

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

FINANCIAL AND PERFORMANCE AUDITS

JUNE 30, 2007

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

**TABLE OF CONTENTS
JUNE 30, 2007**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
General Obligation Bond Construction Fund	
Balance Sheet	2
Statement of Revenues, Expenditures, and Change in Fund Balance	3
Notes to Financial Statements	4
Supplementary Information	
Schedule of 2006-2007 Assessed Valuation and 2005-2006 Secured Tax Charge and Delinquency - (Unaudited)	11
Schedule of Twenty Largest 2006-2007 Local Secured Taxpayers - (Unaudited)	12
AGREED-UPON PROCEDURES PERFORMANCE AUDIT REPORT	13

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

FINANCIAL AUDIT

JUNE 30, 2007



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the General Obligation Bond Construction Fund of the North Orange County Community College District as of the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the North Orange County Community College District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the General Obligation Bond Construction Fund and do not purport to, and do not, present fairly the financial position of the North Orange County Community College District as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 of the North Orange County Community College District at June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
January 17, 2008

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

**BALANCE SHEET
JUNE 30, 2007**

ASSETS

Investments	\$ 116,076,746
Accounts receivable	516,301
Total Assets	<u><u>\$ 116,593,047</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$ 16,300,129
Due to other funds	703,942
Total Liabilities	<u><u>17,004,071</u></u>

FUND EQUITY

Fund balance	
Designated	99,588,976
Total Liabilities and Fund Equity	<u><u>\$ 116,593,047</u></u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

REVENUES

Local revenues \$ 7,215,702

EXPENDITURES

Current Expenditures

Supplies and materials	23,057
Services and operating expenditures	370,250
Capital outlay	<u>52,963,987</u>
Total Expenditures	<u>53,357,294</u>

**EXCESS OF REVENUES OVER
(UNDER) EXPENDITURES** (46,141,592)

FUND BALANCE, BEGINNING OF YEAR 145,730,568
FUND BALANCE, END OF YEAR \$ 99,588,976

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Orange County Community College District (the District) General Obligation Bond Construction Fund (the Fund) 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. The District's General Obligation Bond Construction Fund accounts for financial transactions in accordance with the policies and procedures of the Contracted District Audit Manual.

Financial Reporting Entity

The audited financial statements include only the General Obligation Bond Construction Fund of the District. This Fund was established to account for the expenditures of the general obligation bonds issued under the General Obligation Bonds Election of March 2002. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

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

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on the general obligation bonds, which are recognized when due.

Budgets and Budgetary Accounting

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Orange bills and collects the taxes for the District. The District recognizes tax revenues when received.

Use of Estimates

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

NOTE 2 - INVESTMENTS

Investments at June 30, 2007, held on behalf of the General Obligation Bond Construction Fund of the District consist of deposits in the County of Orange Treasury:

	Reported Amount	Fair Value
Deposits with the county treasurer	<u>\$ 116,076,746</u>	<u>\$ 116,024,359</u>

Deposits with the county treasurer are maintained in an external investment pool sponsored by the County of Orange. Community colleges are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 15146(b)).

Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2007, consist of the following:

Interest	<u>\$ 516,301</u>
----------	-------------------

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consist of the following:

Vendor payables	<u>\$ 16,300,129</u>
-----------------	----------------------

NOTE 5 - DUE TO OTHER FUNDS

Due to General Fund	\$ 1,874
Due to Capital Outlay Projects Fund	702,068
Total	<u>\$ 703,942</u>

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

Unreserved	
Designated	<u>\$ 99,588,976</u>

NOTE 7 - BONDED DEBT

Description of Debt

General obligation bonds were approved by a local election in March 2002. The total amount approved by the voters was \$239,000,000 to be used to finance the acquisition, construction, and modernization of certain property and District facilities. At June 30, 2007, \$244,098,035 was outstanding. Interest rates on the bonds range from 2.0 percent to 5.44 percent.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

A schedule of changes in long-term obligations related to the general obligation bonds for the year ended June 30, 2007, is shown below:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Bonds Payable				
2002A General obligation bonds	\$ 16,300,000	\$ -	\$ 1,355,000	\$ 14,945,000
2003B General obligation bonds	62,314,001	5,974,034	2,120,000	66,168,035
2005 General obligation refunding bonds	163,630,000	-	645,000	162,985,000
Total Bonds Payable	<u>\$242,244,001</u>	<u>\$ 5,974,034</u>	<u>\$ 4,120,000</u>	<u>\$244,098,035</u>

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2006	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2007
2002	2013	3.125%-5.375%	\$139,000,000	\$ 16,300,000	\$ -	\$ -	\$1,355,000	\$ 14,945,000
2003	2029	2.00%-5.44%	99,999,001	62,314,001	-	5,974,034	2,120,000	66,168,035
2005	2024	3.00%-5.00%	164,935,000	163,630,000	-	-	645,000	162,985,000
				<u>\$242,244,001</u>	<u>\$ -</u>	<u>\$5,974,034</u>	<u>\$4,120,000</u>	<u>\$244,098,035</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Debt Service Requirements

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2008	\$ 1,640,000	\$ 604,000	\$ 2,244,000
2009	1,950,000	537,075	2,487,075
2010	2,275,000	451,825	2,726,825
2011	2,640,000	346,250	2,986,250
2012	3,020,000	231,400	3,251,400
2013	3,420,000	85,500	3,505,500
Total	<u>\$ 14,945,000</u>	<u>\$ 2,256,050</u>	<u>\$ 17,201,050</u>

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

<u>Fiscal Year</u>	<u>Principal (Including accreted interest to date)</u>	<u>Accreted Interest*</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2008	\$ 2,340,000	\$ -	\$ 894,606	\$ 3,234,606
2009	2,580,000	-	843,794	3,423,794
2010	2,825,000	-	781,069	3,606,069
2011	3,100,000	-	676,007	3,776,007
2012	3,445,000	-	552,429	3,997,429
2013-2017	12,465,000	-	778,900	13,243,900
2018-2022	4,029,569	4,405,431	-	8,435,000
2023-2027	18,643,194	28,366,806	-	47,010,000
2028-2029	16,740,272	34,899,728	-	51,640,000
Total	<u>\$ 66,168,035</u>	<u>\$ 67,671,965</u>	<u>\$ 4,526,805</u>	<u>\$ 138,366,805</u>

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

