDIF)	261,081	945,659	1,206,740
Matriculation	895,967	-	895,967
Meat Cutting Apprenticeship	8,903	-	8,903
New Multimedia/Entertainment Center	205,000	19,663	224,663
Non-Credit Matriculation	641,280	-	641,280
Puente Project	1,500	-	1,500
Referee and Lane Technician	12,000	-	12,000
Responsive Training Fund - CACT	-	931,675	931,675
Responsive Training Fund - EHS2	300,000	51,303	351,303
Strategic Initiative HUBS - EHS2	50,000	67,974	117,974
Teacher Preparation Pipeline	120,000	106,768	226,768
Telecommunications Technology Improvement Program (TTIP)	-	35,457	35,457
Workforce Innovation Partnership	437,500	512,998	950,498
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	\$ 80,182	\$ -	\$ -	\$ 203,182	\$ 203,182
134,355	42,380	-	-	176,735	176,735
1,812,152	-	187	855,362	956,603	956,603
1,094,878	-	5,875	-	1,089,003	1,089,003
479,404	3,000	-	-	482,404	480,374
1,133	-	-	-	1,133	1,133
1,625	6,994	-	-	8,619	8,619
6,775	8,225	-	-	15,000	14,953
214,332	-	1,333	-	212,999	212,999
761,108	-	-	332,514	428,594	428,594
129,429	-	-	56,804	72,625	72,625
1,740,136	-	-	-	1,740,136	1,740,136
68,276	-	-	33,222	35,054	35,054
4,800	-	-	4,800	-	-
210,408	-	-	47,814	162,594	162,594
1,453,264	-	17	-	1,453,247	1,453,247
122,186	-	23,559	-	98,627	98,627
352,975	-	-	110,993	241,982	241,982
194,190	-	-	84,591	109,599	109,599
702,308	55,640	-	68,243	689,705	689,705
895,967	-	-	-	895,967	895,967
11,701	-	2,798	-	8,903	8,903
142,663	64,148	-	-	206,811	206,811
641,280	-	-	-	641,280	641,280
1,500	-	-	-	1,500	1,500
10,838	-	-	-	10,838	10,838
531,675	-	-	48,510	483,165	483,165
305,003	-	-	28,680	276,323	276,323
67,974	-	-	29,686	38,288	38,288
202,768	-	-	61,502	141,266	141,266
35,457	-	-	30,795	4,662	4,662
682,998	-	-	417,041	265,957	265,957
<u>\$ 13,136,558</u>	<u>\$ 260,569</u>	<u>\$ 33,769</u>	<u>\$ 2,210,557</u>	<u>\$ 11,152,801</u>	<u>\$ 11,150,724</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2012**

CATEGORIES	*(Revised)/ Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2011 only)			
1. Noncredit**	618	-	618
2. Credit	1,403	-	1,403
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	20,828	-	20,828
(b) Daily Census Contact Hours	1,100	-	1,100
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	5,933	-	5,933
(b) Credit	1,143	-	1,143
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,374	-	1,374
(b) Daily Census Contact Hours	867	-	867
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	33,266	-	33,266
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	143	-	143
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	3,276	-	3,276
2. Credit	2,424	-	2,424
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	3,023	-	3,023
Centers FTES			
1. Noncredit**	5,611	-	5,611
2. Credit	-	-	-

* Annual report revised as of September 25, 2012.

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

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 36,534,567	\$ -	\$ 36,534,567	\$ 36,534,567	\$ -	\$ 36,534,567
Other	1300	20,283,398	-	20,283,398	20,338,665	-	20,338,665
Total Instructional Salaries		56,817,965	-	56,817,965	56,873,232	-	56,873,232
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	13,134,299	-	13,134,299
Other	1400	-	-	-	559,788	-	559,788
Total Noninstructional Salaries		-	-	-	13,694,087	-	13,694,087
Total Academic Salaries		56,817,965	-	56,817,965	70,567,319	-	70,567,319
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	27,035,563	-	27,035,563
Other	2300	-	-	-	1,620,165	-	1,620,165
Total Noninstructional Salaries		-	-	-	28,655,728	-	28,655,728
Instructional Aides							
Regular Status	2200	2,765,069	-	2,765,069	2,991,814	-	2,991,814
Other	2400	387,140	-	387,140	430,436	-	430,436
Total Instructional Aides		3,152,209	-	3,152,209	3,422,250	-	3,422,250
Total Classified Salaries		3,152,209	-	3,152,209	32,077,978	-	32,077,978
Employee Benefits	3000	14,730,141	-	14,730,141	34,156,427	-	34,156,427
Supplies and Material	4000	-	-	-	1,852,491	-	1,852,491
Other Operating Expenses	5000	-	-	-	9,626,970	-	9,626,970
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		74,700,315	-	74,700,315	148,281,185	-	148,281,185

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,230,234	\$ -	\$ 2,230,234	\$ 2,230,234	\$ -	\$ 2,230,234
Student Health Services Above Amount Collected	6441	-	-	-	106,434	-	106,434
Student Transportation	6491	-	-	-	49,282	-	49,282
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,888,686	-	2,888,686
Objects to Exclude							
Rents and Leases	5060	-	-	-	57,261	-	57,261
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2012**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 4,316,072	\$ -	\$ 4,316,072
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,230,234	-	2,230,234	9,647,969	-	9,647,969
Total for ECS 84362, 50 Percent Law		\$ 72,470,081	\$ -	\$ 72,470,081	\$ 138,633,216	\$ -	\$ 138,633,216
Percent of CEE (Instructional Salary Cost/Total CEE)		52.27%		52.27%	100.00%		100.00%
50% of Current Expense of Education					\$ 69,316,608		\$ 69,316,608

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, 2012**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2012.

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, 2012**

**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	\$ 50,693,383	
Special Revenue Funds	8,019,650	
Capital Project Funds	29,384,679	
Debt Service Fund	13,297,078	
Internal Service Fund	26,778,973	
Fiduciary Funds	<u>60,821,255</u>	
Total Fund Balance, Retained Earnings, and Due to Student Groups		\$ 188,995,018

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	514,171,596	
Accumulated depreciation is	<u>(113,893,449)</u>	400,278,147

Amounts held in trust on behalf of others (Trust and Agency Funds) (60,771,255)

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. 1,322,947

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. (3,536,286)

Long-term obligations at year end consist of:

Bonds payable	225,561,930	
Compensated absences	6,930,889	
Net OPEB obligation	38,466,975	
Less load banking already recorded in funds	(2,327,370)	
Less compensated absences already recorded in funds	<u>(700,000)</u>	<u>(267,932,424)</u>
Total Net Assets		<u>\$ 258,356,147</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, 2012**

	(Budget*) 2013		2012	
	Amount	%	Amount	%
GENERAL FUND				
Revenues				
Federal	\$ 5,311,916	3.1	\$ 6,239,937	3.5
State	91,878,840	53.7	98,851,094	55.6
Local	73,754,932	43.2	72,718,359	40.9
Total Revenues	170,945,688	100.0	177,809,390	100.0
Expenditures				
Academic salaries	71,748,320	37.3	73,669,046	41.3
Classified salaries	42,577,809	22.1	43,273,719	24.2
Employee benefits	39,880,148	20.7	38,417,529	21.7
Supplies and materials	9,162,532	4.8	3,306,222	1.9
Other operating expenses	17,557,830	9.1	12,535,230	7.0
Capital outlay	5,810,653	3.0	2,278,009	1.3
Student financial aid	429,795	0.2	835,523	0.5
Interfund transfers, net	5,170,968	2.7	3,471,539	2.0
Other uses, net	202,159	0.1	111,679	0.1
Total Expenditures and Other Uses	192,540,214	100.0	177,898,496	100.0
INCREASE (DECREASE) IN FUND BALANCE	\$ (21,594,526)	(12.6)	\$ (89,106)	(0.1)
ENDING FUND BALANCE	\$ 29,098,857	17.0	\$ 50,693,383	28.5
FULL-TIME EQUIVALENT STUDENTS	32,733		33,266	
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	\$ 389,287,919		\$ 401,350,289	

* The year 2013 General Fund budget was adopted by the Board on September 11, 2012. The budget is included for analytical purposes and has not been subjected to audit.

See accompanying note to supplementary information.

2011		2010	
Amount	%	Amount	%
\$ 6,929,584	3.6	\$ 7,714,908	4.0
110,322,172	57.2	103,457,506	54.3
75,673,716	39.2	79,383,090	41.7
<u>192,925,472</u>	<u>100.0</u>	<u>190,555,504</u>	<u>100.0</u>
77,085,392	41.1	79,069,990	43.1
44,119,435	23.5	43,903,295	23.9
37,623,550	20.2	35,688,060	19.5
3,411,385	1.8	3,334,216	1.8
14,043,242	7.5	12,694,383	6.9
5,845,361	3.1	2,823,646	1.5
589,256	0.3	741,882	0.4
4,780,511	2.5	5,105,891	2.8
70,004	0.0	156,675	0.1
<u>187,568,136</u>	<u>100.0</u>	<u>183,518,038</u>	<u>100.0</u>
<u>\$ 5,357,336</u>	<u>2.8</u>	<u>\$ 7,037,466</u>	<u>3.7</u>
<u>\$ 50,782,489</u>	<u>26.3</u>	<u>\$ 45,425,153</u>	<u>23.8</u>
<u>37,733</u>		<u>38,702</u>	
<u>\$ 399,293,546</u>		<u>\$ 403,801,942</u>	

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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, 2012.

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.

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.

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

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 Education Code Section 84362 (50 Percent Law) Calculation

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

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

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2012

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, 2012, and have issued our report thereon dated December 3, 2012. 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.

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.

Internal Control Over Financial Reporting

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 previously defined.

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 audits 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*.

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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2012



**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, 2012. 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 that 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 that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 previously defined.

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.

Vourish, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2012



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, 2012, and have issued our report thereon dated December 3, 2012.

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 opinions.

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 in accordance with Section 400 of the Chancellor's Office *California Community Colleges Contracted District Audit Manual (CDAM)* issued in May 2012 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 Funding System
- 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 433 California Work Opportunity and Responsibility to Kids (CalWORKS)
- Section 435 Open Enrollment
- Section 437 Student Fee – Instructional and Other Materials
- Section 438 Student Fees – Health Fees and Use of Health Fees
- Section 474 Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 476 Curriculum and Instruction
- 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. 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.

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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

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>None reported</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) No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.033, 84.063, 84.268, 84.375, and 93.925</u>	<u>Student Financial Assistance Cluster</u>
<u>84.048</u>	<u>Career and Technical Education Act (CTEA), Title I, Part C</u>
<u>93.770</u>	<u>Medicare Part D</u>
<u>84.126A</u>	<u>College to Career Program; Workability III Program</u>

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

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2012

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

Implemented.

STATE AWARD FINDINGS

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.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

Current Status

Implemented.

ADDITIONAL SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2012**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
ASSETS			
Cash and cash equivalents	\$ 175,343	\$ 1,637,922	\$ 1,376,925
Investments	30,778,549	-	-
Accounts receivable	34,928,867	37,676	2,030
Student loans receivable	575	4,194	-
Due from other funds	6,587,370	3,308,579	-
Prepaid expenses	-	502,247	-
Stores inventories	133,179	1,421,183	-
Total Assets	<u>\$ 72,603,883</u>	<u>\$ 6,911,801</u>	<u>\$ 1,378,955</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,978,081	\$ 170,452	\$ 8,645
Due to other funds	10,342,225	94,565	-
Deferred revenue	2,590,194	-	-
Total Liabilities	<u>21,910,500</u>	<u>265,017</u>	<u>8,645</u>
FUND BALANCES			
Nonspendable	133,179	1,421,183	-
Restricted	3,636,177	-	-
Assigned	30,849,890	5,225,601	1,370,310
Unassigned	16,074,137	-	-
Total Fund Balances	<u>50,693,383</u>	<u>6,646,784</u>	<u>1,370,310</u>
Total Liabilities and Fund Balances	<u>\$ 72,603,883</u>	<u>\$ 6,911,801</u>	<u>\$ 1,378,955</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)
\$ -	\$ -	\$ -	\$ -	\$ 3,190,190
70,125	13,291,324	34,237,442	7,650,971	86,028,411
8,802	5,754	12,116	2,942	34,998,187
-	-	-	-	4,769
59,329	-	2,503,239	-	12,458,517
-	-	-	-	502,247
-	-	-	-	1,554,362
<u>\$ 138,256</u>	<u>\$ 13,297,078</u>	<u>\$ 36,752,797</u>	<u>\$ 7,653,913</u>	<u>\$ 138,736,683</u>
\$ 92,263	\$ -	\$ 3,137,010	\$ 277,610	\$ 12,664,061
43,437	-	501,354	29	10,981,610
-	-	11,106,028	-	13,696,222
<u>135,700</u>	<u>-</u>	<u>14,744,392</u>	<u>277,639</u>	<u>37,341,893</u>
-	-	-	-	1,554,362
-	13,297,078	22,008,405	7,376,274	46,317,934
2,556	-	-	-	37,448,357
-	-	-	-	16,074,137
<u>2,556</u>	<u>13,297,078</u>	<u>22,008,405</u>	<u>7,376,274</u>	<u>101,394,790</u>
<u>\$ 138,256</u>	<u>\$ 13,297,078</u>	<u>\$ 36,752,797</u>	<u>\$ 7,653,913</u>	<u>\$ 138,736,683</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Bookstore</u>	<u>Cafeteria</u>
REVENUES			
Federal revenues	\$ 6,239,937	\$ -	\$ -
State revenues	98,851,094	-	-
Local revenues	72,718,359	7,125,097	159,877
Total Revenues	<u>177,809,390</u>	<u>7,125,097</u>	<u>159,877</u>
EXPENDITURES			
Current Expenditures			
Academic salaries	73,669,046	-	-
Classified salaries	43,273,719	1,242,598	-
Employee benefits	38,417,529	486,689	-
Books and supplies	3,306,222	4,628,294	-
Services and operating expenditures	12,535,230	204,612	-
Capital outlay	2,278,009	-	8,644
Debt service - principal	-	-	-
Debt service - interest	123,432	2,505	-
Total Expenditures	<u>173,603,187</u>	<u>6,564,698</u>	<u>8,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,206,203</u>	<u>560,399</u>	<u>151,233</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	60,765	-	-
Operating transfers out	(3,532,304)	(45,707)	(64,945)
Other sources	17,854	-	-
Other uses	(841,624)	-	-
Total Other Financing Sources (Uses)	<u>(4,295,309)</u>	<u>(45,707)</u>	<u>(64,945)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(89,106)	514,692	86,288
FUND BALANCES, BEGINNING OF YEAR	50,782,489	6,132,092	1,284,022
FUND BALANCES, END OF YEAR	<u>\$ 50,693,383</u>	<u>\$ 6,646,784</u>	<u>\$ 1,370,310</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)
\$ 19,682	\$ -	\$ -	\$ -	\$ 6,259,619
108,379	155,273	12,750,844	-	111,865,590
154,251	16,871,310	2,714,829	86,020	99,829,743
282,312	17,026,583	15,465,673	86,020	217,954,952
-	-	-	-	73,669,046
311,952	-	5,115	-	44,833,384
169,967	-	233	-	39,074,418
22,760	-	21,796	857	7,979,929
29,898	-	1,315,461	698,456	14,783,657
7,040	-	14,199,543	2,437,991	18,931,227
-	8,050,000	-	-	8,050,000
-	8,643,761	-	-	8,769,698
541,617	16,693,761	15,542,148	3,137,304	216,091,359
(259,305)	332,822	(76,475)	(3,051,284)	1,863,593
259,305	-	3,171,264	-	3,491,334
-	-	-	-	(3,642,956)
-	10,863	-	-	28,717
-	-	-	-	(841,624)
259,305	10,863	3,171,264	-	(964,529)
-	343,685	3,094,789	(3,051,284)	899,064
2,556	12,953,393	18,913,616	10,427,558	100,495,726
\$ 2,556	\$ 13,297,078	\$ 22,008,405	\$ 7,376,274	\$ 101,394,790

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2012**

	Internal Service Fund
ASSETS	
Cash and cash equivalents	\$ 75,000
Investments	22,987,497
Accounts receivable	4,868
Due from other funds	6,871,043
Total Assets	<u>\$ 29,938,408</u>
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 17,415
Due to other funds	432,780
Claim liabilities	2,709,240
Total Liabilities	<u>3,159,435</u>
 FUND EQUITY	
Retained earnings	<u>26,778,973</u>
Total Liabilities and Fund Equity	<u>\$ 29,938,408</u>

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, 2012**

	Internal Service Fund
OPERATING REVENUES	
Premium contributions	<u>\$ 6,871,044</u>
OPERATING EXPENSES	
Academic salaries	150,000
Classified salaries	138,755
Employee benefits	5,123,008
Books and supplies	80
Services and other operating expenditures	1,310,671
Capital outlay	<u>13,800</u>
Total Operating Expenses	<u>6,736,314</u>
Operating Income	<u>134,730</u>
NONOPERATING REVENUES	
Interest income	<u>141,057</u>
NET PROFIT	275,787
RETAINED EARNINGS, BEGINNING OF YEAR	26,503,186
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 26,778,973</u></u>

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, 2012**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 6,871,044
Cash payments to employees for services	(288,755)
Cash payments for insurance claims	(5,123,008)
Cash payments to suppliers for goods and services	(80)
Cash payments for other operating expenses	(2,423,484)
Net Cash Used from Operating Activities	<u>(964,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>146,815</u>
Net change in cash and cash equivalents	(817,468)
Cash and cash equivalents - Beginning	<u>23,879,965</u>
Cash and cash equivalents - Ending	<u>\$ 23,062,497</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FROM OPERATING ACTIVITIES	
Operating Income	\$ 134,730
Changes in assets and liabilities:	
Due from other funds	(100,322)
Accounts payable	(15,989)
Due to other funds	(407,875)
Claim liabilities	(574,827)
NET CASH USED FROM OPERATING ACTIVITIES	<u>\$ (964,283)</u>

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
BALANCE SHEETS
JUNE 30, 2012**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	\$ 704,345	\$ 50,368	\$ -
Investments	-	-	5,580,056
Accounts receivable	46	-	552,041
Student loans receivable	-	728	184,535
Due from other funds	-	-	-
Total Assets	\$ 704,391	\$ 51,096	\$ 6,316,632
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 8,987	\$ -	\$ 6,243,844
Due to other funds	-	-	21,065
Deferred revenue	-	-	1,723
Due to student groups	73,643	-	-
Total Liabilities	82,630	-	6,266,632
FUND BALANCES			
Reserved	-	-	50,000
Unreserved			
Designated	621,761	51,096	-
Total Fund Balances	621,761	51,096	50,000
Total Liabilities and Fund Balances	\$ 704,391	\$ 51,096	\$ 6,316,632

See accompanying note to additional supplementary information.

Retiree Benefits	Other Trust	Total
\$ -	\$ 9,160,288	\$ 9,915,001
53,670,995	4,074,955	63,326,006
12,374	2,542,443	3,106,904
-	473,178	658,441
969,254	-	969,254
<u>\$ 54,652,623</u>	<u>\$ 16,250,864</u>	<u>\$ 77,975,606</u>
\$ 2,171	\$ 869,589	\$ 7,124,591
-	8,863,359	8,884,424
-	1,143,613	1,145,336
-	4,059,037	4,132,680
<u>2,171</u>	<u>14,935,598</u>	<u>21,287,031</u>
-	-	50,000
54,650,452	1,315,266	56,638,575
<u>54,650,452</u>	<u>1,315,266</u>	<u>56,688,575</u>
<u>\$ 54,652,623</u>	<u>\$ 16,250,864</u>	<u>\$ 77,975,606</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	\$ -	\$ -	\$ 41,724,306
State revenues	-	-	2,079,547
Local revenues	268,358	16,727	25,168
Total Revenues	<u>268,358</u>	<u>16,727</u>	<u>43,829,021</u>
EXPENDITURES			
Current Expenditures			
Classified salaries	75,620	-	-
Employee benefits	19,026	-	-
Books and supplies	47,067	-	-
Services and operating expenditures	91,923	12,856	4,103
Capital outlay	1,999	-	-
Total Expenditures	<u>235,635</u>	<u>12,856</u>	<u>4,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,723</u>	<u>3,871</u>	<u>43,824,918</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	6,007	-	-
Operating transfers out	(15,000)	-	(21,065)
Other uses	-	-	(43,803,853)
Total Other Financing Sources (Uses)	<u>(8,993)</u>	<u>-</u>	<u>(43,824,918)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>23,730</u>	<u>3,871</u>	<u>-</u>
FUND BALANCES, BEGINNING OF YEAR	<u>598,031</u>	<u>47,225</u>	<u>50,000</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 621,761</u></u>	<u><u>\$ 51,096</u></u>	<u><u>\$ 50,000</u></u>

See accompanying note to additional supplementary information.

Retiree Benefits	Other Trust	Total
\$ -	\$ -	\$ 41,724,306
-	-	2,079,547
1,249,172	264,477	1,823,902
<u>1,249,172</u>	<u>264,477</u>	<u>45,627,755</u>
-	25,651	101,271
-	1,658	20,684
-	19,105	66,172
29,533	403,893	542,308
-	-	1,999
<u>29,533</u>	<u>450,307</u>	<u>732,434</u>
<u>1,219,639</u>	<u>(185,830)</u>	<u>44,895,321</u>
-	191,680	197,687
-	(10,000)	(46,065)
-	-	(43,803,853)
<u>-</u>	<u>181,680</u>	<u>(43,652,231)</u>
1,219,639	(4,150)	1,243,090
53,430,813	1,319,416	55,445,485
<u>\$ 54,650,452</u>	<u>\$ 1,315,266</u>	<u>\$ 56,688,575</u>

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION JUNE 30, 2012

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.