

**NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT
2002 ELECTION
GENERAL OBLIGATION BONDS**

**FINANCIAL AUDIT
AND
AGREED-UPON PROCEDURES REPORT**

JUNE 30, 2008

**NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS**

FINANCIAL AUDIT

JUNE 30, 2008

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

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JUNE 30, 2008**

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INDEPENDENT AUDITORS' REPORT

Governing Board and Citizens' Oversight Committee
North Orange County Community College District
General Obligation Bond
Anaheim, California

We have audited the accompanying financial statements of the General Obligation Bond Construction Fund of the North Orange County Community College District as of the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the North Orange County Community College 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the General Obligation Bond Construction Fund and do not purport to, and do not, present fairly the financial position of the North Orange County Community College District as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Construction Fund of the North Orange County Community College District at June 30, 2008, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 4, 2008

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**BALANCE SHEET
JUNE 30, 2008**

ASSETS

Investments	\$ 67,399,625
Accounts receivable	175,910
Due from other funds	<u>119,789</u>
Total Assets	<u><u>\$ 67,695,324</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 8,877,073
Due to other funds	<u>1,142</u>
Total Liabilities	<u>8,878,215</u>

FUND EQUITY

Fund balance	
Designated	<u>58,817,109</u>
Total Liabilities and Fund Equity	<u><u>\$ 67,695,324</u></u>

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008**

REVENUES

Local revenues \$ 4,111,827

EXPENDITURES

Current Expenditures

Supplies and materials 494,118

Services and operating expenditures 1,050,342

Capital outlay 43,339,234

Total Expenditures 44,883,694

EXCESS OF REVENUES OVER

(UNDER) EXPENDITURES (40,771,867)

FUND BALANCE, BEGINNING OF YEAR

99,588,976

FUND BALANCE, END OF YEAR

\$ 58,817,109

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Orange County Community College District (the District) General Obligation Bond Construction Fund (the Fund) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The District's General Obligation Bond Construction Fund accounts for financial transactions in accordance with the policies and procedures of the California Community Colleges System's Office *Budget and Accounting Manual*.

Financial Reporting Entity

The audited financial statements include only the General Obligation Bond Construction Fund of the District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bonds Election of March 2002. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the General Obligation Bond Construction Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on the general obligation bonds, which are recognized when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments at June 30, 2008, held on behalf of the General Obligation Bond Construction Fund of the District consist of deposits in the County of Orange Treasury:

	Reported Amount	Fair Value
Deposits with the county treasurer	<u>\$ 67,399,625</u>	<u>\$ 67,303,662</u>

Deposits with the county treasurer are maintained in an external investment pool sponsored by the County of Orange. Community colleges are required to deposit receipts and collections of monies with their county treasurer (Education Code Section 15146(b)).

Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2008, consist of the following:

Interest	<u>\$ 175,910</u>
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**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 - DUE FROM OTHER FUNDS

Due from General Fund	\$ 116,977
Due from Capital Outlay Fund	2,812
	<u>\$ 119,789</u>

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consist of the following:

Vendor payables	<u>\$ 8,877,073</u>
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NOTE 6 - DUE TO OTHER FUNDS

Due to Capital Outlay Projects Fund	<u>\$ 1,142</u>
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NOTE 7 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 58,817,109</u>

NOTE 8 - BONDED DEBT

Description of Debt

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$239,000,000 to be used to finance the acquisition, construction, and modernization of certain property and District facilities. At June 30, 2008, \$241,465,435 was outstanding. Interest rates on the bonds range from 2.0 percent to 5.44 percent. The debt is being paid by the District's Bond Interest and Redemption Fund.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

A schedule of changes in long-term obligations related to the general obligation bonds for the year ended June 30, 2008, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bonds Payable				
2002A General obligation bonds	\$ 14,945,000	\$ -	\$ 1,640,000	\$ 13,305,000
2003B General obligation bonds	66,168,035	2,142,400	2,340,000	65,970,435
2005 General obligation refunding bonds	162,985,000	-	795,000	162,190,000
Total Bonds Payable	<u>\$ 244,098,035</u>	<u>\$ 2,142,400</u>	<u>\$ 4,775,000</u>	<u>\$ 241,465,435</u>

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2008
2002	2013	3.125%-5.375%	\$ 139,000,000	\$ 14,945,000	\$ -	\$ -	\$ 1,640,000	\$ 13,305,000
2003	2029	2.00%-5.44%	99,999,001	66,168,035	-	2,142,400	2,340,000	65,970,435
2005	2024	3.00%-5.00%	164,935,000	162,985,000	-	-	795,000	162,190,000
				<u>\$ 244,098,035</u>	<u>\$ -</u>	<u>\$ 2,142,400</u>	<u>\$ 4,775,000</u>	<u>\$ 241,465,435</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Debt Service Requirements

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

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 1,950,000	\$ 537,075	\$ 2,487,075
2010	2,275,000	451,825	2,726,825
2011	2,640,000	346,250	2,986,250
2012	3,020,000	231,400	3,251,400
2013	3,420,000	85,500	3,505,500
Total	<u>\$ 13,305,000</u>	<u>\$ 1,652,050</u>	<u>\$ 14,957,050</u>

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
2009	\$ 2,580,000	\$ -	\$ 843,794	\$ 3,423,794
2010	2,825,000	-	781,069	3,606,069
2011	3,100,000	-	676,007	3,776,007
2012	3,445,000	-	552,429	3,997,429
2013	3,770,000	-	423,200	4,193,200
2014-2018	8,695,000	-	355,700	9,050,700
2019-2023	8,374,385	8,800,615	-	17,175,000
2024-2028	24,367,636	39,057,364	-	63,425,000
2029	8,813,414	17,671,586	-	26,485,000
Total	<u>\$ 65,970,435</u>	<u>\$ 65,529,565</u>	<u>\$ 3,632,199</u>	<u>\$ 135,132,199</u>

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

The 2005 Refunding Bonds mature through 2024 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2009	\$ 960,000	\$ 8,023,375	\$ 8,983,375
2010	1,155,000	7,983,006	9,138,006
2011	1,350,000	7,930,487	9,280,487
2012	1,585,000	7,857,113	9,442,113
2013	1,845,000	7,780,587	9,625,587
2014-2018	54,870,000	33,242,657	88,112,657
2019-2023	86,855,000	13,878,625	100,733,625
2024	13,570,000	339,250	13,909,250
Total	<u>\$ 162,190,000</u>	<u>\$ 87,035,100</u>	<u>\$ 249,225,100</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND CONSTRUCTION FUND**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2008, the General Obligation Bond Construction Fund had the following commitments as defined by the bond documents:

<u>CAPITAL PROJECTS</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
FULLERTON COLLEGE BOND PROJECTS:		
Classroom and Faculty Office Building	\$ 1,818,883	October 2008
College Center	117,989	March 2009
Physical Ed Facilities	17,986,653	May 2010
Image Plan - Site Restoration	360,312	November 2008
S. Science Building 400	4,437,477	October 2010
Remodel 2000 Building	485,847	On Hold
Berkeley Center	375,126	October 2008
CYPRESS COLLEGE BOND PROJECTS:		
Piazza/Infrastructure Repair	146,716	December 2008
Temporary Structures - SCE	164,931	February 2009
Student Center	226,626	August 2008
Humanities Remodel	116,163	October 2009
Humanities Swing Space	696,578	September 2008
DISTRICT BOND PROJECTS:		
Anaheim Campus	192,460	July 2008
School of Continuing Ed - Fullerton College	1,139,721	August 2008
	<u>\$ 28,265,482</u>	

SUPPLEMENTARY INFORMATION

