

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF PROCEEDS AND USE OF
GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES A AND 2003B)**

For the Period July 1, 2003 through June 30, 2004

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES A AND 2003B)**

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MACIAS GINI & COMPANY LLP

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying schedule of proceeds and use of general obligation bonds (Election of 2002, Series A and 2003B) of the North Orange County Community College District (the District) for the period July 1, 2003 through June 30, 2004. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on this schedule 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 schedule of proceeds and use of general obligation bonds is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of proceeds and use of general obligation bonds. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of proceeds and use of general obligation bonds. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the schedule of proceeds and use of general obligation bonds has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of proceeds and use of general obligation bonds referred to in the first paragraph presents fairly, in all material respects, the proceeds and use of the District's General Obligation Bonds (Election of 2002, Series A and 2003B) for the period July 1, 2003 through June 30, 2004, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of expressing an opinion on the schedule of proceeds and use of general obligation bonds. The supplementary schedules on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the schedule of proceeds and use of general obligation bonds of the District. Such information has not been subjected to the auditing procedures applied in the audit of the schedule of proceeds and use of general obligation bonds, and, accordingly, we did not audit the information and express no opinion on it.

Masson, Jini & Company LLP

Certified Public Accountants

Los Angeles, California
October 1, 2004

**NORTH ORANGE COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES A AND 2003B)
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

Beginning Cash Balance, as of July 1, 2003	\$ 101,179,866
Bond Proceeds	99,999,001
Original Issue Premium	2,938,783
Total Proceeds	<u>102,937,784</u>
Bond Issuance Costs	(1,196,857)
Net Bond Proceeds	<u>101,740,927</u>
Bond Interest Income	1,667,012
Net Bond Proceeds and Interest Income	<u>103,407,939</u>
Project Expenditures:	
Fullerton College:	
Library/Learning Resource Center	1,669,518
Child Development Center	39,932
Parking Structures	1,166,271
Classrooms and Faculty Office Building	202,343
Facility Modernization for Efficiency	1,480,950
New Classrooms	(70,482)
Campus Commons	387,801
Physical Education Facilities	869,199
Campus Safety Program	239,878
Cypress College:	
Library/Learning Resource Center	792,831
Child Development Center	(44,323)
Piazza/Infrastructure Repair	400,452
Campus Modernization for Efficiency	769,243
New Classrooms	240,253
Campus Upgrades	485,411
Meeting Room	920,401
Maintenance Facility	283,382
District Education Center:	
Higher Education Center	1,405,752
Campus Expansions	2,898,556
District Education Center	319,442
La Habra Site	86,892
School for Continuing Education	74,010
General	230,447
Total Project Expenditures	<u>(14,848,159)</u>
Ending Cash Balance, as of June 30, 2004	<u><u>\$ 189,739,646</u></u>

See accompanying notes to the schedule.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND 2003B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE
OF GENERAL OBLIGATION BONDS
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

NOTE 1 – BACKGROUND

Measure X, approved by voters in March 2002, provides North Orange County Community College District, which includes Fullerton College, Cypress College, the Anaheim Campus, and the School of Continuing Education, with the improvement and expansion of college and continuing education facilities. This measure authorized the District to issue up to \$239,000,000 of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure under the provisions of Article XIII A of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1 of the Education Code of the State of California (commencing at Section 15100).

The specific projects approved by the District's Board of Trustees to be funded by the bond proceeds include:

Fullerton College:

- Library/Learning Resource Center
- Child Development Center
- Parking Structures
- Classrooms and Faculty Office Building
- Facility Modernization for Efficiency
- New Classrooms
- Campus Commons
- Physical Education Facilities
- Campus Safety Program

Cypress College:

- Library/Learning Resource Center
- Child Development Center
- Piazza/Infrastructure Repair
- Campus Modernization for Efficiency
- New Classrooms
- Campus Upgrades
- Meeting Room
- Maintenance Facility

District Education Center:

- Higher Education Center
- Campus Expansion
- District Education Center
- La Habra Site
- School For Continuing Education

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND 2003B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE
OF GENERAL OBLIGATION BONDS (CONTINUED)
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The schedule of proceeds and use of general obligation bonds has been prepared on the cash basis of accounting, where the receipts of bond proceeds are reported when received and the disbursements of expenses from bond funds are reported when paid.

B. Bond Proceeds

Bond proceeds are recorded net of bond premium and issuance costs.

C. Project Expenditures

Expenditures are recognized when payments for approved projects are made.

NOTE 3 – BONDED DEBT

On May 21, 2002, \$139,000,000 and on December 23, 2003, \$99,999,001 of the general obligation bonds were sold as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2003</u>	<u>Redeemed Current Period</u>	<u>Outstanding June 30, 2004</u>
May 21, 2002	3.125-5.375%	8/1/2027	\$139,000,000	\$139,000,000	\$1,165,000	\$137,835,000
December 23, 2003	2.000-5.440%	8/1/2028	99,999,001	-	-	99,999,001
			<u>\$238,999,001</u>	<u>\$139,000,000</u>	<u>\$1,165,000</u>	<u>\$237,834,001</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND 2003B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE
OF GENERAL OBLIGATION BONDS (CONTINUED)
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

NOTE 3 – BONDED DEBT (CONTINUED)

The annual debt service requirements to amortize the bonds payable, outstanding as of June 30, 2004, are as follows:

Year Ending June 30	Principal	Interest	Total
2005	\$ 2,785,000	\$ 9,928,742	\$ 12,713,742
2006	3,185,000	9,514,419	12,699,419
2007	3,475,000	9,408,347	12,883,347
2008	3,980,000	9,309,775	13,289,775
2009	4,530,000	9,192,038	13,722,038
2010-2014	32,520,000	42,764,181	75,284,181
2015-2019	55,020,000	32,778,759	87,798,759
2020-2024	70,278,323	32,855,730	103,134,053
2025-2026	62,060,678	60,482,947	122,543,625
Totals	<u>\$237,834,001</u>	<u>\$216,234,938</u>	<u>\$ 454,068,939</u>

NOTE 4 – RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

The following is a reconciliation of project expenditures and revenues between the cash and accrual basis for the year ended June 30, 2004:

Expenditures:

Expenditures - cash basis	\$ 14,848,159
Change in accounts payable	<u>(1,684,450)</u>
Expenditures - accrual basis	<u>\$ 13,163,709</u>

Revenues:

Interest income - cash basis	\$ 1,667,012
Change in interest receivable	<u>88,860</u>
Interest income - accrual basis	<u>\$ 1,755,872</u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND 2003B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE
OF GENERAL OBLIGATION BONDS (CONTINUED)
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

NOTE 5 – RECONCILIATION OF ENDING CASH TO BOND FUND

Ending balance, as of June 30, 2004	\$ 189,739,646
Less amounts recorded in the Bond Interest and Redemption Fund:	
Original issue premium	(2,938,783)
Bond issuance costs	1,196,857
Bond Fund cash balance, as of June 30, 2004	<u>\$ 187,997,720</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. Bond Fund Compliance

The General Obligation Bonds (Election of 2002, Series A and 2003B) are subject to performance and financial audits. This financial statement and the Independent Auditor’s Report on Compliance, which follows, meet the audit requirements in paragraphs (3) (C) and (D) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

B. Construction Contracts

The District has outstanding construction commitments of \$38,446,192 at June 30, 2004.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARTICLE XIII A
OF THE CONSTITUTION OF THE STATE OF CALIFORNIA ON THE
PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES A AND 2003B)**

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

We have examined the North Orange County Community College District's (the District's) compliance with Article XIII A of the Constitution of the State of California on the proceeds and use of general obligation bonds during the period July 1, 2003 through June 30, 2004. The compliance requirements are as follows:

- The Board of Trustees evaluated the list of specific projects to address the District's needs for safety and information technology.
- Funds were properly expended for the specific projects on the Board of Trustees published list.
- Funds were used for financing the acquisition, construction and modernization of certain property and District facilities, and no funds were used for teacher and administrator salaries and other school operating expenses.

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the period July 1, 2003 through June 30, 2004.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees, Bond Oversight Committee, and state regulatory officials and is not intended to be and should not be used by anyone other than these specified parties.

Mason, Sims & Company LLP

Certified Public Accountants

Los Angeles, California

October 1, 2004

SUPPLEMENTARY INFORMATION

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND 2003B)
SCHEDULE OF 2004-05 ASSESSED VALUATION AND
2003-04 SECURED TAX CHARGE AND DELINQUENCY
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

2004-05 Assessed Valuation

<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
<u>Orange County Portion</u>			
\$66,251,534,858	\$35,272,887	\$4,354,545,063	\$70,641,352,808
<u>Los Angeles County Portion</u>			
\$1,679,569,593	\$141,597	\$10,230,977	\$1,689,942,167
<u>Total District</u>			
\$67,931,104,451	\$35,414,484	\$4,364,776,040	\$72,331,294,975

2003-04 Secured Tax Charge and Delinquency
(Orange County Portion Only)

<u>Secured Tax Charge (1)</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
\$38,662,118.19	\$538,241.86	1.39%

(1) 1% General Fund apportionment.

(2) Source: California Municipal Statistics, Inc.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND 2003B)
SCHEDULE OF LARGEST 2004-05 LOCAL SECURED TAXPAYERS
FOR THE PERIOD JULY 1, 2003 THROUGH JUNE 30, 2004**

Largest 2004-05 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2004-05 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	Walt Disney World	Theme Park and Hotel	\$3,059,781,490	4.62%
2.	Knotts Berry Farm	Theme Park	225,935,305	0.34
3.	Retail Property Trust	Commercial	185,456,119	0.28
4.	Reef American REIT II Corp.	Commercial	174,290,165	0.26
5.	Beckman Instruments Inc.	Industrial	156,693,841	0.24
6.	Boeing North American	Industrial	127,443,148	0.19
7.	Disney Sport Enterprises	Commercial	117,994,160	0.18
8.	Prologis California I LLC	Industrial	115,074,342	0.17
9.	Allstate Life Insurance Company	Hotel	109,100,149	0.16
10.	Kimberly-Clark Worldwide Inc.	Industrial	99,262,928	0.15
11.	Wells Brea	Commercial	94,000,000	0.14
12.	Kilroy Realty LP	Industrial	76,214,545	0.12
13.	Angeli LLC	Commercial	72,326,705	0.11
14.	Joan M. Schlund	Mobile Home Park	70,994,475	0.11
15.	American Food & Drug	Industrial	70,627,383	0.11
16.	Corecare II	Skilled Nursing Facility	70,344,140	0.11
17.	Mitsubishi Motor Sales of America Inc.	Industrial	70,258,417	0.11
18.	Brea Union Plaza I, II & III	Commercial	70,084,171	0.11
19.	Nabisco Inc.	Industrial	58,920,299	0.09
20.	Fairfield Resorts Inc.	Hotel	57,872,419	0.09
			<u>\$5,082,674,201</u>	<u>7.67%</u>

(1) 2004-05 Local Secured Assessed Valuation: \$66,251,534,858

(2) Source: California Municipal Statistics, Inc.