



Financial Statements
June 30, 2024

North Orange County Community College District

North Orange County Community College District

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of North Orange County Community College District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of North Orange County Community College District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19 and other required supplementary schedules on pages 62 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024 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, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 5, 2024



Fred Williams
Vice Chancellor, Finance and
Facilities

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2024. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35 using the Business-Type Activity (BTA) model. The California Community Colleges Chancellor's Office, through its Fiscal Standards and Accountability Committee, recommends that all community college districts use the reporting standards under the BTA model.

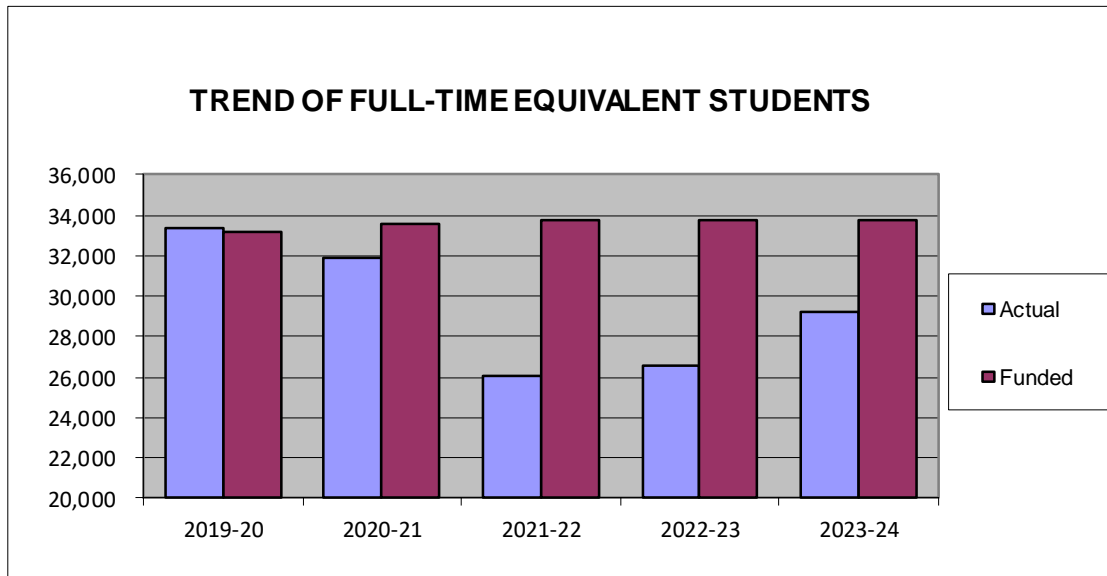
North Orange County Community College District includes two comprehensive community colleges and a large school of continuing education. The mission of the District is to serve and enrich our diverse communities by providing a comprehensive program of educational opportunities that are accessible, relevant, and academically excellent. The District is unequivocally committed to student success and lifelong learning. Cypress College and Fullerton College offer associate degrees, vocational certificates, and transfer education, as well as developmental instruction and a broad array of specialized training. Cypress College also offers a baccalaureate degree. North Orange Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses.

SELECTED HIGHLIGHTS

With the implementation of the State's Student-Centered Funding Formula (SCFF), a multi-year implementation period was included, which holds districts harmless if they drop below their 2017-2018 funding plus accumulated COLA increases. The District was in stability in 2017-2018, which means that funding was based on the 2016-2017 FTES levels. As a result, the hold harmless provision has been a windfall to our District, adding significant one-time resources. The hold harmless provision has been extended through 2024-2025. Thereafter, it will become a fixed number and will become a funding "floor." Districts will then receive no less than this amount in future years. This "floor" will not have any future COLA-based increases applied to it.

The SCFF provides revenue through three components:

- FTES (which comprises 70% of the formula)
- Supplemental Allocation (which comprises 20%), and
- Student Success Allocation (which is the remaining 10% of the formula).



Notes: The District applied for Emergency Conditions Allowance for fiscal years 2019-20 through 2021-22, which has held FTES for funding at the levels reported in 2019-2020 at P1. In 2023-24, as the impact of the emergency conditions allowance phases out, the District is receiving stability funding which continues to hold funding at the prior FTES levels.

FTES still comprises the majority of the funding under the SCFF. In March 2020, in response to the pandemic, the Governor issued stay-at-home orders. The District responded by halting on-site instruction and transitioning classes in current and remaining terms to distance education. Due to the challenges faced by districts as a result of this transition, the State Chancellor’s office permitted districts the opportunity to apply for an emergency conditions allowance. This allowance permits districts to request that FTES from a period prior to the onset of the emergency condition be used for apportionment funding purposes. The District applied for that allowance for 2020-2021 through 2022-2023. While the District FTES has not recovered to pre-pandemic levels yet, it increased by 9.91% or 2,633.88 FTES from the prior year.

The remaining two components of the funding formula focus on access for and success of students. The Supplemental Allocation is 20% of the SCFF. This is the component that targets equity of access and opportunity for low-income students. The Student Success Allocation is 10% of the SCFF. This is the component that targets and incentivizes successful outcomes of California Community College students.

The implementation of the SCFF has continued to be challenging. The application methodologies for the metrics and the associated funding rates have already been refined a few times at the State level. As a result of this as well as the adverse impacts on student data created by the pandemic, the transition period has been extended and will then result in a funding “floor,” as noted above. As a result of this provision, the District does not expect to be adversely affected under the SCFF. However, once the “floor” is established, the District will then only realize the impact of COLA on SCFF funding by increasing FTES and headcounts above the levels that will be applied when the funding “floor” is calculated.

The District has two outstanding facilities bond measures approved by voters: Measure X and Measure J. Measure X funds were fully expended in the 2020-21 fiscal year. See Note 8 for additional information on the Measure X and Measure J bonds, including outstanding balances.

In 2014, the voters of the District approved a \$574,000,000 Measure J Facilities Bond Measure. The \$100,000,000 (Series A) was issued in June 2016, \$150,000,000 (Series B) was issued in June 2019, and \$150,000,000 (Series C) was issued in September 2022. For Measure J, the voters approved projects primarily with a focus on supporting success for veterans as well as supporting facilities improvements that contribute to workforce development. The first of the projects included a new Cypress College Science, Engineering and Math Building, a new Veterans' Center, and expansion of the Student Activities Center. Work is underway on the Fullerton College 300 building, the Chapman Newell instructional building, M&O facilities, and the fine arts buildings on both campuses. Updates to the information technology infrastructure throughout the District are being done in conjunction with these projects.

FINANCIAL HIGHLIGHTS

This section is to provide an overview of the District's financial activities. A comparative analysis is included in the Management's Discussion and Analysis using prior year information.

Financial Statement Presentation and Basis of Accounting

The District's financial report includes three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. Additional information regarding these financial statements is provided on the following pages.

The financial statements noted above are prepared in accordance with GASB Statements No. 34 and No. 35 that provide a government-wide perspective. Therefore, the financial data presented in these financial statements is a combined total of all District funds, with inter-fund transactions eliminated.

Also, in accordance with GASB Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. A reconciliation between the fund balances reported on the June 30, 2024, Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles and the modified accrual basis of accounting, and the total net position recorded on the full accrual basis of accounting, is found on pages 82 and 83 of the report.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position is a point-of-time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources).

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the District.

The difference between total assets, deferred outflows of resources and total liabilities and deferred inflows of resources (net position) is one indicator of the current financial condition of the District; another indicator is the change in net position which shows whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The Net Position is divided into three major categories. The first category, invested in capital assets, net of related debt, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; the net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

North Orange County Community College District
Management's Discussion and Analysis
June 30, 2024

	2024	2023	Change
Assets			
Cash and investments	\$ 549,160,125	\$ 593,228,959	\$ (44,068,834)
Receivables	53,853,288	56,705,572	(2,852,284)
Other current assets	44,165	211,500	(167,335)
Net other postemployment benefits asset	12,062,492	-	12,062,492
Capital assets, net	<u>601,274,848</u>	<u>584,427,851</u>	<u>16,846,997</u>
Total assets	<u>1,216,394,918</u>	<u>1,234,573,882</u>	<u>(18,178,964)</u>
Deferred Outflows of Resources	<u>101,643,127</u>	<u>95,292,158</u>	<u>6,350,969</u>
Liabilities			
Accounts payable and accrued liabilities	108,755,500	133,159,227	(24,403,727)
Current portion of long-term liabilities	28,690,470	44,929,904	(16,239,434)
Noncurrent portion of long-term liabilities	<u>619,234,098</u>	<u>615,332,138</u>	<u>3,901,960</u>
Total liabilities	<u>756,680,068</u>	<u>793,421,269</u>	<u>(36,741,201)</u>
Deferred Inflows of Resources	<u>29,468,973</u>	<u>42,053,334</u>	<u>(12,584,361)</u>
Net Position			
Net investment in capital assets	486,132,138	443,882,507	42,249,631
Restricted	140,634,417	154,751,928	(14,117,511)
Unrestricted deficit*	<u>(94,877,551)</u>	<u>(104,242,998)</u>	<u>9,365,447</u>
Total net position	<u>\$ 531,889,004</u>	<u>\$ 494,391,437</u>	<u>\$ 37,497,567</u>

* Unrestricted net position is defined by GASB Statements No. 34 and No. 35 as those assets that do not have external legal restrictions against them, including any amounts designated by the Board of Trustees.

- Cash and investments consist primarily of cash and funds held in a county investment pool in the General Fund (\$187.2 million), Bond Fund (\$194.6 million), Capital Outlay Fund (\$70.3 million), and the Self Insurance Fund (\$19.5 million). The decrease of \$44.1 million was mostly attributable to cashflows from operating activities including payments for employee salaries and benefits and payments for student scholarships and grants. The Statement of Cash Flows included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2023-2024 fiscal year.
- Accounts receivable activity consists mainly of receivables from Federal and State sources for grant and entitlement programs and receivables from local sources for all other purposes as well as state apportionment. State apportionment and state capital outlay aid comprise the majority of the balance, with \$21.1 million and \$8.1 million in receivables, respectively. Note 5 of these financial statements provides a summary of the accounts receivable balance. This year, there is a net decrease in receivables mostly due to the settlement of a \$3.0 million balance due from the Retiree OPEB Trust.

- Other assets are primarily inventory and prepaid expenses. Inventory is primarily made up of merchandise to be cleared previously held for sale in the bookstores located at Fullerton College and North Orange Continuing Education.
- Net other postemployment benefits asset represents the amount by which plan fiduciary net position exceeds the total OPEB liability. See Note 9 for more information.
- Capital assets, net is primarily made up of the District's investments in land, buildings and building improvements, construction in progress, vehicles, leased building space, and subscription IT assets at historical cost and net of accumulated depreciation/amortization. Additional discussion on capital assets is included below. Also, Note 7 of these financial statements provides a summary of changes during the 2023-2024 fiscal year.
- Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. For example, prepaid items and deferred charges. In our instance, the deferred outflow associated with OPEB and pension costs has increased compared to the prior year primarily due to differences between expected and actual experience in the measurement of the total pension liabilities. (See Notes 9 and 11).
- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2024. Also included are accrued liabilities for amounts due to or on behalf of employees for wages and benefits earned as of the end of the fiscal year, but paid out subsequent to June 30, 2024. Unearned revenues have been combined into this line and are those funds that are received, but not yet earned. They typically involve restricted State and Federal grants that are earned when spent and allow more than one year to expend the funds. This year, the overall decrease of \$24.4 million in liabilities includes \$14.0 million in EPA funding that was required by the state to be deferred into the following fiscal year.
- Long-term liabilities include bonded debt issuances and unamortized premiums related to the general obligation bond liability, leases, subscription IT arrangements, compensated absence and load banking balances, claim liabilities, and aggregate net OPEB and net pension obligations. The decrease in long-term liabilities of \$12.3 million is primarily due to increases in the District's aggregate net pension liability, offset by payments made against the general obligation bond liability. The District has bonded debt issuances outstanding that amounts to \$352.8 million, consisting of bonds issued as part of Measures X and J, as well as Refunding Bonds issued on portions of bonds issued under Measure X. The \$17.6 million in compensated absences and load banking are amounts accrued for accumulated, unpaid employee vacation benefits, and load banking where eligible academic employees may teach extra courses in one period for exchange for time off in another period. Claims payable and the aggregate net OPEB liability are based on actuarially determined amounts. Claims payable are potential liabilities associated with workers' compensation and property and liability claims. The aggregate net OPEB liability is presented in accordance with the most recent required accounting principle. Aggregate net pension obligation amounts are provided based on calculations from CalSTRS and CalPERS. Notes 8 through 11 of these financial statements provides more information on the District's long-term liabilities. Additional information regarding long-term debt is included in the Long-Term Liability Administration section of this discussion and analysis.

- Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. For example, deferred revenue and advance collections. In our instance, deferred inflows associated with changes in the net OPEB and net pension liabilities have decreased from the prior year primarily due to reduced differences between projected and actual earnings on pension plan investments. (See Notes 9 and 11).

CAPITAL ASSETS AND LONG-TERM LIABILITY ADMINISTRATION

Capital Assets

As of June 30, 2024, the District had \$601.3 million invested in net capital assets. Total capital assets of \$862.2 million consist of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, other office equipment, and right-to-use leased building space and software subscriptions. These assets have accumulated depreciation/amortization of \$260.9 million over the years they have been in service. During 2023-2024, \$65.9 million of buildings and improvement projects completed construction. In addition, \$32.2 million of construction in progress occurred during 2023-2024 primarily as a result of Measure J funded projects. Depreciation/amortization expense of \$17.5 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. At Fullerton College, construction was completed in 2023-2024 for a new instructional building and the chiller plant expansion. Work continues on the Fullerton College 300 building, the Chapman Newell instructional building, M&O facilities, and the fine arts buildings on both campuses. The District will also be continuing with other locally funded projects.

Note 7 in the financial statements provides additional information on capital assets. A summary of these assets is presented below.

	Balance, June 30, 2024	Balance, June 30, 2023
Capital Assets		
Land and construction in progress	\$ 118,954,382	\$ 152,671,960
Buildings and improvements, net	474,439,290	423,503,129
Furniture and equipment, net	6,136,450	6,522,744
Right-to-use leased building and improvements, net	204,474	-
Right-to-use subscription IT assets, net	1,540,252	1,730,018
Total capital assets, net	\$ 601,274,848	\$ 584,427,851

Long-Term Liabilities

At June 30, 2024, the District had \$647.9 million in long-term liabilities consisting of \$352.8 million from general obligation bonds; \$2.6 million from self-insurance claims payable; \$17.5 million from compensated absences and load banking payable; \$1.0 million from subscription-based IT arrangements and leases; \$0.7 million from the aggregate net OPEB liability; and \$273.3 million as the aggregate net pension obligation which represents the proportionate share of net pension liability of CalSTRS and CalPERS based on GASB Statements No. 68 and No. 71 (See Note 11).

The general obligation bonds were issued to fund various projects related to construction, purchase and renovation of instructional facilities, laboratories, centers, administrative facilities, and parking structures. Debt payments on the bonds will be funded through property tax receipts collected over the term of the bonds. The District's current bond rating is AA+ from Standard & Poor's and Aa1 from Moody's. Both ratings are just one notch below each agency's maximum rating.

The District offers two different OPEB plans. The District Plan is reported as a net OPEB asset and the Medicare Premium Payment program, a cost-sharing multiple-employer OPEB plan administered by CalSTRS, is reported as a net OPEB liability. The total OPEB liability for each plan has been determined under the most recent required accounting principles of GASB 74 and 75, which provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. The value of assets in the District's Irrevocable Retiree Benefit Trust offsets the District's OPEB liability. As of June 30, 2024, the total OPEB liability is still significantly funded by the value of the assets in the Trust. The net position and activity for the irrevocable trust are shown on pages 24 and 25 as part of the Fiduciary funds.

Notes 8 through 11 in the financial statements provide additional information on long-term liabilities. A summary of long-term liabilities is presented below:

	Balance, June 30, 2024	Balance, June 30, 2023
General obligation bonds	\$ 352,787,943	\$ 388,976,292
Claims payable	2,568,567	2,755,997
Compensated absences and load banking	17,551,908	16,884,952
Leases	207,501	-
Subscription-based IT arrangements	821,093	1,452,229
Net OPEB liability	703,562	1,466,267
Aggregate net pension liability	273,283,994	248,726,305
Total long-term liabilities	647,924,568	660,262,042
Less current portion	28,690,470	44,929,904
Long-term portion	\$ 619,234,098	\$ 615,332,138

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned, whether received or not, by the District, the operating and nonoperating expenses incurred, whether paid or not, by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

North Orange County Community College District
Management's Discussion and Analysis
June 30, 2024

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations are nonoperating because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2024 and 2023, is summarized below:

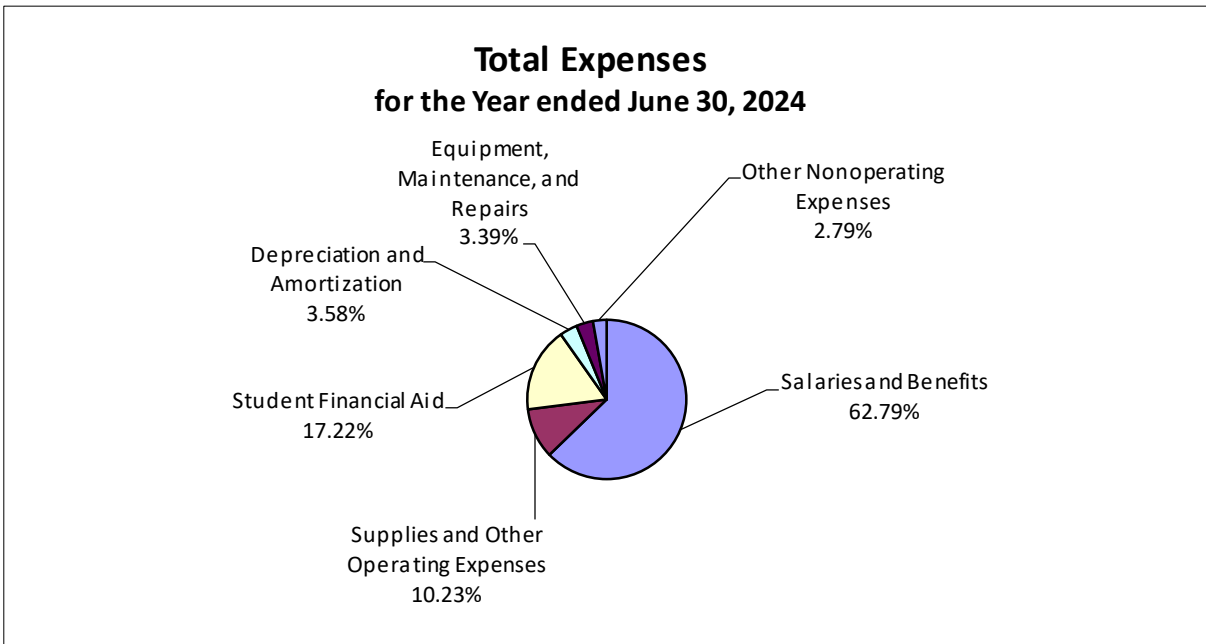
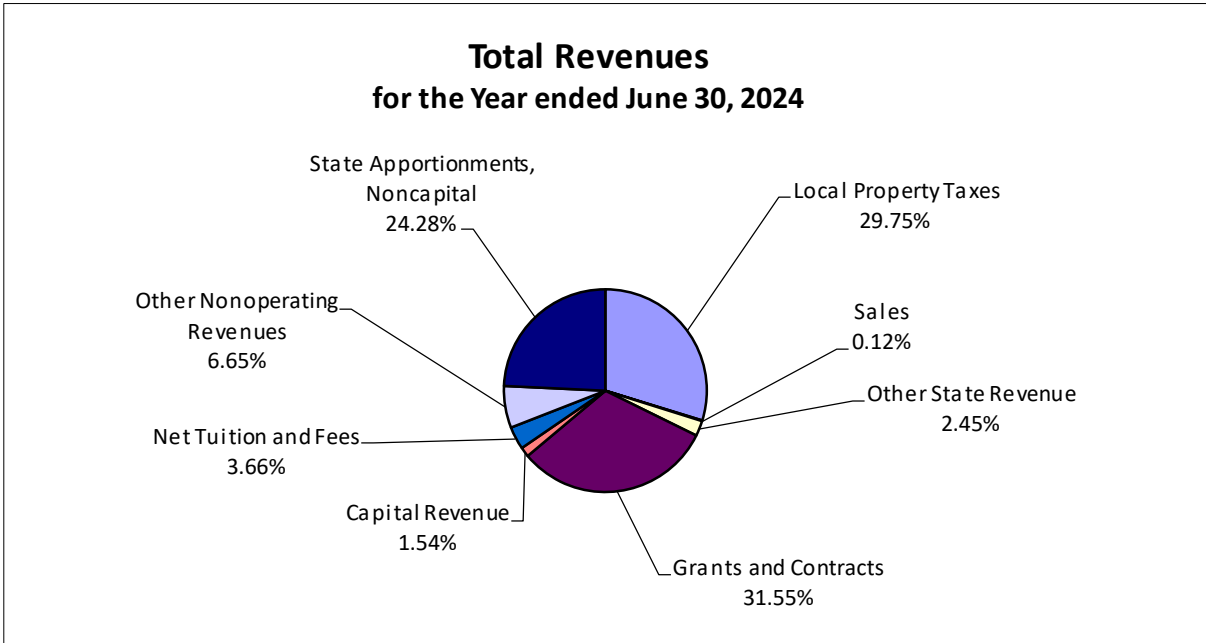
	<u>2024</u>	<u>2023</u>	<u>Change</u>
Operating Revenues			
Tuition and fees, net	\$ 19,285,714	\$ 15,721,795	\$ 3,563,919
Grants and contracts, noncapital	90,526,476	76,932,128	13,594,348
Auxiliary sales and charges	<u>658,012</u>	<u>330,783</u>	<u>327,229</u>
Total operating revenues	<u>110,470,202</u>	<u>92,984,706</u>	<u>17,485,496</u>
Operating Expenses			
Salaries and benefits	307,290,078	261,950,646	45,339,432
Supplies, services, equipment, and maintenance	66,659,628	61,969,611	4,690,017
Student financial aid	84,254,240	78,583,373	5,670,867
Depreciation and amortization	<u>17,537,388</u>	<u>13,920,085</u>	<u>3,617,303</u>
Total operating expenses	<u>475,741,334</u>	<u>416,423,715</u>	<u>59,317,619</u>
Operating loss	<u>(365,271,132)</u>	<u>(323,439,009)</u>	<u>(41,832,123)</u>
Nonoperating Revenues (Expenses)			
State apportionments	127,912,828	110,330,237	17,582,591
Property taxes	156,731,780	173,806,063	(17,074,283)
Student financial aid grants	75,705,280	74,575,253	1,130,027
State revenues	12,929,814	12,919,612	10,202
Net interest expense	12,041,989	(2,724)	12,044,713
Other nonoperating revenues	<u>9,333,278</u>	<u>10,518,246</u>	<u>(1,184,968)</u>
Total nonoperating revenue (expenses)	<u>394,654,969</u>	<u>382,146,687</u>	<u>12,508,282</u>
Other Revenues (Losses)			
State capital income and losses on disposal of capital assets	<u>8,113,730</u>	<u>8,527,789</u>	<u>(414,059)</u>
Change in net position	<u>\$ 37,497,567</u>	<u>\$ 67,235,467</u>	<u>\$ (29,737,900)</u>

- Net tuition and fees are generated by the resident, non-resident, and foreign fees paid by students attending the District. These include fees paid for enrollment, health services, parking, community services classes, and other related fees. The increase in these amounts is attributable to the resumption of on-campus classes coming out of the pandemic allowing more access to classes for the traditional student population.

- Grants and contracts, noncapital received as operating revenues are primarily those funds received from Federal and State sources and used in instructional programs (e.g., Student Success and Strong Workforce Initiative-related programs). The increase in revenue is mostly due to the continued spenddown of pandemic related funding including the COVID-19 Recovery Block Grant. Pages 72 through 76 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.
- Auxiliary sales are for commissions from vendor contracts for bookstores, food services and vending machines at the campuses.
- Salaries and benefits comprise 64.6% of total operating expenses from a District-wide full-accrual perspective. In other words, these amounts include the activity from all District funds, not just the General Fund. Consequently, this percentage is lower than normally discussed when talking about the percentage of salaries as compared to total expenses since it is computed using all Capital Outlay and Bond Fund expenditures that are primarily capital outlay expenditures. Salaries and benefits in the General Fund make up 85.1% of total General Fund expenses as reflected on page 102 of this report (exclusive of student financial aid, net transfers out, and other net uses). Academic salaries increased by \$14.1 million and classified salaries increased by \$10.8 million, which is attributable to the settled salary increases and one-time payments in 2023-2024. Benefit costs increased by \$9.8 million, in line with this activity, as well as increases in pension expense rates and increased benefit costs overall. See Note 11 for more information on pension-related activity.
- Other operating expenses consist of supplies, insurance, utilities, depreciation and amortization expense, other services, and capital outlay items below the capitalization threshold. The increase in this area is primarily the result of increased expenditures for capital outlay activities responding to the instructional needs of returning to on-campus instruction as well as maintaining hybrid solutions.
- Student financial aid is made up of financial assistance payments made to students as part of the Student Financial Aid cluster of programs.
- The operating loss reported on the Statement of Revenues, Expenses, and Changes in Net Position is related to the reporting requirements of GASB Statement No. 35 that identify transactions as either exchange or non-exchange. If a transaction is considered an exchange transaction, then the revenue is considered operating revenue. Conversely, if a transaction is deemed a non-exchange transaction, then the revenue is considered nonoperating revenue. In our case, the revenues received from the State of California as apportionment and from local property taxes are deemed non-exchange transactions and consequently, nonoperating revenues. Every community college district within the State of California will have a large operating loss due to this required reporting presentation.

- State apportionments, local property taxes, and tuition and fees are all components of the community college apportionment funding model. The model is comprised of a base allocation, an amount per credit FTES, noncredit FTES, and an enhanced amount per qualifying noncredit FTES for career development and college preparation courses. With the implementation of the Student-Centered Funding Formula, additional components provide a supplemental allocation that targets equity of access and opportunity for low-income students and a student success allocation incentivizing successful outcomes of students. An important aspect of the community college apportionment funding model is the inverse relationship between State apportionment and local property taxes. Thus, our funding essentially comes from enrollment fees and local property taxes with the difference made up by State apportionment. The District was in stability for 2023-2024, receiving the prior year apportionment plus the 2023-2024 cost of living adjustment of 8.22%.
- Local property taxes are received through the Auditor-Controller's Office for Orange and Los Angeles Counties. The amount received for property taxes is deducted from the total State apportionment amount for general revenue calculated by the State. The decrease in property tax revenues received is the result of a decrease in funds provided to the District through the tax allocations from the Orange County Treasurer's Office.
- Student financial aid grants listed as nonoperating revenues consist of funds received for direct assistance to students. In light with the increase in enrollments, student financial aid funding and disbursements increased especially Federal Pell Grants. Pages 72 through 76 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.
- State revenues include state taxes and other revenues mainly comprised of State mandated cost revenues and lottery revenues. Lottery revenue is based on the prior year's FTES. The District has elected to participate in an emergency conditions provision that permits the use of the 2019-2020 P1 FTES for funding purposes. Therefore, funding for these remained fairly consistent with the prior year.
- Net interest income shown is the net of interest expense on capital related debt and investment income earned. Investment income increased \$12.0 million. This can be attributed to the steady increase in interest rates.
- Other nonoperating revenues (expenses), net are comprised of the amounts recorded for other local revenues and transfers to and from the fiduciary funds.
- Other Revenues are comprised of state capital income and losses on disposal of capital assets.

The following charts show the major components of total revenues and total expenses using the more detailed Statement of Revenues, Expenses, and Changes in Net Position presented on page 21.



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by the operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities and deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net cash used by operating activities to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

A summarized Statement of Cash Flows for the years ended June 30, 2024 and 2023, is presented below:

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Net Cash Flows from			
Operating activities	\$ (350,713,036)	\$ (291,212,580)	\$ (59,500,456)
Noncapital financing activities	350,198,700	326,364,337	23,834,363
Capital financing activities	(67,496,586)	154,918,597	(222,415,183)
Investing activities	<u>22,907,049</u>	<u>11,018,969</u>	<u>11,888,080</u>
Net Increase (Decrease) in Cash	(45,103,873)	201,089,323	(246,193,196)
Cash and Cash Equivalents, Beginning of Year	<u>591,298,221</u>	<u>390,208,898</u>	<u>201,089,323</u>
Cash and Cash Equivalents, End of Year	<u>\$ 546,194,348</u>	<u>\$ 591,298,221</u>	<u>\$ (45,103,873)</u>

- Operating activities mainly consist of cash receipts from student tuition and cash payments for salaries, benefits, supplies, Federal, State, and other local operating grants and contracts, other operating expenses, utilities, insurance, and other items related to the instructional program.
- Noncapital financing activities are primarily comprised of State apportionment, property taxes, and Federal and State financial aid grants for other than capital purposes. State apportionments and property taxes received account for 72% of the total cash provided by noncapital financing activities. Additionally, cash received from noncapital related grants and contracts accounts for 25% of the total cash provided by noncapital financing activities.
- Capital financing activities are mostly made up of the purchase or sale of capital assets, principal and interest payments on any debt issued, and cash sources or uses from Federal, State, and local grants for capital purposes. The decrease in cash receipts in this category is the result of the issuance of Measure J bonds in September 2022.
- The cash from investing activities is interest earned on cash in banks and the change in market value of cash invested through the Orange County Educational Investment Pool. The increase in cash received from investing activities is due to increased interest revenue from investments.

FUNCTIONAL EXPENSES

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. The District's operating expenses by functional classification for the fiscal year ended June 30, 2024, are:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	\$ 135,959,053	\$ 4,151,056	\$ 60,372	\$ 1,057,802	\$ -	\$ 141,228,283
Academic support	32,093,732	4,857,977	3,108	840,350	-	37,795,167
Student services	71,516,985	8,195,895	6,183,556	594,529	-	86,490,965
Plant operations and maintenance	17,001,155	9,752,043	-	754,045	-	27,507,243
Instructional support services	40,477,362	16,477,930	-	187,840	-	57,143,132
Community services and economic development	1,101,628	264,523	-	-	-	1,366,151
Ancillary services and auxiliary operations	5,721,971	1,751,738	926,358	25,400	-	8,425,467
Student aid	9,408	2,420,325	77,080,846	-	-	79,510,579
Physical property and related acquisitions	3,408,784	2,203,693	-	13,124,482	-	18,736,959
Unallocated depreciation and amortization	-	-	-	-	17,537,388	17,537,388
Total	\$ 307,290,078	\$ 50,075,180	\$ 84,254,240	\$ 16,584,448	\$ 17,537,388	\$ 475,741,334

DISTRICT'S FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary, for certain amounts held in trust for retiree OPEB benefits. These amounts are included herein and are reported separately from the District's operating statements. These resources can only be used towards the costs of retiree health benefits. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. See Note 9 for more information on the OPEB activity.

BUDGETARY HIGHLIGHTS

As the state continues to face multi-year budget deficits, the 2024-25 state budget included cuts to government operations but avoided major core reductions to California community college funding, and utilized deferrals and reserves to balance the budget. Despite the budget deficit, the 2024-25 state budget included a cost of living adjustment of 1.07% for apportionment and select categorical programs, and systemwide growth funding of 0.5%. At this time the State Chancellor's Office is including a 4.7154% deficit factor in the 2024-25 Advance Revision which would be approximately a \$12 million reduction to the District's apportionment revenues. If a deficit factor does not materialize, the District projects that in 2024-25 it would continue to receive funding at the hold harmless level.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The California economy plays a pivotal role in shaping the budgetary outlook for community colleges. The state's economic health is a crucial determinant of available funds for education.

Key economic indicators show:

- California's unemployment rate increased by 0.1% to 5.4%. However, the state's labor force increased by 8,000 participants which could help increase the tax base once those individuals find employment.
- Residential real estate and affordability continue to be a challenge in California. The housing market reflects an inverse relationship between median home sales prices of existing single-family homes and California home sales, suggesting California is increasingly becoming unaffordable. The state's net migration data shows housing is the primary reason Californians are leaving the state followed by jobs and family.
- The S&P 500 has increased significantly since the pandemic and the stock market continues generally in an upward trend.
- As inflation has slowed, the Federal Reserve cut interest rates by 0.50% in September 2024 and 0.25% in November 2024 which lower the cost of borrowing and could help stimulate economic growth.

These factors and the student centered funding formula adding volatility to the District's future funding necessitate a cautious approach to budget forecasts. Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the Vice Chancellor, Finance and Facilities, North Orange County Community College District, 1830 West Romneya Drive, Anaheim, CA 92801.

North Orange County Community College District

Statement of Net Position

June 30, 2024

Assets	
Cash and cash equivalents	\$ 25,726,680
Investments	523,433,445
Accounts receivable	45,627,225
Student receivables	7,397,644
Inventories	43,665
Other assets	500
Net other postemployment benefits (OPEB) asset - District Plan	12,062,492
Lease receivables	828,419
Capital assets not depreciated or amortized	118,954,382
Capital assets, net of accumulated depreciation and amortization	<u>482,320,466</u>
Total assets	<u>1,216,394,918</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	5,000,163
Deferred outflows of resources related to pensions	<u>96,642,964</u>
Total deferred outflows of resources	<u>101,643,127</u>
Liabilities	
Accounts payable	42,740,149
Accrued interest payable	4,362,323
Unearned revenue	61,653,028
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	28,690,470
Long-term liabilities other than OPEB and pensions, due in more than one year	345,246,542
Net OPEB liability - Medicare Premium Payment Program	703,562
Aggregate net pension liability	<u>273,283,994</u>
Total liabilities	<u>756,680,068</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to leases	773,820
Deferred inflows of resources related to OPEB	8,136,544
Deferred inflows of resources related to pensions	<u>20,558,609</u>
Total deferred inflows of resources	<u>29,468,973</u>
Net Position	
Net investment in capital assets	486,132,138
Restricted for	
Debt service	28,035,022
Capital projects	78,841,439
Educational programs	9,097,274
Other activities	24,660,682
Unrestricted	<u>(94,877,551)</u>
Total Net Position	<u>\$ 531,889,004</u>

North Orange County Community College District
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2024

Operating Revenues	
Tuition and fees	\$ 38,766,619
Less: Scholarship discounts and allowances	<u>(19,480,905)</u>
Net tuition and fees	<u>19,285,714</u>
Grants and contracts, noncapital	
Federal	7,535,193
State	79,305,903
Local	<u>3,685,380</u>
Total grants and contracts, noncapital	<u>90,526,476</u>
Auxiliary enterprise sales and charges	
Bookstore	61,931
Cafeteria	<u>596,081</u>
Total operating revenues	<u>110,470,202</u>
Operating Expenses	
Salaries	222,641,654
Employee benefits	84,648,424
Supplies, materials, and other operating expenses and services	50,075,180
Student financial aid	84,254,240
Equipment, maintenance, and repairs	16,584,448
Depreciation and amortization	<u>17,537,388</u>
Total operating expenses	<u>475,741,334</u>
Operating Loss	<u>(365,271,132)</u>
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	127,912,828
Local property taxes, levied for general purposes	124,556,982
Taxes levied for other specific purposes	32,174,798
Federal and State financial aid grants	75,705,280
State taxes and other revenues	12,929,814
Investment income, net	24,545,328
Interest expense on capital related debt	(13,644,844)
Investment income on capital asset-related debt, net	1,141,505
Other nonoperating revenue	<u>9,333,278</u>
Total nonoperating revenues (expenses)	<u>394,654,969</u>
Income Before Other Revenues and Losses	<u>29,383,837</u>
Other Revenues (Losses)	
State revenues, capital	8,120,888
Loss on disposal of capital assets	<u>(7,158)</u>
Total other revenues (losses)	<u>8,113,730</u>
Change In Net Position	37,497,567
Net Position, Beginning of Year	<u>494,391,437</u>
Net Position, End of Year	<u>\$ 531,889,004</u>

North Orange County Community College District

Statement of Cash Flows
Year Ended June 30, 2024

Operating Activities	
Tuition and fees	\$ 18,515,264
Federal, state, and local grants and contracts, noncapital	74,419,162
Auxiliary sales	658,012
Payments to or on behalf of employees	(311,274,087)
Payments to vendors for supplies and services	(48,777,147)
Payments to students for scholarships and grants	<u>(84,254,240)</u>
Net cash flows from operating activities	<u>(350,713,036)</u>
Noncapital Financing Activities	
State apportionments	126,346,087
Federal and state financial aid grants	75,705,280
Property taxes - nondebt related	124,556,982
State taxes and other apportionments	12,845,912
Other nonoperating	<u>10,744,439</u>
Net cash flows from noncapital financing activities	<u>350,198,700</u>
Capital Financing Activities	
Purchase of capital assets	(39,521,195)
Proceeds from capital debt	1,267,054
State revenue, capital	(10,542,412)
Property taxes - related to capital debt	32,174,798
Principal paid on capital debt	(40,855,689)
Interest paid on capital debt	(11,160,647)
Interest received on capital asset-related debt	<u>1,141,505</u>
Net cash flows from capital financing activities	<u>(67,496,586)</u>
Cash Flows from Investing Activities	
Change in fair market value of cash in county treasury	2,708,228
Purchase of investments	1,673,189
Interest received from investments	<u>18,525,632</u>
Net cash flows from investing activities	<u>22,907,049</u>
Change In Cash and Cash Equivalents	(45,103,873)
Cash and Cash Equivalents, Beginning of Year	<u>591,298,221</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 546,194,348</u></u>

North Orange County Community College District

Statement of Cash Flows

Year Ended June 30, 2024

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	<u>\$ (365,271,132)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	17,537,388
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	2,828,608
Student receivables	(551,084)
Inventories	167,335
Lease receivables	75,436
Deferred outflows of resources related to OPEB	11,178,593
Deferred outflows of resources related to pensions	(17,529,562)
Accounts payable	20,357,898
Unearned revenue	(19,134,173)
Compensated absences and load banking	666,956
Claims payable	(187,430)
Aggregate net OPEB liability	(12,825,197)
Aggregate net pension liability	24,557,689
Deferred inflows of resources related to leases	(96,551)
Deferred inflows of resources related to OPEB	(2,097,825)
Deferred inflows of resources related to pensions	<u>(10,389,985)</u>
Total adjustments	<u>14,558,096</u>
Net cash flows from operating activities	<u><u>\$ (350,713,036)</u></u>
 Cash and Cash Equivalents Consist of the Following	
Cash in banks	\$ 25,726,680
Cash in county treasury	<u>520,467,668</u>
Total cash and cash equivalents	<u><u>\$ 546,194,348</u></u>
 Noncash Transactions	
Amortization of debt premiums	\$ 830,867
Accretion of interest on capital appreciation bonds	\$ 3,807,518
Recognition of subscription-based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	\$ 952,479
Recognition of lease liabilities arising from obtaining right-to-use leased assets	\$ 314,575

North Orange County Community College District

Fiduciary Fund

Statement of Net Position

June 30, 2024

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 142,544,436</u>
Net Position	
Restricted for postemployment benefits other than pensions	<u>\$ 142,544,436</u>

North Orange County Community College District

Fiduciary Fund

Statement of Changes in Net Position

Year Ended June 30, 2024

	Retiree OPEB Trust
Additions	
District contributions	\$ 7,056,157
Interest and investment income	4,785,379
Net realized and unrealized gains	11,927,085
Total additions	<u>23,768,621</u>
Deductions	
Benefit payments	5,417,725
Administrative expenses	373,445
Total deductions	<u>5,791,170</u>
Change in Net Position	17,977,451
Net Position - Beginning of Year	<u>124,566,985</u>
Net Position - End of Year	<u><u>\$ 142,544,436</u></u>

Note 1 - Organization

The North Orange County Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the Counties of Orange and Los Angeles in the State of California and is governed by an elected Board of Trustees. The District is comprised of two college campuses, Cypress College and Fullerton College, the District office, a vocational and adult center, North Orange Continuing Education, which offers courses and programs at the Anaheim campus, the Cypress College campus, the Wilshire campus, and other off-site locations. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District. The District identified no component units that met this requirement.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, and donations are classified as nonoperating revenue. Federal and State financial aid grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Eligibility requirements may include time and/or purpose requirements. Property tax revenues are recognized in the fiscal year in which they are received. State apportionment revenue is earned based upon criteria set forth from the Community College Chancellor's Office and includes reporting of full-time equivalent students (FTES). The corresponding apportionment revenue is recognized in the period the FTES are generated.

Expenses are recorded on the accrual basis as they are incurred when goods are received or services are rendered.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with the County treasury for purposes of the Statement of Cash Flows.

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Accounts Receivable

Accounts receivable include amounts due from Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable.

Inventories

Inventories consist primarily of bookstore merchandise held for resale to the students and faculty of the colleges. In addition, the District warehouse holds some inventory of paper and office supplies for daily operational needs. Inventories are stated at cost, utilizing the average cost method. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of \$5,000 (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, and land improvements that cost more than \$150,000, significantly increase the value, or extend the useful life of the structure, are capitalized. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation of equipment and vehicles, facilities, and other physical properties is provided using the straight-line method over the estimated useful lives of the respective assets, or in the case of assets acquired under capital leases, the shorter of the lease term or useful life. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Land improvements	50 years
Buildings and improvements	50 years
Machinery and equipment	5-20 years

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2024.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to OPEB and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to leases, for OPEB related items, and for pension related items.

Leases

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscription-based IT Arrangements

The District recognizes a subscription-based IT arrangement liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The District measures the subscription-based IT arrangement liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription-based IT arrangement liability is reduced by the principal portion of subscription payments made. The right-to-use subscription IT asset is initially measured as the initial amount of the subscription-based IT arrangement liability, plus certain initial direct costs. Subsequently, the right-to-use subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, leases, subscription-based IT arrangements, compensated absences, load banking, claims liability, net OPEB liability, and the aggregate net pension liability with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$140,634,417 of restricted net position, and the fiduciary funds financial statements report \$142,544,436 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

- **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as tuition and fees, net of scholarship discounts and allowances, non-capital Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year and are recorded in the District's financial records when received. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Property taxes are assessed and levied by the County of Orange on the fourth Monday of September of each year and they become an enforceable lien on real property on January 1 of the same year. Secured taxes are payable to the District in two installments, on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. Tax remittances are paid net of a County administrative charge.

The District has reported property tax revenue only for taxes levied and due within the fiscal year. The District participates in the Orange County Teeter Plan and is paid all current year taxes in the year levied. The Teeter Plan allows the County to follow the accrual method of accounting to allocate property tax revenues based on the total amount of property taxes billed but not yet collected. A receivable has not been recognized in the basic financial statements for property taxes due to the fact that any receivable would be offset by a payable to the State for State apportionment purposes.

The voters of the District passed General Obligation Bonds in March 2002 and November 2014 for the acquisition, construction, and rehabilitation of facilities. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected by the County of Orange and remitted to the District.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those differences could be material.

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Adoption of New Accounting Standard**Implementation of GASB Statement No. 100**

As of July 1, 2023, the District adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Note 3 - Deposits and Investments

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District deposits substantially all receipts and collections of monies with their County Treasurer. 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 is 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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2024, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	\$ 25,464,758	\$ -
Cash in revolving	261,922	-
Investments - Cash in county treasury	520,467,668	-
Investments - Other	<u>2,965,777</u>	<u>142,544,436</u>
Total deposits and investments	<u>\$ 549,160,125</u>	<u>\$ 142,544,436</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Educational Investment Pool, certificates of deposit, and mutual funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	\$ 142,544,436	No maturity	Not rated
Money market funds	258,703	No maturity	Not rated
Certificates of deposit	2,707,074	201	Not rated
Orange County educational investment pool	<u>520,467,668</u>	407	AAAm
Total	<u>\$ 665,977,881</u>		

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2024, the District's bank balance of approximately \$14.5 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2024, the District's investment balance of approximately \$142.0 million was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

North Orange County Community College District

Notes to Financial Statements

June 30, 2024

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2024:

Investment Type	Fair Value	Fair Value Measurements Using Level 1 Inputs
Mutual funds	\$ 142,544,436	\$ 142,544,436

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2024 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	\$ 4,546,301
State Government	
Apportionment	21,116,229
Categorical aid	1,970,202
Lottery	2,229,066
Other state sources	8,098,498
Local Sources	
Interest	2,409,204
Other local sources	5,257,725
Total	\$ 45,627,225
Student receivables	\$ 7,397,644

Note 6 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivables	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Cell Tower Leases	\$ 903,855	\$ -	\$ (75,436)	\$ 828,419

Cellular Tower Leases

The District leases a portion of its facilities for cellular tower antenna sites. These leases are noncancelable for a period of five years, with additional renewal periods of five years. The District believes the licensees will exercise the renewal option with reasonable certainty. The lease terms including renewal periods extend through August 2042. The agreements allow for 3% annual increases to the lease payments. At termination, lessees must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized \$75,436 in lease revenue and \$25,889 in interest revenue related to these agreements. At June 30, 2024, the District recorded \$828,419 in lease receivables and \$773,820 deferred inflows of resources for these arrangements. The District used an interest rate of 3%, based on the rates available to finance machinery and equipment over the same time periods.

Note 7 - Capital Assets

Capital asset activity for the District for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
Capital Assets Not Being Depreciated or Amortized				
Land	\$ 19,280,372	\$ -	\$ -	\$ 19,280,372
Construction in progress	133,391,588	32,192,649	(65,910,227)	99,674,010
Total capital assets not being depreciated or amortized	<u>152,671,960</u>	<u>32,192,649</u>	<u>(65,910,227)</u>	<u>118,954,382</u>
Capital Assets Being Depreciated and Amortized				
Land improvements	9,892,803	59,784,904	-	69,677,707
Buildings and improvements	632,027,463	6,125,323	-	638,152,786
Furniture and equipment	31,294,337	931,840	(371,573)	31,854,604
Right-to-use leased buildings and improvements	-	314,575	-	314,575
Right-to-use subscription IT assets	2,618,072	952,479	(317,057)	3,253,494
Total capital assets being depreciated or amortized	<u>675,832,675</u>	<u>68,109,121</u>	<u>(688,630)</u>	<u>743,253,166</u>
Less Accumulated Depreciation and Amortization				
Land improvements	(3,480,612)	(462,139)	-	(3,942,751)
Buildings and improvements	(214,936,525)	(14,511,927)	-	(229,448,452)
Furniture and equipment	(24,771,593)	(1,310,976)	364,415	(25,718,154)
Right-to-use leased buildings and improvements	-	(110,101)	-	(110,101)
Right-to-use subscription IT assets	(888,054)	(1,142,245)	317,057	(1,713,242)
Total accumulated depreciation and amortization	<u>(244,076,784)</u>	<u>(17,537,388)</u>	<u>681,472</u>	<u>(260,932,700)</u>
Total capital assets, net	<u>\$ 584,427,851</u>	<u>\$ 82,764,382</u>	<u>\$ (65,917,385)</u>	<u>\$ 601,274,848</u>

Note 8 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2024 consisted of the following:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Due in One Year
General obligation bonds	\$ 372,121,283	\$ 3,807,518	\$ (39,165,000)	\$ 336,763,801	\$ 22,665,000
Bond premium	16,855,009	-	(830,867)	16,024,142	-
Leases	-	314,575	(107,074)	207,501	190,890
Subscription-based IT arrangements	1,452,229	952,479	(1,583,615)	821,093	673,879
Compensated absences and load banking	16,884,952	666,956	-	17,551,908	5,160,701
Claim liability	2,755,997	-	(187,430)	2,568,567	-
Total	\$ 410,069,470	\$ 5,741,528	\$ (41,873,986)	\$ 373,937,012	\$ 28,690,470

Description of Long-term Liabilities

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. Payments for the leases and subscription-based IT arrangements will be made by the fund for which the use of the asset was intended. The compensated absences and load banking liabilities will be paid by the fund for which the employee worked. The claim liability will be paid by the Internal Service Fund.

General Obligation Bonds

Measure X

On March 5, 2002, the voters of the District approved Measure X, which allowed the District to issue \$239,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

2003B General Obligation Bonds

On December 23, 2003, \$99,999,001 of North Orange County Community College District, Election of 2002, Series 2003B Bonds were issued with a final maturity date of August 1, 2028, and interest rates ranging from 2.00 percent to 5.44 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2024, was \$68,608,801.

2013 General Obligation Refunding Bonds

On January 24, 2013, \$145,910,000 of North Orange County Community College District, 2005 General Obligation Refunding Bonds were issued to advance refund and defease a portion of the District's 2005 General Obligation Refunding Bonds maturing on and after August 1, 2013, and to pay all legal, financial, and contingent costs in connection with the issuance of the Bonds. The Refunding Bonds defeased \$129,945,000 of the old debt with a final maturity date of August 1, 2023. Interest rates range from 0.40 percent to 2.65 percent, depending on the maturity of the related bonds. The Bonds are payable semiannually on February 1 and August 1 of each year. The bonds were paid in full as of the June 30, 2024.

Measure J

On November 4, 2014, the voters of the District approved Measure J, which allowed the District to issue \$574,000,000 of general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities.

2016A General Obligation Bonds

On June 2, 2016, \$100,000,000 of North Orange County Community College District, Election of 2014, Series 2016A Bonds were issued with a final maturity date of August 1, 2040, and interest rates ranging from 2.00 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2024, was \$34,260,000.

2019B General Obligation Bonds

On May 29, 2019, \$150,000,000 North Orange County Community College District, Election of 2014, Series 2019B Bonds were issued with a final maturity date of August 1, 2044, and interest rates ranging from 2.63 percent to 4.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2024, was \$99,060,000.

2022C General Obligation Bonds

On September 22, 2022, \$150,000,000 North Orange County Community College District, Election of 2014, Series 2022C Bonds were issued with a final maturity date of August 1, 2047, and interest rates ranging from 4.00 percent to 5.00 percent, depending on the maturity of the related bonds. Interest is payable semiannually on February 1 and August 1 of each year. The outstanding principal balance of these bonds at June 30, 2024, was \$134,835,000.

North Orange County Community College District

Notes to Financial Statements

June 30, 2024

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding, July 1, 2023	Issued	Accreted Interest	Redeemed	Bonds Outstanding, June 30, 2024
2003	2029	2.00% - 5.44%	\$ 99,999,001	\$ 73,861,283	\$ -	\$ 3,807,518	\$ (9,060,000)	\$ 68,608,801
2013	2024	0.40% - 2.65%	145,910,000	12,905,000	-	-	(12,905,000)	-
2016	2041	2.00% - 4.00%	100,000,000	35,100,000	-	-	(840,000)	34,260,000
2019	2045	2.63% - 4.00%	150,000,000	100,255,000	-	-	(1,195,000)	99,060,000
2022	2048	4.00% - 5.00%	150,000,000	150,000,000	-	-	(15,165,000)	134,835,000
				<u>\$ 372,121,283</u>	<u>\$ -</u>	<u>\$ 3,807,518</u>	<u>\$ (39,165,000)</u>	<u>\$ 336,763,801</u>

Debt Service Requirements to Maturity

The bonds mature through 2048 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Current Interest to Maturity	Total
2025	\$ 22,419,451	\$ 245,549	\$ 10,149,376	\$ 32,814,376
2026	23,450,892	749,108	9,480,826	33,680,826
2027	11,822,862	1,262,138	9,072,476	22,157,476
2028	24,213,747	4,301,253	8,945,276	37,460,276
2029	24,546,849	5,683,151	8,810,151	39,040,151
2030-2034	30,290,000	-	41,095,968	71,385,968
2035-2039	48,725,000	-	33,779,500	82,504,500
2040-2044	71,605,000	-	23,330,149	94,935,149
2045-2048	79,690,000	-	6,658,600	86,348,600
Total	<u>\$ 336,763,801</u>	<u>\$ 12,241,199</u>	<u>\$ 151,322,322</u>	<u>\$ 500,327,322</u>

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

Leases

The District entered an agreement to lease building space for NOCE for 20 months, beginning December 2023. The lease terminates in July 2025. Under the terms of the lease, the District pays a monthly base fee of \$16,192, increasing 3.0% annually on the anniversary of the agreement. At June 30, 2024, the District has recognized a right to use asset, net of accumulated amortization, of \$204,474 and a lease liability of \$207,501 related to this agreement. During the fiscal year, the District recorded \$110,101 in amortization expense and \$6,270 in interest expense for the right to use the building space. The District used a discount rate of 4.81%, based on the estimated incremental borrowing rate for financing over a similar time period.

North Orange County Community College District

Notes to Financial Statements

June 30, 2024

The District's liability on the lease agreement is summarized below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 190,890	\$ 5,843	\$ 196,733
2026	16,611	67	16,678
Total	\$ 207,501	\$ 5,910	\$ 213,411

Subscriptions-based Information Technology Arrangements (SBITAs)

The District entered into SBITAs for the use of various software. At June 30, 2024, the District has recognized a right-to-use subscriptions IT asset, net of accumulated amortization of \$1,540,252 and a SBITA liability of \$821,093 related to these agreements. Under the terms of the SBITAs, the District makes payments ranging from \$450 to \$146,356 annually, which amounted to total principal and interest costs of \$1,620,185 for the year ending June 30, 2024. During the fiscal year, the District recorded \$1,142,245 in amortization expense and \$36,570 in interest expense for the SBITAs. The District used discount rate of 3% based on the estimated incremental borrowing rate for financing over a similar time period.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2024 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 673,879	\$ 11,511	\$ 685,390
2026	81,352	2,504	83,856
2027	62,050	414	62,464
2028	3,812	13	3,825
Total	\$ 821,093	\$ 14,442	\$ 835,535

Note 9 - Aggregate Net Other Postemployment Benefits (OPEB) Asset (Liability)

For the year ended June 30, 2024, the District reported an aggregate net OPEB asset (liability), deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Aggregate Net OPEB Asset (Liability)</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 12,062,492	\$ 5,000,163	\$ 8,136,544	\$ (3,731,312)
Medicare Premium Payment (MPP) Program	(703,562)	-	-	(13,117)
Total	\$ 11,358,930	\$ 5,000,163	\$ 8,136,544	\$ (3,744,429)

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the North Orange County Community College District Retirement Board of Authority, which consists of appointed Plan members.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	991
Active employees	<u>1,356</u>
Total	<u><u>2,347</u></u>

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the North Orange County Community College District Retirement Board as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are prepared for the Trust.

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Unified Faculty (UF), the local California Service Employees Association (CSEA), and unrepresented groups. The contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by District management and the District's Governing Board. For the measurement period of June 30, 2023, the District contributed \$7,056,157 to the Plan, of which \$5,417,725 was used for current premiums and \$1,638,432 was used to fund the OPEB Trust.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	39%
Fixed income	24%
International equity	30%
Real estate	7%

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 13.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the District

The District's net OPEB asset of \$12,062,492 was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023. The components of the net OPEB asset of the District at June 30, 2024, were as follows:

Total OPEB liability	\$ 130,481,944
Plan fiduciary net position	<u>(142,544,436)</u>
Net OPEB asset	<u>\$ (12,062,492)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>109.24%</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	6.25%
Healthcare cost trend rate	4.00%

The discount rate was based on the long-term expected return on plan assets assuming 100% funding through the Trust, using the building block method.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study as of June 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.25%
Fixed income	4.25%
International equity	7.25%
Real estate	7.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB (Asset) Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance, June 30, 2023	\$ 125,316,573	\$ 124,566,985	\$ 749,588
Service cost	2,831,626	-	2,831,626
Interest	7,751,470	-	7,751,470
Contributions - employer	-	7,056,157	(7,056,157)
Expected investment income	-	7,824,967	(7,824,967)
Differences between projected and actual earnings on OPEB plan investments	-	8,887,497	(8,887,497)
Benefit payments	(5,417,725)	(5,417,725)	-
Administrative expense	-	(373,445)	373,445
Net change in total OPEB liability	5,165,371	17,977,451	(12,812,080)
Balance, June 30, 2024	\$ 130,481,944	\$ 142,544,436	\$ (12,062,492)

There were no changes of economic assumptions since the previous valuation. There were no changes in benefit terms since the previous valuation.

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability/(Asset)
1% decrease (5.25%)	\$ 5,293,233
Current discount rate (6.25%)	(12,062,492)
1% increase (7.25%)	(26,359,797)

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability/(asset) of the District, as well as what the District's net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is one percent lower or higher than the current healthcare costs trend rate:

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability/(Asset)</u>
1% decrease (3.00%)	\$ (29,569,127)
Current healthcare cost trend rate (4.00%)	(12,062,492)
1% increase (5.00%)	9,797,563

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 120,348	\$ 8,136,544
Changes of assumptions	4,052,788	-
Net difference between projected and actual earnings on OPEB plan investments	<u>827,027</u>	<u>-</u>
Total	<u>\$ 5,000,163</u>	<u>\$ 8,136,544</u>

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 226,684
2026	4,811,324
2027	(2,433,484)
2028	<u>(1,777,497)</u>
Total	<u>\$ 827,027</u>

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7.1 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (536,378)
2026	(536,378)
2027	(877,732)
2028	(945,575)
2029	(970,049)
Thereafter	(97,296)
Total	<u>\$ (3,963,408)</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2024, the District reported a liability of \$703,562 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2023 and June 30, 2022, was 0.2319% and 0.2176%, respectively, resulting in a net increase in the proportionate share of 0.0143%.

For the year ended June 30, 2024, the District recognized OPEB expense of \$(13,117).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022, and rolling forward the total OPEB liability to June 30, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2022, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population (138,780).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2023, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer’s 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.65%)	\$ 764,627
Current discount rate (3.65%)	703,562
1% increase (4.65%)	650,466

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rates:

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 647,347
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	703,562
1% increase (5.50% Part A and 6.40% Part B)	767,027

Note 10 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts, property liability, health benefits, errors, omissions, and natural disasters. These risks are addressed through a combination of participation in public entity risk pools, commercial insurance, and self-insurance. The District is insured for workers' compensation claims and property and liability claims through a combination of self-insurance and commercial insurance.

The District is also a member of the Alliance of Schools for Cooperative Insurance Program (ASCIP) and Schools Excess Liability Fund (SELF) public entity risk pools. The District is subject to various deductible amounts and pays premiums assessed by the pools. The pools are responsible for claims beyond the deductible amount of commercial insurance and provide for high-level umbrella type coverage above certain limits. The pools are operated separately and are independently accountable for their fiscal matters. The pools are not component units of the District for financial reporting purposes. A copy of the most recent audited financial statements may be obtained from ASCIP and SELF.

Estimates of liabilities for claims, both reported and unreported, for workers' compensation liability claims are established by the District's external administrator. The estimates are based on the continuous evaluation of the status of each claim. Estimates of liabilities for the property and liability claims are based on an analysis of individual claims. Management believes that the amounts accrued are adequate to cover such costs.

A number of claims and suits are pending against the District arising out of proposed claim settlements. In the opinion of District administration, the related liability, if any, will not materially affect the financial position of the District. No settlements exceeded insurance coverage during the last three years.

As of June 30, 2024 and 2023, liabilities for claims amounted to \$2,568,567 and \$2,755,997, respectively. Changes in the claims liability amount in the fiscal years 2024 and 2023 are presented below:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2022	\$ 1,287,168	\$ 1,579,217	\$ 2,866,385
Claims and changes in estimates	-	104,926	104,926
Claims payments	-	(215,314)	(215,314)
Liability Balance, June 30, 2023	1,287,168	1,468,829	2,755,997
Claims and changes in estimates	276,066	(389,929)	(113,863)
Claims payments	-	(73,567)	(73,567)
Liability Balance, June 30, 2024	<u>\$ 1,563,234</u>	<u>\$ 1,005,333</u>	<u>\$ 2,568,567</u>
Assets available to pay claims at June 30, 2024			<u>\$ 26,183,310</u>

Note 11 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2024, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 119,388,011	\$ 44,950,591	\$ 15,763,284	\$ 16,322,227
CalPERS	153,895,983	51,692,373	4,795,325	23,723,098
Total	<u>\$ 273,283,994</u>	<u>\$ 96,642,964</u>	<u>\$ 20,558,609</u>	<u>\$ 40,045,325</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above, and the District's total contributions were \$21,459,902.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 119,388,011
State's proportionate share of net pension liability associated with the District	<u>57,202,153</u>
Total	<u><u>\$ 176,590,164</u></u>

North Orange County Community College District

Notes to Financial Statements

June 30, 2024

The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2023 and June 30, 2022, was 0.1568% and 0.1450%, respectively, resulting in a net increase in the proportionate share of 0.0118%.

For the year ended June 30, 2024, the District recognized pension expense of \$16,322,227. In addition, the District recognized pension expense and revenue of \$7,781,073 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 21,459,902	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,906,429	9,375,419
Differences between projected and actual earnings on pension plan investments	511,029	-
Differences between expected and actual experience in the measurement of the total pension liability	9,381,931	6,387,865
Changes of assumptions	691,300	-
Total	\$ 44,950,591	\$ 15,763,284

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (3,756,038)
2026	(5,886,370)
2027	9,673,369
2028	480,068
Total	\$ 511,029

The deferred outflows/(inflows) of resources related to the change in proportion and difference between contributions made and District’s proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 312,129
2026	49,259
2027	1,797,829
2028	782,513
2029	1,279,560
Thereafter	<u>2,995,086</u>
Total	<u>\$ 7,216,376</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	38%	5.25%
Private equity	14%	6.75%
Real estate	15%	4.05%
Inflation sensitive	7%	3.65%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 200,263,862
Current discount rate (7.10%)	119,388,011
1% increase (8.10%)	52,211,191

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Schools Pool Actuarial Valuation. This reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employee Pool provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>On or before December 31, 2012</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.680%	26.680%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above, and the total District contributions were \$21,947,281.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$153,895,983. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2023 and June 30, 2022, was 0.4251% and 0.4301%, respectively, resulting in a net decrease in the proportionate share of 0.0050%.

For the year ended June 30, 2024, the District recognized pension expense of \$23,723,098. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 21,947,281	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	600,774	2,431,708
Differences between projected and actual earnings on pension plan investments	16,438,291	-
Differences between expected and actual experience in the measurement of the total pension liability	5,616,100	2,363,617
Changes of assumptions	<u>7,089,927</u>	<u>-</u>
Total	<u>\$ 51,692,373</u>	<u>\$ 4,795,325</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 3,066,382
2026	1,816,602
2027	11,043,733
2028	<u>511,574</u>
Total	<u>\$ 16,438,291</u>

The deferred outflows/(inflows) of resources related to the change in proportion and difference between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions, will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2025	\$ 3,919,095
2026	3,291,448
2027	<u>1,300,933</u>
Total	<u>\$ 8,511,476</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity - cap-weighted	30%	4.54%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 222,493,811
Current discount rate (6.90%)	153,895,983
1% increase (7.90%)	97,201,439

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$9,149,572 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2024.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2024.

Construction Commitments

As of June 30, 2024, the District had approximately \$132.7 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of general obligation bonds, capital project apportionments from the California Community College Chancellor's Office, and local funds.



Required Supplementary Information
June 30, 2024

North Orange County Community College District

North Orange County Community College District
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability				
Service cost	\$ 2,831,626	\$ 2,931,568	\$ 3,097,828	\$ 2,550,658
Interest	7,751,470	7,849,078	7,521,275	7,501,494
Difference between expected and actual experience	-	(7,468,329)	208,410	(3,714,831)
Changes of assumptions	-	560,166	-	3,576,747
Benefit payments	<u>(5,417,725)</u>	<u>(5,350,754)</u>	<u>(5,439,906)</u>	<u>(5,278,202)</u>
Net change in total OPEB liability	5,165,371	(1,478,271)	5,387,607	4,635,866
Total OPEB Liability - Beginning	<u>125,316,573</u>	<u>126,794,844</u>	<u>121,407,237</u>	<u>116,771,371</u>
Total OPEB Liability - Ending (a)	<u>\$ 130,481,944</u>	<u>\$ 125,316,573</u>	<u>\$ 126,794,844</u>	<u>\$ 121,407,237</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 7,056,157	\$ 6,919,805	\$ 3,962,305	\$ 6,697,527
Expected investment income	7,824,967	7,188,950	8,920,194	7,107,044
Differences between projected and actual earnings on OPEB plan investments	8,887,497	3,279,920	(36,224,040)	22,923,216
Benefit payments	(5,417,725)	(5,350,754)	(5,439,906)	(5,278,202)
Administrative expense	<u>(373,445)</u>	<u>(419,221)</u>	<u>(464,351)</u>	<u>(426,969)</u>
Net change in plan fiduciary net position	17,977,451	11,618,700	(29,245,798)	31,022,616
Plan Fiduciary Net Position - Beginning	<u>124,566,985</u>	<u>112,948,285</u>	<u>142,194,083</u>	<u>111,171,467</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 142,544,436</u>	<u>\$ 124,566,985</u>	<u>\$ 112,948,285</u>	<u>\$ 142,194,083</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (12,062,492)</u>	<u>\$ 749,588</u>	<u>\$ 13,846,559</u>	<u>\$ (20,786,846)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>109.24%</u>	<u>99.40%</u>	<u>89.08%</u>	<u>117.12%</u>
Covered Employee Payroll	<u>\$ 194,616,681</u>	<u>\$ 174,400,983</u>	<u>\$ 155,397,686</u>	<u>\$ 152,030,747</u>
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	<u>(6.20%)</u>	<u>0.43%</u>	<u>8.91%</u>	<u>(13.67%)</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

Note: In the future, as data becomes available, ten years of information will be presented.

North Orange County Community College District
Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios
Year Ended June 30, 2024

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 3,059,846	\$ 3,100,787	\$ 2,792,913
Interest	7,006,914	6,713,723	6,431,647
Difference between expected and actual experience	(3,763,659)	-	-
Changes of assumptions	6,835,881	-	-
Benefit payments	<u>(5,272,744)</u>	<u>(5,294,051)</u>	<u>(4,865,894)</u>
Net change in total OPEB liability	7,866,238	4,520,459	4,358,666
Total OPEB Liability - Beginning	<u>108,905,133</u>	<u>104,384,674</u>	<u>100,026,008</u>
Total OPEB Liability - Ending (a)	<u>\$ 116,771,371</u>	<u>\$ 108,905,133</u>	<u>\$ 104,384,674</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 7,601,257	\$ 9,652,804	\$ 8,346,685
Expected investment income	6,808,169	6,376,959	6,387,641
Differences between projected and actual earnings on OPEB plan investments	(2,514,853)	(1,554,328)	-
Benefit payments	(5,272,744)	(5,294,051)	(4,865,894)
Administrative expense	<u>(382,846)</u>	<u>(353,179)</u>	<u>(342,392)</u>
Net change in plan fiduciary net position	6,238,983	8,828,205	9,526,040
Plan Fiduciary Net Position - Beginning	<u>104,932,484</u>	<u>96,104,279</u>	<u>86,578,239</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 111,171,467</u>	<u>\$ 104,932,484</u>	<u>\$ 96,104,279</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ 5,599,904</u>	<u>\$ 3,972,649</u>	<u>\$ 8,280,395</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>95.20%</u>	<u>96.35%</u>	<u>92.07%</u>
Covered Employee Payroll	<u>\$ 149,106,869</u>	<u>\$ 140,501,970</u>	<u>\$ 145,864,293</u>
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	<u>3.76%</u>	<u>2.83%</u>	<u>5.68%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

Note: In the future, as data becomes available, ten years of information will be presented.

North Orange County Community College District
Schedule of OPEB Investment Returns
Year Ended June 30, 2024

	2024	2023	2022	2021
Annual money-weighted rate of return, net of investment expense	13.17%	8.14%	(19.33%)	26.44%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
		2020	2019	2018
Annual money-weighted rate of return, net of investment expense		3.78%	5.00%	7.22%
Measurement Date		June 30, 2020	June 30, 2019	June 30, 2018

Note: In the future, as data becomes available, ten years of information will be presented.

North Orange County Community College District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022	2021
Proportion of the net OPEB liability	0.2319%	0.2176%	0.2344%	0.2650%
Proportionate share of the net OPEB liability	\$ 703,562	\$ 716,679	\$ 935,052	\$ 1,122,860
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018	
Proportion of the net OPEB liability	0.2546%	0.2807%	0.2785%	
Proportionate share of the net OPEB liability	\$ 948,003	\$ 1,074,402	\$ 1,171,698	
Covered payroll	N/A ¹	N/A ¹	N/A ¹	
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%	
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

North Orange County Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CalSTRS					
Proportion of the net pension liability	<u>0.1568%</u>	<u>0.1450%</u>	<u>0.1560%</u>	<u>0.1521%</u>	<u>0.1439%</u>
Proportionate share of the net pension liability	<u>\$ 119,388,011</u>	<u>\$ 100,730,774</u>	<u>\$ 70,972,966</u>	<u>\$ 147,360,884</u>	<u>\$ 129,968,324</u>
State's proportionate share of the net pension liability associated with the District	<u>57,202,153</u>	<u>50,445,578</u>	<u>35,710,844</u>	<u>75,964,553</u>	<u>70,906,397</u>
Total	<u>\$ 176,590,164</u>	<u>\$ 151,176,352</u>	<u>\$ 106,683,810</u>	<u>\$ 223,325,437</u>	<u>\$ 200,874,721</u>
Covered payroll	<u>\$ 100,659,387</u>	<u>\$ 91,263,138</u>	<u>\$ 89,074,916</u>	<u>\$ 87,572,895</u>	<u>\$ 82,950,043</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>118.61%</u>	<u>110.37%</u>	<u>79.68%</u>	<u>168.27%</u>	<u>156.68%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
CalPERS					
Proportion of the net pension liability	<u>0.4251%</u>	<u>0.4301%</u>	<u>0.4387%</u>	<u>0.4309%</u>	<u>0.4209%</u>
Proportionate share of the net pension liability	<u>\$ 153,895,983</u>	<u>\$ 147,995,531</u>	<u>\$ 89,213,203</u>	<u>\$ 132,200,039</u>	<u>\$ 122,680,134</u>
Covered payroll	<u>\$ 73,741,596</u>	<u>\$ 64,134,548</u>	<u>\$ 62,955,831</u>	<u>\$ 61,533,974</u>	<u>\$ 57,551,927</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>208.70%</u>	<u>230.76%</u>	<u>141.71%</u>	<u>214.84%</u>	<u>213.16%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>81%</u>	<u>70%</u>	<u>70%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019

North Orange County Community College District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS					
Proportion of the net pension liability	0.1564%	0.1538%	0.1561%	0.1495%	0.1590%
Proportionate share of the net pension liability	\$ 143,727,367	\$ 142,266,269	\$ 126,233,864	\$ 100,670,970	\$ 92,916,230
State's proportionate share of the net pension liability associated with the District	82,290,640	84,163,523	71,862,687	53,243,846	56,106,831
Total	<u>\$ 226,018,007</u>	<u>\$ 226,429,792</u>	<u>\$ 198,096,551</u>	<u>\$ 153,914,816</u>	<u>\$ 149,023,061</u>
Covered payroll	<u>\$ 87,329,002</u>	<u>\$ 84,243,824</u>	<u>\$ 79,575,871</u>	<u>\$ 70,822,399</u>	<u>\$ 70,820,109</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	164.58%	168.87%	158.63%	142.15%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS					
Proportion of the net pension liability	0.4478%	0.4401%	0.4350%	0.4304%	0.4088%
Proportionate share of the net pension liability	\$ 119,407,301	\$ 105,057,688	\$ 85,920,879	\$ 63,443,575	\$ 46,408,766
Covered payroll	<u>\$ 58,535,291</u>	<u>\$ 55,210,837</u>	<u>\$ 50,283,625</u>	<u>\$ 46,862,170</u>	<u>\$ 43,007,787</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	203.99%	190.28%	170.87%	135.38%	107.91%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

North Orange County Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CalSTRS					
Contractually required contribution	\$ 21,459,902	\$ 19,225,943	\$ 15,441,723	\$ 14,385,599	\$ 14,974,965
Contributions in relation to the contractually required contribution	<u>(21,459,902)</u>	<u>(19,225,943)</u>	<u>(15,441,723)</u>	<u>(14,385,599)</u>	<u>(14,974,965)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 112,355,508</u>	<u>\$ 100,659,387</u>	<u>\$ 91,263,138</u>	<u>\$ 89,074,916</u>	<u>\$ 87,572,895</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
CalPERS					
Contractually required contribution	\$ 21,947,281	\$ 18,708,243	\$ 14,693,225	\$ 13,031,857	\$ 12,135,115
Contributions in relation to the contractually required contribution	<u>(21,947,281)</u>	<u>(18,708,243)</u>	<u>(14,693,225)</u>	<u>(13,031,857)</u>	<u>(12,135,115)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 82,261,173</u>	<u>\$ 73,741,596</u>	<u>\$ 64,134,548</u>	<u>\$ 62,955,831</u>	<u>\$ 61,533,974</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>

North Orange County Community College District
Schedule of the District Contributions for Pensions
Year Ended June 30, 2024

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS					
Contractually required contribution	\$ 13,504,267	\$ 12,601,575	\$ 10,597,873	\$ 8,538,491	\$ 6,289,029
Contributions in relation to the contractually required contribution	<u>(13,504,267)</u>	<u>(12,601,575)</u>	<u>(10,597,873)</u>	<u>(8,538,491)</u>	<u>(6,289,029)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 82,950,043</u>	<u>\$ 87,329,002</u>	<u>\$ 84,243,824</u>	<u>\$ 79,575,871</u>	<u>\$ 70,822,399</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS					
Contractually required contribution	\$ 10,395,029	\$ 9,091,116	\$ 7,667,681	\$ 5,957,101	\$ 5,516,146
Contributions in relation to the contractually required contribution	<u>(10,395,029)</u>	<u>(9,091,116)</u>	<u>(7,667,681)</u>	<u>(5,957,101)</u>	<u>(5,516,146)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 57,551,927</u>	<u>\$ 58,535,291</u>	<u>\$ 55,210,837</u>	<u>\$ 50,283,625</u>	<u>\$ 46,862,170</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note 1 - Purpose of Schedules**Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios**

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability/(asset). In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.
- Changes of Assumptions - There were no changes in assumptions since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.
- Changes of Assumptions - The plan rate of investment return assumption was changed from 3.54% to 3.65% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District.

- Changes in Benefit Terms - There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- Changes of Assumptions – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.



Supplementary Information
June 30, 2024

North Orange County Community College District

The North Orange County Community College District was established in 1965 and serves approximately 155 square miles within Orange County and Los Angeles County. The District currently operates two community colleges, Cypress College (CC) and Fullerton College (FC). The college credit programs are housed primarily at CC and FC. The District also provides comprehensive college and continuing education programs through their North Orange Continuing Education (NOCE) at the Anaheim campus, the Cypress College campus, and the Wilshire campus. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. There were no changes in the boundaries of the District during the current year.

Board of Trustees as of June 30, 2024

Member	Office	Term Expires
Evangelina Rosales	President	2024
Jeffrey P. Brown	Vice President	2026
Dr. Barbara Dunsheath	Secretary	2026
Ed Lopez	Member	2024
Stephen T. Blount	Member	2026
Ryan Bent	Member	2024
Jacqueline Rodarte	Member	2024
Katie Wong	Student Trustee, Cypress College	2025
Sharon Kim	Student Trustee, Fullerton College	2025

Administration as of June 30, 2024

Dr. Byron D. Clift Breland	Chancellor
Fred Williams	Vice Chancellor, Finance and Facilities
Irma Ramos	Vice Chancellor, Human Resources
Dr. Cherry Li-Bugg	Vice Chancellor, Educational Services and Technology
Dr. Scott Thayer	President, Cypress College
Dr. Cynthia Olivo	President, Fullerton College
Valentina Purtell	President, North Orange Continuing Education
Kai Stearns	District Director, Public and Governmental Affairs

Auxiliary Organizations in Good Standing

Cypress College Foundation, established 1972
 Master Agreement revised December 2020
 Howard Kummerman, Executive Director

North Orange County Community College District Foundation, established 1987
 Master Agreement revised February 2021
 Dr. Byron D. Clift Breland, Board President

Friends of Fullerton College Foundation, established 2020
 Master Agreement revised February 2021
 Janeth Manjarrez, Interim Director

North Orange County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 49,160,666
Federal Pell Grant Program Administrative Allowance	84.063		146,185
Federal Direct Student Loans	84.268		4,517,159
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		945,415
FSEOG Administrative Allowance	84.007		20,235
Federal Work-Study Program	84.033		667,775
Federal Work-Study Program Administrative Allowance	84.033		<u>67,612</u>
Subtotal Student Financial Assistance Cluster			<u>55,525,047</u>
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		250,936
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		<u>284,001</u>
Subtotal			<u>534,937</u>
Enhancing Veteran and Military-connected Student Pathways Program	84.116Z		262,093
Child Care Access Means Parents in School (CCAMPIS)	84.335A		298,252
Asian American, Pacific Islander, and Desi American Amplified	84.031L		39,562
Promise Career Pathways	84.031S		<u>704,153</u>
Subtotal			<u>743,715</u>
Passed through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002A	V002A180005	1,085,471
English Literacy and Civics Education (EL Civics)	84.002A	V002A180005	<u>192,477</u>
Subtotal			<u>1,277,948</u>
Passed through California Department of Rehabilitation			
Subminimum Wage to Competitive Integrated Employment	84.421D	[1]	457,637
College to Career Program	84.126A	30494	290,000
Workability II Program	84.126A	32056	425,403
Case Service Contract	84.126A	32364	<u>108,097</u>
Subtotal			<u>823,500</u>
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	23-C01-860	<u>1,892,137</u>
Total U.S. Department of Education			<u>61,815,266</u>
U.S. Department of Agriculture			
Passed through California Department of Social Services			
Child and Adult Care Food Program	10.558	13666	<u>16,813</u>
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	<u>668,833</u>

[1] Pass-Through Entity Identifying Number not available.

North Orange County Community College District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
U.S. Department of Defense			
SMART CREATES Collaboration	12.UNK		\$ 7,666
National Aeronautics and Space Administration			
National Space Grant College and Fellowship Program	43.008		13,373
National Science Foundation			
Harnessing Data Revolution	47.070		54,094
LIFTED Project	47.076		64,803
U.S. Department of Energy			
Pass through the Regents of the University of California Sustainable Manufacturing Alliances for Research and Trainging Industry Assessment Center (SMART-IAC)	81.117	DE-EE0009726	71,502
Subtotal Research and Development Cluster			<u>211,438</u>
U.S. Department of Veterans Affairs			
Veterans Services	64.117		<u>11,424</u>
U.S. Department of Health and Human Services			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	174,372
Passed through from California State University of Fullerton			
Auxiliary Services Corporation		S-6874-	
Health Careers Opportunity Program	93.822	Cypress College	43,372
Total U.S. Department of Health and Human Services			<u>217,744</u>
Total Federal Financial Assistance			<u>\$ 62,941,518</u>

[1] Pass-Through Entity Identifying Number not available.

North Orange County Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2024

Program	Program Revenues				Total Revenue	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue		
African American Male Education Network and Development (A2MEND)	\$ 48,512	\$ -	\$ -	\$ 14,275	\$ 34,237	\$ 34,237
Asian American, Native Hawaiian, and Pacific Islander (AANHPI)	560,594	-	-	383,942	176,652	176,652
Basic Needs Centers and Staffing Support	2,490,454	-	-	1,518,749	971,706	971,706
CAEP TAP	263,972	210,143	-	-	474,116	474,116
CAI: Cybersecurity Apprenticeship Planning	96,000	-	-	74,496	21,504	21,504
Cal Grant	7,468,631	81,028	-	-	7,549,659	7,549,659
Cal Law Grant	-	17,220	-	-	17,220	17,220
Calculus: A New Equitable Direction	48,080	-	29,508	-	18,572	18,572
CalFresh Outreach	166	-	-	-	166	166
California Adult Education Program (CAEP) / AB86 Adult Education Consortium Planning	6,238,431	-	-	781,340	5,457,091	5,457,091
California College Promise AB19	3,362,746	-	-	420,363	2,942,383	2,942,383
CalWORKs	1,357,453	-	-	154,440	1,203,013	1,203,013
Campus Safety and Sexual Assault Prevention	21,176	-	-	19,261	1,915	1,915
Career Technical Education Data Unlocked Initiative	28,960	-	-	26,911	2,050	2,050
CCAP STEM Pathways Academy Grant	116,613	161,767	-	-	278,380	278,380
Child Development Training Consortium	29,900	-	-	-	29,900	29,900
Classified Professional Development	118,280	-	-	118,024	255	255
College Career Access Pathways Instru. Materials for Dual Enrollment	39,064	-	-	22,614	16,450	16,450
Cooperative Agencies Resources for Education (CARE)	922,586	-	-	91,338	831,248	831,248
COVID-19 Recovery Block Grant	17,504,943	-	-	6,799,369	10,705,573	10,705,573
CRPP IBP Grant - CoRE Program	300,000	-	-	283,414	16,586	16,586
Culturally Competent Faculty Professional Development	83,334	-	-	81,052	2,282	2,282
DDS - Orange County Business Partner Intermediary (OCBPI) Project	2,536	-	-	-	2,536	2,536
Disabled Students Programs and Services (DSPS)	6,390,981	-	-	1,201,101	5,189,880	5,189,880
Dream Resource Liaison Support	586,775	-	-	317,877	268,898	268,898
Drone Pilot Apprenticeship Grant	-	64,659	-	-	64,659	64,659
EEO Best Practices	165,445	-	-	123,370	42,075	42,075

North Orange County Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2024

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
EEO Innovative Best Practices	\$ 149,993	\$ -	\$ -	\$ 149,993	\$ -	\$ -
Employer Engagement Funds	45,233	65,603	-	-	110,836	110,836
Equal Employment Opportunities	293,618	-	-	253,214	40,404	40,404
Equitable Placement & Completion	1,617,712	-	-	1,281,245	336,467	336,467
Extended Opportunity Programs and Services (EOPS)	4,859,017	-	-	847,317	4,011,700	4,011,700
Financial Aid and Basic Needs Community of Practice (ComP) Stipend	50,000	-	-	41,814	8,186	8,186
Financial Aid Technology	222,416	-	-	143,630	78,786	78,786
General Child Care	203,464	-	-	-	203,464	203,464
Google IT Support Pre-Apprentice	-	52,365	-	-	52,365	52,365
GSETGP Admin Allowance	1,650	-	-	1,650	-	-
Guided Pathways	899,932	-	-	800,641	99,291	99,291
Hire Up Pilot Program	1,320,000	-	-	308,486	1,011,514	1,011,514
Innovation & Effectiveness Grant	393,630	-	-	26,201	367,429	367,429
Learning-Aligned Employment Program (LAEP)	8,188,833	-	8,143,545	-	45,288	45,288
LGBTQ+	455,798	-	-	355,158	100,639	100,639
Library Services Platform	30,227	-	-	30,227	-	-
Local and Systemwide Technology and Data Security -22/23	475,000	-	-	147,872	327,128	327,128
Mathematics, Engineering, and Science Achievement (MESA) Program	935,356	-	-	549,391	385,965	385,965
Mental Health Support	1,722,235	-	-	727,745	994,490	994,490
NextUp	1,204,869	-	-	576,944	627,925	627,925
Nursing Enrollment & Retention Growth	179,488	-	-	561	178,927	178,927
Puente Program - Participant Site Award	113,484	-	1,543	-	111,941	111,941
Puente Project	8,318	4,873	-	6,256	6,934	6,934
QRIS Block Grant	27,757	1,699	-	27,757	1,699	1,699
Referee and Lane Technician	12,000	-	-	-	12,000	12,000

North Orange County Community College District
Schedule of Expenditures of State Awards
Year Ended June 30, 2024

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Regional Equity and Recovery Partnerships (RERP)	\$ 84,164	\$ -	\$ -	\$ 81,288	\$ 2,876	\$ 2,876
Rising Scholars Network	466,472	-	-	125,400	341,072	341,072
SB 140 CSPP & Cost of Care	61,421	-	-	-	61,421	61,421
Seamless Transfer of Ethnic Studies	97,390	-	-	44,792	52,599	52,599
Strong Workforce - Regional	1,243,889	1,310,846	-	-	2,554,734	2,554,734
Strong Workforce Initiative - Local	9,407,885	-	109,204	4,105,297	5,193,384	5,193,384
Student Equity and Achievement Program (SEA)	17,683,868	-	-	4,110,935	13,572,933	13,572,933
Student Financial Aid Administrative Allowance (BFAP-SFAA)	1,684,974	-	-	114,135	1,570,839	1,570,839
Student Food and Housing Support	2,341,836	-	-	2,271,809	70,027	70,027
Student Retention and Enrollment	4,198,299	-	-	2,332,853	1,865,446	1,865,446
Student Success Completion Grant	17,188,757	-	-	4,203,209	12,985,548	12,985,548
Student Transfer Achievement Reform	1,130,434	-	-	1,122,676	7,758	7,758
Systemwide Technology and Data Security	500,000	-	-	350,041	149,959	149,959
UMOJA Campus Programs	217,806	-	-	217,806	-	-
Umoja Community Education Foundation-Umoja Program Funds	20,375	-	-	11,854	8,521	8,521
Veterans Resource Center Student Services	436,574	-	-	146,132	290,442	290,442
Welding Prog. Improvement Grant	707,203	-	-	672,171	35,032	35,032
Wellness Vending Machines Pilot Program	15,000	-	-	15,000	-	-
Work Independence Self-Advocacy Education	526,339	-	-	-	526,339	526,339
Zero Textbook Cost (ZTC) Program	540,790	-	-	478,944	61,846	61,846
Total state programs	\$ 130,209,137	\$ 1,970,202	\$ 8,283,799	\$ 39,112,382	\$ 84,783,158	\$ 84,783,158

North Orange County Community College District
Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance
Year Ended June 30, 2024

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2023 only)			
1. Noncredit*	439.66	-	439.66
2. Credit	2,250.93	-	2,250.93
B. Summer Intersession (Summer 2024- Prior to July 1, 2024)			
1. Noncredit*	-	-	-
2. Credit	12.77	-	12.77
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,517.66	-	11,517.66
(b) Daily Census Contact Hours	831.63	-	831.63
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	2,256.46	-	2,256.46
(b) Credit	182.52	-	182.52
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	7,195.91	-	7,195.91
(b) Daily Census Procedure Courses	3,239.82	-	3,239.82
(c) Noncredit Independent Study/Distance Education Courses	1,272.20	-	1,272.20
D. Total FTES	<u>29,199.56</u>	<u>-</u>	<u>29,199.56</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	1,975.36	-	1,975.36
2. Credit	19.93	-	19.93
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	2,569.88	-	2,569.88
Centers FTES			
1. Noncredit*	3,821.42	-	3,821.42
2. Credit	-	-	-

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

North Orange County Community College District
Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
Year Ended June 30, 2024

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 56,893,745	\$ -	\$ 56,893,745	\$ 56,893,745	\$ -	\$ 56,893,745
Other	1300	36,078,428	-	36,078,428	36,078,428	-	36,078,428
Total Instructional Salaries		92,972,173	-	92,972,173	92,972,173	-	92,972,173
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	23,194,743	-	23,194,743
Other	1400	-	-	-	1,807,157	-	1,807,157
Total Noninstructional Salaries		-	-	-	25,001,900	-	25,001,900
Total Academic Salaries		92,972,173	-	92,972,173	117,974,073	-	117,974,073
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	51,730,592	-	51,730,592
Other	2300	-	-	-	4,262,038	-	4,262,038
Total Noninstructional Salaries		-	-	-	55,992,630	-	55,992,630
Instructional Aides							
Regular Status	2200	5,175,629	-	5,175,629	5,175,629	-	5,175,629
Other	2400	674,823	-	674,823	674,823	-	674,823
Total Instructional Aides		5,850,452	-	5,850,452	5,850,452	-	5,850,452
Total Classified Salaries		5,850,452	-	5,850,452	61,843,082	-	61,843,082
Employee Benefits	3000	38,781,693	-	38,781,693	76,873,425	-	76,873,425
Supplies and Material	4000	-	-	-	2,329,896	-	2,329,896
Other Operating Expenses	5000	-	-	-	20,062,721	-	20,062,721
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures							
Prior to Exclusions		137,604,318	-	137,604,318	279,083,197	-	279,083,197

North Orange County Community College District
 Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
 Year Ended June 30, 2024

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 2,426,717	\$ -	\$ 2,426,717	\$ 2,426,717	\$ -	\$ 2,426,717
Student Health Services Above Amount Collected	6441	-	-	-	7,954	-	7,954
Student Transportation	6491	-	-	-	157,112	-	157,112
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	2,968,760	-	2,968,760
Objects to Exclude							
Rents and Leases	5060	-	-	-	337,696	-	337,696
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

North Orange County Community College District
 Reconciliation of *Education Code* Section 84362 (50% Law) Calculation
 Year Ended June 30, 2024

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 7,409,942	\$ -	\$ 7,409,942
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,426,717	-	2,426,717	13,308,181	-	13,308,181
Total for ECS 84362, 50% Law		\$ 135,177,601	\$ -	\$ 135,177,601	\$ 265,775,016	\$ -	\$ 265,775,016
% of CEE (Instructional Salary Cost/ Total CEE)		50.86%		50.86%	100.00%		100.00%
50% of Current Expense of Education					\$ 132,887,508		\$ 132,887,508

North Orange County Community College District
 Proposition 30 Education Protection Account (EPA) Expenditure Report
 Year Ended June 30, 2024

Activity Classification	Object Code	Unrestricted			
EPA Revenues:	8630				\$ 27,082,560
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 27,082,560	\$ -	\$ -	\$ 27,082,560
Total Expenditures for EPA		\$ 27,082,560	\$ -	\$ -	\$ 27,082,560
Revenues Less Expenditures					\$ -

North Orange County Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2024

Amounts reported for governmental activities in the Statement of Net Position are different because

Total fund balance and retained earnings		
General Funds	\$ 140,520,761	
Special Revenue Funds	21,316,321	
Capital Project Funds	272,312,143	
Debt Service Funds	32,397,345	
Internal Service Funds	23,614,743	
Fiduciary Funds	<u>142,544,436</u>	
Total fund balance - all District funds		\$ 632,705,749
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(142,544,436)
The net other postemployment benefits (OPEB) asset results from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.		12,062,492
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	862,207,548	
Accumulated depreciation and amortization is	<u>(260,932,700)</u>	
Total capital assets, net		601,274,848
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	5,000,163	
Deferred outflows of resources related to pensions	<u>96,642,964</u>	
Total deferred outflows of resources		101,643,127
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(4,362,323)

North Orange County Community College District
 Reconciliation of Governmental Funds to the Statement of Net Position
 Year Ended June 30, 2024

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

General obligation bonds	\$ (307,584,820)	
Leases	(207,501)	
Compensated absences and load banking, less current portion already recorded in the funds	(12,391,207)	
Subscription-based IT arrangements	(821,093)	
Aggregate net OPEB liability	(703,562)	
Aggregate net pension liability	(273,283,994)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	<u>(45,203,123)</u>	
Total long-term liabilities		\$ (640,195,300)

Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.

Deferred inflows of resources amount to and related to:

Deferred inflows of resources related to OPEB	(8,136,544)	
Deferred inflows of resources related to pensions	<u>(20,558,609)</u>	
Total deferred inflows of resources		<u>(28,695,153)</u>
Total net position		<u>\$ 531,889,004</u>

North Orange County Community College District
Schedule of Financial Trends and Analysis of the General Fund
Year Ended June 30, 2024

	(Budget ^[1]) 2025		2024		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
General Fund								
Revenues								
Federal	\$ 11,255,277	2.9	\$ 7,218,009	1.9	\$ 21,725,489	6.2	\$ 33,702,889	10.0
State	231,106,588	60.3	221,115,810	57.2	178,857,703	50.9	169,188,345	50.3
Local	141,307,953	36.8	158,178,133	40.9	150,677,851	42.9	133,790,207	39.7
Total revenues	<u>383,669,818</u>	<u>100.0</u>	<u>386,511,952</u>	<u>100.0</u>	<u>351,261,043</u>	<u>100.0</u>	<u>336,681,441</u>	<u>100.0</u>
Expenditures								
Academic salaries	129,947,509	30.1	132,402,602	34.2	118,264,834	34.6	112,078,399	35.4
Classified salaries	92,812,894	21.5	87,912,384	22.7	77,098,447	22.6	75,672,921	23.9
Employee benefits	87,206,934	20.2	90,663,955	23.4	80,800,618	23.7	71,202,436	22.5
Supplies and materials	16,699,321	3.9	5,901,347	1.5	5,775,738	1.7	4,694,165	1.5
Other operating expenses	75,392,708	17.5	38,545,837	9.9	33,985,251	10.0	29,132,212	9.2
Capital outlay	14,315,539	3.3	8,725,262	2.3	9,228,759	2.7	13,703,004	4.3
Student financial aid	5,643,312	1.3	8,548,960	2.2	4,008,121	1.2	4,563,986	1.4
Interfund transfers, net	9,491,700	2.2	14,479,665	3.7	11,444,989	3.4	5,713,311	1.8
Other sources and uses, net	51,984	0.0	394,279	0.1	331,089	0.1	63,425	0.0
Total expenditures and other uses	<u>431,561,901</u>	<u>100.0</u>	<u>387,574,291</u>	<u>100.0</u>	<u>340,937,846</u>	<u>100.0</u>	<u>316,823,859</u>	<u>100.0</u>
Increase (Decrease) in Fund Balance	<u>\$ (47,892,083)</u>	<u>(11.1)</u>	<u>\$ (1,062,339)</u>	<u>(0.3)</u>	<u>\$ 10,323,197</u>	<u>3.0</u>	<u>\$ 19,857,582</u>	<u>6.3</u>
Ending Fund Balance	<u>\$ 92,628,678</u>	<u>21.5</u>	<u>\$ 140,520,761</u>	<u>36.3</u>	<u>\$ 141,583,100</u>	<u>41.5</u>	<u>\$ 131,259,903</u>	<u>41.4</u>
Full-Time Equivalent Students	<u>31,230.95</u>		<u>29,199.56</u>		<u>26,565.68</u>		<u>26,071.85</u>	
Total long-term liabilities, including retiree benefit liability	<u>N/A</u>		<u>\$ 647,924,568</u>		<u>\$ 660,262,042</u>		<u>\$ 469,176,819</u>	

^[1] The year 2025 General Fund budget was adopted by the Board on September 10, 2024. The budget is included for analytical purposes and has not been subjected to audit.

Note 1 - Purpose of Schedules**District Organization**

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2024.

Schedule of Expenditures of Federal AwardsBasis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of Education Code Section 84362 (50 Percent Law) Calculation

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of the Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Schedule of Financial Trends and Analysis of the General Fund

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.



Independent Auditor's Reports
June 30, 2024

**North Orange County Community
College District**



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, 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 (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of North Orange County Community College District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 5, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 5, 2024



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Orange County Community College District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2024. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Orange County Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 5, 2024



Independent Auditor's Report on State Compliance

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

Report on State Compliance

Opinion on State Compliance

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described in the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations identified below for the year ended June 30, 2024.

In our opinion, North Orange County Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations identified below that were audited for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements identified below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we expressed no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identify during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following:

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apportionment for Activities Funded From Other Sources; therefore, the compliance tests within this section were not applicable.

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds programs for funding; therefore, the compliance tests within this section were not applicable.

The final expenditure report for the COVID-19 Response Block Grant was submitted in the prior fiscal year; therefore, the compliance requirements within this section were not performed.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2023-2024 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 5, 2024



Schedule of Findings and Questioned Costs
June 30, 2024

North Orange County Community College District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
Career and Technical Education Act (CTEA), Title I, Part C	84.048A
Dollar threshold used to distinguish between type A and type B programs:	\$1,888,246
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for State programs:	Unmodified
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None reported.

None reported.

None reported.

North Orange County Community College District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2024

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Additional Supplementary Information
June 30, 2024

North Orange County Community College District

North Orange County Community College District
Governmental Funds
Balance Sheet
June 30, 2024

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction
Assets							
Cash and cash equivalents	\$ 144,115	\$ 5,228,559	\$ 2,879,794	\$ -	\$ -	\$ 1,963,942	\$ -
Investments	187,242,801	-	-	13,689	32,183,998	70,277,545	194,616,418
Accounts receivable	31,769,127	219	-	158,451	213,347	9,057,569	730,937
Student receivables	53,783	782,745	-	-	-	-	-
Due from other funds	11,347,610	-	-	232,880	-	3,951,731	819,752
Inventories	43,665	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-
Lease receivables	828,419	-	-	-	-	-	-
Total assets	<u>\$ 231,429,520</u>	<u>\$ 6,011,523</u>	<u>\$ 2,879,794</u>	<u>\$ 405,020</u>	<u>\$ 32,397,345</u>	<u>\$ 85,250,787</u>	<u>\$ 196,167,107</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ 27,018,354	\$ 698,823	\$ -	\$ 27,798	\$ -	\$ 6,293,292	\$ 2,696,403
Due to other funds	13,330,720	-	-	204,389	-	116,056	-
Unearned revenue	49,785,865	28,343	-	69,757	-	-	-
Total liabilities	<u>90,134,939</u>	<u>727,166</u>	<u>-</u>	<u>301,944</u>	<u>-</u>	<u>6,409,348</u>	<u>2,696,403</u>
Deferred Inflows of Resources							
Deferred inflows of resources related to leases	773,820	-	-	-	-	-	-
Fund Balances							
Nonspendable	187,780	-	-	-	-	-	-
Restricted	9,097,274	-	-	-	32,397,345	78,841,439	193,470,704
Assigned	77,310,422	5,284,357	2,879,794	103,076	-	-	-
Unassigned	53,925,285	-	-	-	-	-	-
Total fund balances	<u>140,520,761</u>	<u>5,284,357</u>	<u>2,879,794</u>	<u>103,076</u>	<u>32,397,345</u>	<u>78,841,439</u>	<u>193,470,704</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 231,429,520</u>	<u>\$ 6,011,523</u>	<u>\$ 2,879,794</u>	<u>\$ 405,020</u>	<u>\$ 32,397,345</u>	<u>\$ 85,250,787</u>	<u>\$ 196,167,107</u>

North Orange County Community College District
Governmental Funds
Balance Sheet
June 30, 2024

	Associated Students	Student Representation Fee	Student Financial Aid	CRPA Fund	Retiree Benefits	Other Non-fiduciary Trusts	Total Governmental Funds (Memorandum Only)
Assets							
Cash and cash equivalents	\$ 591,333	\$ 209,906	\$ 26,809	\$ 45,005	\$ -	\$ 14,562,217	\$ 25,651,680
Investments	464,788	-	12,941,003	-	7,466	6,165,400	503,913,108
Accounts receivable	-	-	900,567	19,001	27	2,695,107	45,544,352
Student receivables	11,726	12,160	1,372,184	6,216	-	5,158,830	7,397,644
Due from other funds	-	-	21	-	-	1,828,109	18,180,103
Inventories	-	-	-	-	-	-	43,665
Other current assets	-	-	-	-	-	500	500
Lease receivables	-	-	-	-	-	-	828,419
Total assets	<u>\$ 1,067,847</u>	<u>\$ 222,066</u>	<u>\$ 15,240,584</u>	<u>\$ 70,222</u>	<u>\$ 7,493</u>	<u>\$ 30,410,163</u>	<u>\$ 601,559,471</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ 271,462	\$ 22,512	\$ 9,947,881	\$ -	\$ -	\$ 917,090	\$ 47,893,615
Due to other funds	-	-	548,809	-	-	10,492,464	24,692,438
Unearned revenue	-	-	4,693,894	-	-	7,075,169	61,653,028
Total liabilities	<u>271,462</u>	<u>22,512</u>	<u>15,190,584</u>	<u>-</u>	<u>-</u>	<u>18,484,723</u>	<u>134,239,081</u>
Deferred Inflows of Resources							
Deferred inflows of resources related to leases	-	-	-	-	-	-	773,820
Fund Balances							
Nonspendable	-	-	-	-	-	-	187,780
Restricted	796,385	199,554	50,000	-	-	-	314,852,701
Assigned	-	-	-	70,222	7,493	-	85,655,364
Unassigned	-	-	-	-	-	11,925,440	65,850,725
Total fund balances	<u>796,385</u>	<u>199,554</u>	<u>50,000</u>	<u>70,222</u>	<u>7,493</u>	<u>11,925,440</u>	<u>466,546,570</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,067,847</u>	<u>\$ 222,066</u>	<u>\$ 15,240,584</u>	<u>\$ 70,222</u>	<u>\$ 7,493</u>	<u>\$ 30,410,163</u>	<u>\$ 601,559,471</u>

North Orange County Community College District
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2024

	General	Bookstore	Cafeteria	Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction
Revenues							
Federal revenues	\$ 7,218,009	\$ -	\$ -	\$ 317,184	\$ -	\$ -	\$ -
State revenues	221,115,810	-	-	272,226	129,008	8,120,888	-
Local revenues	158,178,133	(98,844)	596,081	449,875	33,316,303	8,797,975	9,614,351
Total revenues	<u>386,511,952</u>	<u>(98,844)</u>	<u>596,081</u>	<u>1,039,285</u>	<u>33,445,311</u>	<u>16,918,863</u>	<u>9,614,351</u>
Expenditures							
Current Expenditures							
Academic salaries	132,402,602	-	-	-	-	-	-
Classified salaries	87,912,384	-	-	693,287	-	791,936	-
Employee benefits	90,663,955	-	-	291,800	-	375,506	-
Books and supplies	5,901,347	-	-	23,886	-	18,251	-
Services and operating expenditures	38,545,837	1,524	-	378,362	-	2,014,049	60,523
Capital outlay	8,725,262	-	-	5,010	-	23,554,880	17,423,785
Debt service - principal	1,640,689	-	-	-	39,165,000	-	-
Debt service - interest and other	36,782	-	-	-	11,060,521	-	-
Total expenditures	<u>365,828,858</u>	<u>1,524</u>	<u>-</u>	<u>1,392,345</u>	<u>50,225,521</u>	<u>26,754,622</u>	<u>17,484,308</u>
Excess of Revenues Over (Under) Expenditures	<u>20,683,094</u>	<u>(100,368)</u>	<u>596,081</u>	<u>(353,060)</u>	<u>(16,780,210)</u>	<u>(9,835,759)</u>	<u>(7,869,957)</u>
Other Financing Sources (Uses)							
Operating transfers in	1,568,388	-	-	353,060	-	15,463,267	-
Operating transfers out	(16,048,053)	-	(276,389)	-	-	(1,000,000)	-
Other sources	1,283,192	-	-	-	-	-	-
Other uses	(8,548,960)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(21,745,433)</u>	<u>-</u>	<u>(276,389)</u>	<u>353,060</u>	<u>-</u>	<u>14,463,267</u>	<u>-</u>
Net Change in Fund Balances	(1,062,339)	(100,368)	319,692	-	(16,780,210)	4,627,508	(7,869,957)
Fund Balances, Beginning of Year	141,583,100	5,384,725	2,560,102	103,076	49,177,555	74,213,931	201,340,661
Fund Balances, End of Year	<u>\$ 140,520,761</u>	<u>\$ 5,284,357</u>	<u>\$ 2,879,794</u>	<u>\$ 103,076</u>	<u>\$ 32,397,345</u>	<u>\$ 78,841,439</u>	<u>\$ 193,470,704</u>

North Orange County Community College District
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2024

	Associated Students	Student Representation Fee	Student Financial Aid	CRPA Fund	Retiree Benefits	Other Non-fiduciary Trusts	Total Governmental Funds (Memorandum Only)
Revenues							
Federal revenues	\$ -	\$ -	\$ 54,891,557	\$ -	\$ -	\$ -	\$ 62,426,750
State revenues	-	-	20,813,723	-	-	-	250,451,655
Local revenues	321,015	39,599	552,838	-	37,048	2,376,142	214,180,516
Total revenues	<u>321,015</u>	<u>39,599</u>	<u>76,258,118</u>	<u>-</u>	<u>37,048</u>	<u>2,376,142</u>	<u>527,058,921</u>
Expenditures							
Current Expenditures							
Academic salaries	-	-	-	-	-	-	132,402,602
Classified salaries	135,273	-	-	-	-	7,755	89,540,635
Employee benefits	19,753	-	-	-	1,638,432	876	92,990,322
Books and supplies	36,991	-	-	-	-	12,422	5,992,897
Services and operating expenditures	136,781	18,051	4,479	-	428	1,741,544	42,901,578
Capital outlay	-	-	-	-	-	-	49,708,937
Debt service - principal	-	-	-	-	-	-	40,805,689
Debt service - interest and other	-	-	-	-	-	-	11,097,303
Total expenditures	<u>328,798</u>	<u>18,051</u>	<u>4,479</u>	<u>-</u>	<u>1,638,860</u>	<u>1,762,597</u>	<u>465,439,963</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,783)</u>	<u>21,548</u>	<u>76,253,639</u>	<u>-</u>	<u>(1,601,812)</u>	<u>613,545</u>	<u>61,618,958</u>
Other Financing Sources (Uses)							
Operating transfers in	5,994	-	-	-	-	523,115	17,913,824
Operating transfers out	(15,000)	(5,994)	(548,359)	-	-	(20,029)	(17,913,824)
Other sources	-	-	-	-	-	-	1,283,192
Other uses	-	-	(75,705,280)	-	-	-	(84,254,240)
Total other financing sources (uses)	<u>(9,006)</u>	<u>(5,994)</u>	<u>(76,253,639)</u>	<u>-</u>	<u>-</u>	<u>503,086</u>	<u>(82,971,048)</u>
Net Change in Fund Balances	(16,789)	15,554	-	-	(1,601,812)	1,116,631	(21,352,090)
Fund Balances, Beginning of Year	813,174	184,000	50,000	70,222	1,609,305	10,808,809	487,898,660
Fund Balances, End of Year	<u>\$ 796,385</u>	<u>\$ 199,554</u>	<u>\$ 50,000</u>	<u>\$ 70,222</u>	<u>\$ 7,493</u>	<u>\$ 11,925,440</u>	<u>\$ 466,546,570</u>

North Orange County Community College District

Proprietary Fund

Balance Sheet

June 30, 2024

	<u>Internal Service Fund</u>
Assets	
Cash and cash equivalents	\$ 75,000
Investments	19,520,337
Accounts receivable	82,873
Due from other funds	<u>6,512,335</u>
Total assets	<u><u>\$ 26,190,545</u></u>
Liabilities and Fund Equity	
Liabilities	
Accounts payable	\$ 7,235
Claim liabilities	<u>2,568,567</u>
Total liabilities	<u>2,575,802</u>
Fund Equity	
Retained earnings	<u>23,614,743</u>
Total liabilities and fund equity	<u><u>\$ 26,190,545</u></u>

North Orange County Community College District
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Retained Earnings
Year Ended June 30, 2024

	Internal Service Fund
Operating Revenues	
Premium contributions	\$ 6,508,028
Operating Expenses	
Classified salaries	308,599
Employee benefits	5,528,365
Services and other operating expenditures	3,673,654
Total operating expenses	9,510,618
Operating Loss	(3,002,590)
Nonoperating Revenues	
Investment gain	1,184,343
Net Loss	(1,818,247)
Retained Earnings, Beginning of Year	25,432,990
Retained Earnings, End of Year	\$ 23,614,743

North Orange County Community College District

Proprietary Fund

Statement of Cash Flows

Year Ended June 30, 2024

	<u>Internal Service Fund</u>
Cash Flows from Operating Activities	
Cash received from assessments made to other funds	\$ 6,340,425
Cash payments to employees for services	(5,831,173)
Cash payments for insurance claims	<u>(3,861,084)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(3,351,832)</u>
Cash Flows from Investing Activities	
Interest on investments	1,068,201
Change in fair market value of cash in county	<u>107,739</u>
Net Cash Provided by (Used for) Investing Activities	<u>1,175,940</u>
Net Decrease in Cash and Cash Equivalents	(2,175,892)
Cash and Cash Equivalents - Beginning	<u>21,771,229</u>
Cash and Cash Equivalents - Ending	<u>\$ 19,595,337</u>
Reconciliation of Operating Loss to Net	
Cash Provided by (Used for) Operating Activities	
Operating loss	\$ (3,002,590)
Changes in assets and liabilities	
Due from other funds	(167,603)
Accounts payable	5,791
Claim liabilities	<u>(187,430)</u>
Net Cash Provided By Operating Activities	<u>\$ (3,351,832)</u>

North Orange County Community College District

Fiduciary Fund

Balance Sheet

June 30, 2024

	<u>Retiree OPEB Trust</u>
Assets	
Investments	<u>\$ 142,544,436</u>
Fund Balance	
Restricted	<u>\$ 142,544,436</u>

North Orange County Community College District
Fiduciary Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2024

	<u>Retiree OPEB Trust</u>
Revenues	
Local revenues	<u>\$ 18,350,896</u>
Expenditures	
Current	
Services and operating expenditures	<u>373,445</u>
Excess of Revenues over Expenditures	17,977,451
Fund Balances, Beginning of Year	<u>124,566,985</u>
Fund Balances, End of Year	<u><u>\$ 142,544,436</u></u>

Note 1 - Purpose of Schedules

Fund Financial Statements

The accompanying financial statements report the governmental, proprietary, and fiduciary fund activities of North Orange County Community College District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements. This information is not a required component of the financial statements in accordance with GASB Statements No. 34 and No. 35 and is presented at the preference of District management.