

**NORTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE X GENERAL OBLIGATION BONDS  
ELECTION 2002  
SERIES A, SERIES 2003B, AND  
2005 REFUNDING BONDS**

**AUDIT REPORT**

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**JUNE 30, 2011**

**NORTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE X GENERAL OBLIGATION BONDS  
ELECTION 2002**

**FINANCIAL AUDIT**

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**JUNE 30, 2011**

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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JUNE 30, 2011**

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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 (Measure X) of North Orange County Community College District (the District) as of the year ended June 30, 2011, 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.

As discussed in Note 1 of the notes to financial statements, the financial statements present only the General Obligation Bond Construction Fund (Measure X) and do not purport to, and do not present fairly, the financial position of the District as of June 30, 2011, 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 (Measure X) 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.

As discussed in the notes to the financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54 for the year ended June 30, 2011.

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 (Measure X) of North Orange County Community College District as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, on our consideration of the District's General Obligation Bond Construction Fund's (Measure X) 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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California

December 7, 2011

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**BALANCE SHEET  
JUNE 30, 2011**

**ASSETS**

Investments	\$ 12,131,239
Accounts receivable	9,878
<b>Total Assets</b>	<u><u>\$ 12,141,117</u></u>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Accounts payable	\$ 1,711,989
Due to other funds	1,570
<b>Total Liabilities</b>	<u><u>1,713,559</u></u>

**FUND BALANCE**

Restricted	
Capital Projects	10,427,558
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 12,141,117</u></u>

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

**REVENUES**

Local revenues \$ 28,744

**EXPENDITURES**

Current Expenditures

Supplies and materials 17,636

Services and other expenditures 1,096,693

Capital outlay 7,164,075

**Total Expenditures** 8,278,404

**EXCESS OF REVENUES UNDER EXPENDITURES** (8,249,660)

**FUND BALANCE, BEGINNING OF YEAR** 18,677,218

**FUND BALANCE, END OF YEAR** \$ 10,427,558

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Financial Reporting Entity**

The audited financial statements include only the General Obligation Bond Construction Fund (Measure X) of 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 Bond 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 (Measure X) 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 (MEASURE X)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

### 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.

### Fund Balance - Governmental Funds

As of June 30, 2011, the fund balance of the General Obligation Bond Construction Fund (Measure X) was classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Changes in Accounting Principles

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

# NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments are also required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. The District has implemented the provisions of this statement for the year ended June 30, 2011.

### **New Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 35*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

**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.

**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  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

**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 \$12,131,239 with the Orange County investment pool. The fair value of this investment is approximately \$12,151,024 with an average maturity of 289 days.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2011, consist of the following:

Interest income	<u><u>\$ 9,878</u></u>
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**NOTE 4 - ACCOUNTS PAYABLE**

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

Vendor payables	<u><u>\$ 1,711,989</u></u>
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**NOTE 5 - DUE TO OTHER FUNDS**

Interfund payable balance at June 30, 2011, consist of the following:

Due to General Fund	\$ 200
Due to Capital Outlay Projects Fund	<u>1,370</u>
Total Due to Other Funds	<u><u>\$ 1,570</u></u>

**NOTE 6 - FUND BALANCE**

Fund balance is composed of the following element:

Restricted	
Capital Projects	<u><u>\$ 10,427,558</u></u>

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

**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, 2011, \$229,781,928 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, 2011, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bonds Payable				
2002A General obligation bonds	\$ 9,080,000	\$ -	\$ 2,640,000	\$ 6,440,000
2003B General obligation bonds	65,205,632	2,511,296	3,100,000	64,616,928
2005 General obligation refunding bonds	160,075,000	-	1,350,000	158,725,000
Total Bonds Payable	<u>\$ 234,360,632</u>	<u>\$ 2,511,296</u>	<u>\$ 7,090,000</u>	<u>\$ 229,781,928</u>

**General Obligation Bonds**

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

**Debt Service Requirements**

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

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

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

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

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

The 2005 Refunding Bonds mature through 2024 as follows:

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

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

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

***NOTE 8 - COMMITMENTS AND CONTINGENCIES***

As of June 30, 2011, 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 Technology and Engineering Complex Project	\$ 3,991,579	February 2013
Fullerton College Science Remodel 400 Building	242,856	October 2011
	<u>\$ 4,234,435</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 accompanying financial statements of the General Obligation Bond Construction Fund (Measure X) of North Orange County Community College District (the District) for the year ended June 30, 2011, and have issued our report thereon dated December 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

The management of North Orange County Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's General Obligation Bond Construction Fund's (Measure X) 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 the District's General Obligation Bond Construction Fund's (Measure X) internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's General Obligation Bond Construction Fund's (Measure X) 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 (Measure X) 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.

Vannich, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 7, 2011

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***SUPPLEMENTARY INFORMATION***

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**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**(ELECTION 2002 - SERIES A, SERIES 2003B, AND 2005 REFUNDING BONDS)  
SCHEDULE OF 2010-2011 ASSESSED VALUATION AND 2009-2010  
SECURED TAX CHARGE AND DELINQUENCY - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>2010-2011 Assessed Valuation</u>			
<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Redevelopment Increment</u>
<u>Orange County Portion</u>			
\$ 88,531,308,526	\$ 14,768,556	\$ 4,910,382,493	\$ 93,456,459,575
<u>Los Angeles County Portion</u>			
\$ 2,152,611,063	\$ 423,363	\$ 12,152,132	\$ 2,165,186,558
<u>Total District</u>			
\$ 90,683,919,589	\$ 15,191,919	\$ 4,922,534,625	\$ 95,621,646,133
<u>2009-2010 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>	
\$ 51,556,005	\$ 1,198,618	2.32%	

(1) 1% General Fund apportionment

Source: California Municipal Statistics, Inc.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**(ELECTION 2002 - SERIES A, SERIES 2003B, AND 2005 REFUNDING BONDS)  
SCHEDULE OF TWENTY LARGEST 2010-2011 LOCAL SECURED  
TAXPAYERS - (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2011**

Property Owner	Land Use	2010-2011 Assessed Valuation (2)	% of Total (1)
1. Walt Disney World Co.	Theme Park and Hotel	\$ 3,840,600,159	4.23%
2. Linn Western Operating, Inc.	Oil and Gas Exploration	410,732,533	0.45%
3. Knotts Berry Farm	Theme Park	300,760,868	0.33%
4. Beckman Instruments Inc.	Industrial	235,065,486	0.26%
5. Warland Investment Co.	Industrial	219,993,501	0.24%
6. RREEF America Reit II Corp.	Commercial Building	207,479,947	0.23%
7. Retail Property Trust	Commercial Building	206,140,953	0.23%
8. Maguire Properties - Stadium Gateway LP	Commercial Building	203,920,847	0.22%
9. New Albertsons Inc.	Industrial	156,780,709	0.17%
10. Realty Associates Funds	Commercial Building	145,773,218	0.16%
11. Prologis California I LLC	Industrial	135,399,412	0.15%
12. Bixbybit-Bixby Office Park LLC	Commercial Building	129,741,780	0.14%
13. Maker Anaheim LLC	Commercial Building	129,691,899	0.14%
14. Anaheim GW II LLC	Commercial Building	125,571,279	0.14%
15. Acquiport Brea LP	Commercial Building	122,301,390	0.13%
16. PPC Anaheim Apartments LLC	Apartments	107,779,595	0.12%
17. Kaiser Foundation Hospitals	Commercial Building	104,826,135	0.12%
18. Target Corporation	Commercial Building	98,072,303	0.11%
19. Olen Pointe Brea LLC	Commercial Building	97,624,236	0.11%
20. Coventry II DDR Buena Park LLC	Commercial	90,528,878	0.10%
		\$ 7,068,785,128	7.79%

(1) 2010-2011 Local Secured Assessed Valuation: \$ 90,683,919,589

(2) Source: California Municipal Statistics, Inc.

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2011**

None reported.

**NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT  
GENERAL OBLIGATION BOND CONSTRUCTION FUND (MEASURE X)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

None reported.

**NORTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT**

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**MEASURE X GENERAL OBLIGATION BONDS  
ELECTION 2002  
PERFORMANCE AUDIT**

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**JUNE 30, 2011**

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

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JUNE 30, 2011**

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## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of North Orange County Community College District (the District) Measure X General Obligation Bond funds for the year ended June 30, 2011.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure X General Obligation Bond funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 7, 2011

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

**JUNE 30, 2011**

## ***AUTHORITY FOR ISSUANCE AND PURPOSE***

The Measure X General Obligation Bonds (the Bonds) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The District received authorization at an election held on March 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed \$239,000,000 to finance the acquisition, construction, reconstruction, and modernization of certain property and District facilities. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

In May 2002, the District issued Election of 2002 General Obligation Bonds, Series A in the amount of \$139,000,000. The Series A Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on May 7, 2002, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on April 23, 2002. The Bonds represent the first series of bonds sold within the Authorization.

In December 2003, the District issued Election of 2002 General Obligation Bonds, Series 2003B in the amount of \$99,999,001.05. The Series 2003B Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on December 9, 2003, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on November 25, 2003. The Bonds represent the second series of bonds sold under the Authorization.

In March 2005, the District issued 2005 General Obligation Refunding Bonds, in the amount of \$164,935,000. The Refunding Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District on March 8, 2005. The Bonds were issued to advance refund and defease a portion of the Series A and Series 2003B Bonds.

## ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school district, community college districts, or county offices of education for the following: "construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reduction of the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.
2. The district must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.
3. Requires the district to appoint a citizens' oversight committee.

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

**JUNE 30, 2011**

4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until after all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

## ***OBJECTIVES OF THE AUDIT***

The objective of our audit is to meet the compliance requirement to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. Our audit was conducted in accordance with generally accepted standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to provide conclusions to our audit objectives.

## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2010 through June 30, 2011. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

## ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Measure X General Obligation Bond Construction Funds. Within the period audited, we obtained the actual invoices and other supporting documentation for all expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure X as to the approved bond projects list. We performed the following procedures:

1. 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 objective.
2. Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.
3. From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Expenditures from all projects will be included in the sample.
4. Analyze the balance of Measure X Bond funds available at June 30, 2011.

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

**JUNE 30, 2011**

## ***CONCLUSION***

### **Procedure 1**

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 objective.

### **Results**

We included 69 percent of all expenditures charged to the Measure X Bond funds for the 2010-2011 fiscal year in our audit. Based upon our audit 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.

### **Procedure 2**

Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

### **Results**

The results of our tests indicated that, in all respects, the District has not spent Measure X proceeds on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

### **Procedure 3**

From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Expenditures from all projects will be included in the sample.

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

**JUNE 30, 2011**

**Results**

The results of our tests indicated that, in all respects, the District has expended proceeds exclusively for specific projects as listed in the voter approved bond language. Our audit sample included 69 percent of expenditures for the 2010-2011 fiscal year.

<u>Category of Expense</u>	<u>Expenditures Incurred</u>	<u>Expenditures Tested</u>	<u>Percentage of Total</u>
Supplies and materials	\$ 17,636	\$ 5,600	32%
Services and other expenses	1,096,693	568,343	52%
Capital outlay	7,164,075	5,132,345	72%
Total	<u>\$ 8,278,404</u>	<u>\$ 5,706,288</u>	69%

**Procedure 4**

Analyze the balance of Measure X Bond funds available at June 30, 2011.

**Results**

As stated in the District's unaudited financial statements (CCFS 311) as of June 30, 2011, the total expenditures from the Measure X Bond Fund were \$8,278,404 for fiscal year 2010-2011, totaling \$265,838,372 to date. Bond proceeds in the amount of \$248,728,794 and additional earnings to date of \$27,537,136 for interest, energy rebates, and legal settlement proceeds provide \$10,427,558 from initial issuance available for future expenditures.