



Financial and Performance Audits
Measure J General Obligation Bond Construction Fund
June 30, 2020

North Orange County Community College District

North Orange County Community College District
Measure J General Obligation Bond Construction Fund

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June 30, 2020

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Financial Audit
Measure J General Obligation Bond Construction Fund
June 30, 2020

North Orange County Community College District



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the North Orange County Community College District's (the District), General Obligation Bond Construction Fund (Measure J), as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Obligation Bond Construction Fund (Measure J) of the District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Construction Fund specific to Measure J are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

The unaudited supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020, 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 to solely 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
November 25, 2020

North Orange County Community College District
Measure J General Obligation Bond Construction Fund

Balance Sheet
June 30, 2020

Assets	
Investments	\$ 183,656,681
Accounts receivable	186,831
Due from other funds	<u>318</u>
Total assets	<u><u>\$ 183,843,830</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 16,380,281
Due to other funds	<u>1,248</u>
Total liabilities	<u>16,381,529</u>
Fund Balance	
Restricted for capital projects	<u>167,462,301</u>
Total liabilities and fund balance	<u><u>\$ 183,843,830</u></u>

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2020

Revenues	
Interest income	\$ 4,098,773
Expenditures	
Supplies and materials	2,563
Services and other expenditures	1,335,262
Capital outlay	<u>56,844,542</u>
Total expenditures	<u>58,182,367</u>
Deficiency of Revenues over Expenditures	<u>(54,083,594)</u>
Fund Balance, Beginning	<u>221,545,895</u>
Fund Balance, End	<u><u>\$ 167,462,301</u></u>

North Orange County Community College District
Measure J General Obligation Bond Construction Fund

Notes to Financial Statements

June 30, 2020

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting

The audited financial statements include only the General Obligation Bond Construction Fund (Measure J) of the District. This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of November 4, 2014. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

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

Basis of Accounting

The General Obligation Bond Construction Fund (Measure J) is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

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

North Orange County Community College District
Measure J General Obligation Bond Construction Fund

Notes to Financial Statements

June 30, 2020

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid, and all outstanding encumbrances lapse at June 30.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance

As of June 30, 2020, the fund balance is:

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

Spending Order Policy

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

Note 2 - Investments

Policies and Practices

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

North Orange County Community College District
Measure J General Obligation Bond Construction Fund

Notes to Financial Statements

June 30, 2020

Investment in County Treasury

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which are recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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. The District maintains a General Obligation Bond Construction Fund (Measure J) investment of \$183,656,681 with the Orange County Educational Investment Pool, with an average maturity of 266 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investment in the Orange County Educational Investment Pool is rated AAAM by Standard and Poor’s Rating Service.

Note 3 - 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.

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.

Uncategorized - Investments in the Orange County Educational Investment Pool are not measured using the input levels above because the District’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District’s fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Uncategorized
Orange County Educational Investment Pool	\$ 183,656,681	\$ 183,656,681

All assets have been valued using a market approach, with quoted market prices.

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Notes to Financial Statements
June 30, 2020

Note 4 - Accounts Receivable

Receivables at June 30, 2020, consisted of accrued interest for a total of \$186,831.

Note 5 - Due from Other Funds

Amounts due from other funds at June 30, 2020, consisted of \$318 due from the Capital Outlay Project Fund for capital outlay costs paid for by Measure J, but incurred by the other fund.

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consisted of capital outlay costs for a total of \$16,380,281.

Note 7 - Due to Other Funds

Amounts due to other funds at June 30, 2020, consisted of \$1,248 due to the General Fund for capital outlay costs incurred by Measure J, but paid for by the General fund.

Note 8 - Bonded Debt

Description of Debt

General obligation bonds were approved by a local election in November 2014. The total amount approved by the voters was \$574,000,000 to be used to finance the acquisition, construction, modernization and equipping of District sites and facilities. At June 30, 2020, \$187,095,000 was outstanding. Interest rates on the bonds range from 2.00 percent to 4.00 percent. The debt is being paid by the District's Bond Interest and Redemption Fund.

A schedule of changes in long-term liabilities related to the general obligation bonds for the year ended June 30, 2020, is shown below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Bonds Payable					
2016A General obligation bonds	\$ 52,645,000	\$ -	\$ (15,550,000)	\$ 37,095,000	\$ 585,000
2019B General obligation bonds	150,000,000	-	-	150,000,000	17,140,000
Unamortized premium	16,786,664	-	(709,731)	16,076,933	-
	<u>\$219,431,664</u>	<u>\$ -</u>	<u>\$ (16,259,731)</u>	<u>\$203,171,933</u>	<u>\$ 17,725,000</u>

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Notes to Financial Statements
June 30, 2020

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2019	Issued	Redeemed	Outstanding June 30, 2020
2016	2041	2.00%-4.00%	\$ 100,000,000	\$ 52,645,000	\$ -	\$ (15,550,000)	\$ 37,095,000
2019	2045	2.63%-4.00%	\$ 150,000,000	150,000,000	-	-	150,000,000
				<u>\$ 202,645,000</u>	<u>\$ -</u>	<u>\$ (15,550,000)</u>	<u>\$ 187,095,000</u>

Debt Service Requirements

The 2016A General Obligation Bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 585,000	\$ 1,243,463	\$ 1,828,463
2022	665,000	1,224,713	1,889,713
2023	745,000	1,199,838	1,944,838
2024	840,000	1,168,138	2,008,138
2025	935,000	1,132,638	2,067,638
2026-2030	6,375,000	5,008,288	11,383,288
2031-2035	9,630,000	3,702,578	13,332,578
2036-2040	13,940,000	1,661,550	15,601,550
2041	3,380,000	50,700	3,430,700
Total	<u>\$ 37,095,000</u>	<u>\$ 16,391,906</u>	<u>\$ 53,486,906</u>

North Orange County Community College District
Measure J General Obligation Bond Construction Fund

Notes to Financial Statements

June 30, 2020

The 2019B General Obligation Bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 17,140,000	\$ 5,233,188	\$ 22,373,188
2022	17,735,000	4,535,688	22,270,688
2023	14,870,000	3,883,588	18,753,588
2024	1,195,000	3,562,288	4,757,288
2025	1,400,000	3,510,388	4,910,388
2026-2030	10,530,000	16,460,338	26,990,338
2031-2035	17,910,000	13,680,597	31,590,597
2036-2040	26,835,000	10,234,113	37,069,113
2041-2045	42,385,000	4,526,250	46,911,250
 Total	 <u>\$ 150,000,000</u>	 <u>\$ 65,626,438</u>	 <u>\$ 215,626,438</u>

Note 9 - Commitments and Contingencies

As of June 30, 2020, the General Obligation Bond Construction Fund (Measure J) had the following construction commitments:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Fullerton College Renovate 300/500 Buildings (State Project Bond Match)	\$ 1,180,795	September 2022
Fullerton College Instructional Building	36,182,001	Ongoing
Fullerton College Thermal Energy Storage Expansion	7,176,906	Ongoing
Fullerton College Update and Improve Infrastructure	2,386,367	Ongoing
Fullerton College SWI Local and Greenhouse Replacement	1,090,933	Ongoing
Cypress College Veteran's Resource Center Expansion	2,696,149	Ongoing
Cypress College Science, Engineering, and Math Building	38,793,318	Ongoing
Mass Communication and Security	350,404	Ongoing
Update and Improve Infrastructure VRC - SAC	1,278,501	Ongoing
	<u>\$ 91,135,374</u>	

Litigation

The District is not currently a party to any legal proceedings related to the General Obligation Bond Construction Fund (Measure J).



Independent Auditor's Report
June 30, 2020

**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***

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

We have audited, in accordance with the 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, the financial statements of the North Orange County Community College District (the District), General Obligation Bond Construction Fund (Measure J), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2020.

Emphasis of Matter

As discussed in Note 1, the financial statements of the General Obligation Bond Construction Fund specific to Measure J are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of the District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's General Obligation Bond Construction Fund (Measure J) 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's General Obligation Bond Construction Fund (Measure J) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 General Obligation Bond Construction Fund (Measure J) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
November 25, 2020

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Schedule of 2019-2020 Assessed Valuation and 2018-2019 Secured Tax Charge and Delinquency
(Unaudited)
Year Ended June 30, 2020

2019-2020 Assessed Valuation				
	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
Orange County Portion				
2018-19	\$ 130,201,207,369	\$ 13,514,889	\$ 5,439,903,094	\$ 135,654,625,352
2019-20	136,869,903,185	121,631,831	5,390,968,954	142,382,503,970
Los Angeles County Portion				
2018-19	\$ 3,157,877,570	\$ 16,596	\$ 11,305,840	\$ 3,169,200,006
2019-20	3,316,757,583	22,128	11,320,405	3,328,100,116
Total District				
2018-19	\$ 133,359,084,939	\$ 13,531,485	\$ 5,451,208,934	\$ 138,823,825,358
2019-20	140,186,660,768	121,653,959	5,402,289,359	145,710,604,086

Secured Tax Charge and Delinquency (Orange County Portion Only)			
	<u>Secured Tax Charge (1)</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2018-19	\$ 69,676,137	\$ 463,240	0.66%
2019-20	73,266,780	616,857	0.84%

Secured Tax Charge and Delinquency (Orange County Portion Only)			
	<u>Secured Tax Charge (2)</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2018-19	\$ 36,171,405	\$ 171,477	0.47%
2019-20	32,462,732	219,197	0.68%

(1) 1% General Fund apportionment. Excludes supplemental roll.

(2) District's general obligation debt service levy. Excludes supplemental roll.

Source: California Municipal Statistics, Inc.

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Schedule of Twenty Largest 2019-2020 Local Secured Taxpayers (Unaudited)
Year Ended June 30, 2020

Property Owner	Land Use	2019-2020 Assessed Valuation (2)	% of Total (1)
1. Walt Disney World Co.	Theme Park	\$ 5,321,688,634	3.99%
2. Knott's Berry Farm	Theme Park	364,540,648	0.27%
3. Warland Investment Company	Industrial	267,288,284	0.20%
4. Anna Claire Mauerhan LLC	Commercial	247,630,580	0.19%
5. Retail Property Trust	Commercial	238,379,030	0.18%
6. HHC HA Investments II Inc.	Commercial	215,973,287	0.16%
7. RAR2 - 200 North Puente LLC	Industrial	201,092,641	0.15%
8. Anaheim Concourse ILP LLC	Commercial	195,822,687	0.15%
9. Rreef America REIT II Corp.	Industrial	173,593,249	0.13%
10. Irvine Company LLC	Apartments	171,886,340	0.13%
11. Olen Pointe Brea Corp.	Apartments	171,010,645	0.13%
12. Comref So Ca Industrial	Industrial	156,511,879	0.12%
13. The Sources at Beach LLC	Commercial	151,402,420	0.11%
14. Centerpoint Properties Trust	Commercial	136,604,520	0.10%
15. Teachers Insurance & Annuity Association	Industrial	134,768,492	0.10%
16. Bridge Energy LLC	Oil & Gas	133,627,120	0.10%
17. Aspect Acquisition LLC	Apartments	133,620,000	0.10%
18. US REIF MG Madison Park CA LLC	Apartments	131,441,753	0.10%
19. Los Alamitos Medical Center	Commercial	130,547,839	0.10%
20. CPT Shops at Rossmoor LLC	Commercial	129,354,975	0.10%
		<u>\$ 8,806,785,023</u>	<u>6.60%</u>

(1) 2019-2020 Local Secured Assessed Valuation: \$ 133,359,084,939

(2) Source: California Municipal Statistics, Inc.

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Financial Statement Findings
June 30, 2020

None reported.

North Orange County Community College District
Measure J General Obligation Bond Construction Fund
Summary of Schedule of Prior Audit Findings
June 30, 2020

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



Performance Audit
Measure J General Obligation Bond Construction Fund
June 30, 2020

**North Orange County Community
College District**



Independent Auditor's Report on Performance

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

We were engaged to conduct a performance audit of the North Orange County Community College District (the District) General Obligation Bond Construction Fund (Measure J) fund for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California
November 25, 2020

Authority for Issuance and Purpose

The Measure J General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California *Education Code*, and other applicable provisions of law. The District received authorization from an election held on November 4, 2014, to issue bonds of the District in an aggregate principal amount not to exceed \$574,000,000 to finance the acquisition, construction, modernization, and equipping of District sites and facilities. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

In June 2016, the District issued Election of 2014 General Obligation Bonds, Series 2016A in the amount of \$100,000,000. The Series 2016A Bonds were authorized to be issued by a resolution adopted by the Board of Trustees on May 10, 2016. The Bonds represent the first series of the bonds sold within the Authorization.

In May 2019, the District issued Election of 2014 General Obligation Bonds, Series 2019B in the amount of \$150,000,000. The Series 2019B Bonds were authorized to be issued by a resolution adopted by the Board of Trustees on April 23, 2019. The Bonds represent the second series of the bonds sold within the Authorization.

Authority for the Audit

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

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other district operating expenses.
2. The district must list the specific facilities projects to be funded in the ballot measure, and must certify that the Governing Board has evaluated safety and information technology needs in developing the project list.
3. Requires the district to appoint a citizens’ oversight committee.
4. Requires the district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until after all of the proceeds have been expended.
5. Requires the district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

Objectives of the Audit

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

Scope of the Audit

The scope of our performance audit covered the period of July 1, 2019 through June 30, 2020. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2020, were not reviewed or included within the scope of our audit or in this report.

Methodology

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2020, for the General Obligation Bond Construction Fund (Measure J). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure J as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
2. We selected a sample of expenditures using the following criteria:
 - a. We considered all expenditures recorded in all object codes, including transfers out.
 - b. We considered all expenditures recorded in all projects that were funded from July 1, 2019 through June 30, 2020 from Measure J bond proceeds.
 - c. We selected a sample of expenditures using professional judgement, based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2019 and ending June 30, 2020.
3. Our sample included transactions totaling \$42,022,732. This represents 72 percent of the total expenditures of \$58,182,367, including transfers out.
4. We reviewed the actual invoices and other supporting documentation to determine that:
 - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.

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- b. Expenditures were supported by proper bid documentation, as applicable.
 - c. Expenditures were expended in accordance with voter-approved bond project list.
 - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure J is the following conditions were met:
- a. Supporting documents for expenditures were aligned with the voter-approved bond project list.
 - b. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the District.

Conclusion

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the General Obligation Bond Construction Fund (Measure J) and that such expenditures were made for authorized Bond projects.

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Schedule of Findings and Questioned Costs
June 30, 2020

None reported.

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