

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

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

JUNE 30, 2010

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

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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 (the District) as of the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified accrual basis of the General Obligation Bond Construction Fund of the North Orange County Community College District as of June 30, 2010, and the results of its operations - modified accrual basis for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 1 of the Notes to Financial Statements, 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 District as of June 30, 2010, and the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. The General Obligation Bond Construction Fund's financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, 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 should be considered in conjunction with this report in considering the results of our audit.

The unaudited supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 7, 2010

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

**BALANCE SHEET
JUNE 30, 2010**

ASSETS

| | |
|---------------------|-----------------------------|
| Investments | \$ 21,141,542 |
| Accounts receivable | 16,592 |
| Total Assets | <u>\$ 21,158,134</u> |

LIABILITIES AND FUND EQUITY

LIABILITIES

| | |
|--------------------------|-------------------------|
| Accounts payable | \$ 2,300,273 |
| Due to other funds | 180,643 |
| Total Liabilities | <u>2,480,916</u> |

FUND EQUITY

| | |
|--|-----------------------------|
| Fund balance | |
| Designated | 18,677,218 |
| Total Liabilities and Fund Equity | <u>\$ 21,158,134</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, 2010**

REVENUES

Local revenues \$ 348,579

EXPENDITURES

Current Expenditures

Supplies and materials 41,380

Services and other expenditures 1,524,840

Capital outlay 13,453,549

Total Expenditures 15,019,769

EXCESS OF REVENUES UNDER EXPENDITURES (14,671,190)

FUND BALANCE, BEGINNING OF YEAR 33,348,408

FUND BALANCE, END OF YEAR \$ 18,677,218

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, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The audited financial statements include only the General Obligation Bond Construction Fund of the North Orange County Community College District (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, 2010**

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

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 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 |

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 investing in the County pool. The District maintains an investment of \$21,141,542 with the Orange County investment pool. The fair value of this investment is approximately \$21,154,644 with an average maturity of 304 days.

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2010, consist of the following:

| | |
|-----------------|-----------|
| Interest income | \$ 16,592 |
|-----------------|-----------|

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2010, consist of the following:

| | |
|-----------------|---------------------|
| Vendor payables | <u>\$ 2,300,273</u> |
|-----------------|---------------------|

NOTE 5 - DUE TO OTHER FUNDS

Interfund payable balance at June 30, 2010, consist of the following:

| | |
|-------------------------------------|-------------------|
| Due to Capital Outlay Projects Fund | <u>\$ 180,643</u> |
|-------------------------------------|-------------------|

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

| | |
|------------|----------------------|
| Unreserved | |
| Designated | <u>\$ 18,677,218</u> |

NOTE 7 - 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, 2010, \$234,360,632 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.

A schedule of changes in long-term obligations related to the general obligation bonds for the year ended June 30, 2010, is shown below:

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---------------------------------|---------------------|---------------------|---------------------------|
| Bonds Payable | | | | |
| 2002A General obligation bonds | \$ 11,355,000 | \$ - | \$ 2,275,000 | \$ 9,080,000 |
| 2003B General obligation bonds | 65,649,011 | 2,381,621 | 2,825,000 | 65,205,632 |
| 2005 General obligation refunding bonds | 161,230,000 | - | 1,155,000 | 160,075,000 |
| Total Bonds Payable | <u>\$ 238,234,011</u> | <u>\$ 2,381,621</u> | <u>\$ 6,255,000</u> | <u>\$ 234,360,632</u> |

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

General Obligation Bonds

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding July 1, 2009 | Issued | Accreted Interest Addition | Redeemed | Bonds Outstanding June 30, 2010 |
|------------|---------------|---------------|----------------|--------------------------------|-------------|----------------------------|---------------------|---------------------------------|
| 2002 | 2013 | 3.125%-5.375% | \$ 139,000,000 | \$ 11,355,000 | \$ - | \$ - | \$ 2,275,000 | \$ 9,080,000 |
| 2003 | 2029 | 2.00%-5.44% | 99,999,001 | 65,649,011 | - | 2,381,621 | 2,825,000 | 65,205,632 |
| 2005 | 2024 | 3.00%-5.00% | 164,935,000 | 161,230,000 | - | - | 1,155,000 | 160,075,000 |
| | | | | <u>\$ 238,234,011</u> | <u>\$ -</u> | <u>\$ 2,381,621</u> | <u>\$ 6,255,000</u> | <u>\$ 234,360,632</u> |

Debt Service Requirements

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

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|---------------------|----------------------|---------------------|
| 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>\$ 9,080,000</u> | <u>\$ 663,150</u> | <u>\$ 9,743,150</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 |
|-------------|---|----------------------|------------------------------|-----------------------|
| 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 | 4,150,000 | - | 264,800 | 4,414,800 |
| 2015 | 4,545,000 | - | 90,900 | 4,635,900 |
| 2016-2020 | - | - | - | - |
| 2021-2025 | 18,104,869 | 17,520,131 | - | 35,625,000 |
| 2026-2029 | 28,090,763 | 43,369,237 | - | 71,460,000 |
| Total | <u>\$ 65,205,632</u> | <u>\$ 60,889,368</u> | <u>\$ 2,007,336</u> | <u>\$ 128,102,336</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, 2010**

The 2005 Refunding Bonds mature through 2024 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|-----------------------|---------------------------------|-----------------------|
| 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 | 5,980,000 | 7,594,188 | 13,574,188 |
| 2015 | 6,780,000 | 7,282,844 | 14,062,844 |
| 2016-2020 | 78,155,000 | 26,649,500 | 104,804,500 |
| 2021-2024 | 64,380,000 | 5,934,000 | 70,314,000 |
| Total | <u>\$ 160,075,000</u> | <u>\$ 71,028,719</u> | <u>\$ 231,103,719</u> |

NOTE 8 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2010, the General Obligation Bond Construction Fund had the following significant construction commitments as defined by the bond documents:

| <u>CAPITAL PROJECTS</u> | <u>Remaining Construction Commitment</u> | <u>Expected Date of Completion</u> |
|--|--|--|
| Fullerton College Physical Education Facilities | \$ 4,264,707 | January 2011 |
| Fullerton College South Science Building 400 | 3,063,391 | January 2011 |
| Fullerton College Technology and Engineering Swing Space | 1,318,601 | January 2013 |
| 2008-2009 Scheduled Maintenance: | | |
| Fullerton College Lighting Phase IV | 246,003 | May 2012 |
| Fullerton College Heat Exchangers | 362,040 | May 2012 |
| Fullerton College Sump Pumps | 157,903 | May 2012 |
| | <u>\$ 9,412,645</u> | |



**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***

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

We have audited the financial statements of the General Obligation Bond Construction Fund of the North Orange County Community College District (the District) for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion 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 the Bond Construction Fund's financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Orange County Community College District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Orange County Community College District's General Obligation Bond Construction Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, District Management, and Citizens' Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Tine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

SUPPLEMENTARY INFORMATION

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

**(ELECTION OF 2002, SERIES A, 2003B, AND 2005 REFUNDING)
SCHEDULE OF 2009-2010 ASSESSED VALUATION AND 2008-2009
SECURED TAX CHARGE AND DELINQUENCY - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

| <u>2009-2010 Assessed Valuation</u> | | | |
|--|------------------------------|---------------------------|---|
| <u>Local Secured</u> | <u>Utility</u> | <u>Unsecured</u> | <u>Total Before Redevelopment Increment</u> |
| <u>Orange County Portion</u> | | | |
| \$ 88,389,592,463 | \$ 21,464,593 | \$ 4,964,803,809 | \$ 93,375,860,865 |
| <u>Los Angeles County Portion</u> | | | |
| \$ 2,214,958,936 | \$ - | \$ 18,601,562 | \$ 2,233,560,498 |
| <u>Total District</u> | | | |
| \$ 90,604,551,399 | \$ 21,464,593 | \$ 4,983,405,371 | \$ 95,609,421,363 |
| <u>2008-2009 Secured Tax Charge and Delinquency (Orange County Portion Only)</u> | | | |
| <u>Secured Tax Charge (1)</u> | <u>Amt. Del. June 30</u> | <u>% Del. June 30</u> | |
| \$ 53,209,732 | \$ 1,957,537 | 3.68% | |

(1) 1% General Fund apportionment

Source: California Municipal Statistics, Inc.

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

**(ELECTION OF 2002, SERIES A, 2003B, AND 2005 REFUNDING)
SCHEDULE OF TWENTY LARGEST 2009-2010 LOCAL SECURED
TAXPAYERS - (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010**

| Property Owner | Land Use | 2009-2010 Assessed Valuation (2) | % of Total (1) |
|--|-------------------------|--|-------------------|
| 1. Walt Disney World Co. | Theme Park and Hotel | \$ 3,747,381,740 | 4.13% |
| 2. Linn Western Operating, Inc. | Oil and Gas Exploration | 334,701,189 | 0.37% |
| 3. Knotts Berry Farm | Theme Park | 284,680,834 | 0.31% |
| 4. Maguire Properties - Stadium Gateway LP | Commercial Building | 254,979,276 | 0.28% |
| 5. RREEF America REIT II Corp. | Commercial Building | 222,157,465 | 0.25% |
| 6. Lennar Platinum Triangle | Residential Development | 213,459,673 | 0.24% |
| 7. Retail Property Trust | Commercial Building | 206,586,818 | 0.23% |
| 8. Beckman Instruments Inc. | Industrial | 193,489,117 | 0.21% |
| 9. Mark Anaheim LLC | Commercial Building | 190,006,171 | 0.21% |
| 10. Kilroy Realty LP | Industrial | 169,622,640 | 0.19% |
| 11. Prologis California I LLC | Industrial | 153,995,501 | 0.17% |
| 12. Bixbybit-Bixby Office Park LLC | Commercial Building | 130,050,000 | 0.14% |
| 13. Acquiport Brea LP | Commercial Building | 123,988,272 | 0.14% |
| 14. Anaheim GW II LLC | Commercial Building | 116,739,691 | 0.13% |
| 15. PPC Anaheim Apartments LLC | Apartments | 108,243,216 | 0.12% |
| 16. PRI Buena Park Industrial CA LLC | Industrial | 101,647,080 | 0.11% |
| 17. Catellus Development Corporation | Industrial | 100,897,719 | 0.11% |
| 18. Coventry II DDR Buena Park LLC | Commercial | 88,558,255 | 0.10% |
| 19. La Habra Associates LLC | Commercial Building | 86,617,825 | 0.10% |
| 20. Angeli LLC | Commercial Building | 84,668,225 | 0.09% |
| | | \$ 6,912,470,707 | 7.63% |

(1) 2009-2010 Local Secured Assessed Valuation: \$ 90,604,551,399

(2) Source: California Municipal Statistics, Inc.



**INDEPENDENT ACCOUNTANTS'
REPORT ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the Agreed-Upon Procedures enumerated in Exhibit A, which were agreed to by the management of North Orange County Community College District (the District) for the purpose of determining compliance with Measure X General Obligation Bond requirements for the period ended June 30, 2010. The District's management is responsible for maintaining compliance with Proposition 39 requirements. This engagement to perform Agreed-Upon Procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the results of findings and recommendations are described within this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion relating to the matters included in the Agreed-Upon Procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the North Orange County Community College District governing board, Independent Citizens' Oversight Committee, and District administrators and is not intended to be and should not be used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 7, 2010

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2010**

- A. Determine District procedures for disbursement of funds related to the voter approved Measure X General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This will be accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our review.
- B. Verify compliance with expenditure allowances for the 2009-2010 fiscal year within the Measure X Bond Initiative placed on the Local Election Ballot held on March 5, 2002.
- C. Verify appropriateness of Bond expenditures for the 2009-2010 fiscal year to the object code classification within the general ledger.
- D. Analyze the balance of Measure X Bond Funds available at June 30, 2010, for future expenditures.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2010**

Agreed-Upon Procedure (A)

Procedure

Determine District procedures for disbursement of funds related to the voter approved Measure X General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This will be accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our review.

Results

We included 48 percent of all expenditures charged to the Measure X Bond Funds for the 2009-2010 fiscal year in our examination. Based upon our examination of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure X Bond Funds. The District used formal bid procedures for those contracts over the construction bid level requirements and informal bid procedures for those contracts below the construction bid level to select contractors for the various projects in accordance with Education Code requirements and District policy. Budgets for specific projects have been approved and monitored in accordance with Board requirements.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2010**

Agreed-Upon Procedure (B)

Procedure

Verify compliance with expenditure allowances for the 2009-2010 fiscal year within the Measure X Bond Initiative placed on the Local Election Ballot held on March 5, 2002, through review of the ballot language related to various construction, renovation, and repair projects. Specifically, we reviewed expenditures to determine any on-going District charges or administrative charges. The following table notes the total expenditures reported for the 2009-2010 fiscal year and the sample selected for audit.

| <u>Category of Expense</u> | <u>Expenditures Incurred</u> | <u>Expenditures Tested</u> | <u>Percentage of Total</u> |
|-----------------------------|----------------------------------|--------------------------------|--------------------------------|
| Supplies and materials | \$ 41,380 | \$ 12,123 | 29% |
| Services and other expenses | 1,524,840 | 681,768 | 45% |
| Capital outlay | 13,453,549 | 6,522,651 | 48% |
| Total | <u>\$ 15,019,769</u> | <u>\$ 7,216,542</u> | 48% |

Results

For all procedures identified in Exhibit A, we noted no exceptions in the expenditures tested of the Measure X Bond Funds. The District has not charged on-going expenditures that are the responsibility of the District to the Measure X Bond Fund, nor has any administrative or indirect cost been charged to the Measure X Bond Fund.

Agreed-Upon Procedure (C)

Procedure

Verify appropriateness of Bond expenditures for the 2009-2010 fiscal year to the object code classification within the general ledger.

Results

For all items noted in Agreed-Upon Procedure B, we verified the appropriateness of the expenditures to the object code classification within the general ledger to ensure proper classification and coding. There were no exceptions noted. The expenditures reflected within the general ledger object code classifications were proper and in accordance with provisions of the *Budget and Accounting Manual* issued by the California Community College Chancellor's Office.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MEASURE X GENERAL OBLIGATION BOND**

**AGREED-UPON PROCEDURES
JUNE 30, 2010**

Agreed-Upon Procedure (D)

Procedure

Analyze the balance of Measure X Bond Funds available at June 30, 2010, for future expenditures.

Results

As stated in the District's unaudited financial statements (CCFS 311) as of June 30, 2010, the total expenditures from the Measure X Bond Fund were \$15,019,769 for fiscal year 2009-2010, totaling \$257,559,968 to date. Bond proceeds in the amount of \$248,727,795 and additional earnings to date of \$27,509,391 for interest, energy rebates, and legal settlement proceeds provide \$18,677,218 from initial issuance available for future expenditures.