NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

ADDITIONAL SUPPLEMENTARY INFORMATION

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of North Orange County Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic 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 statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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, and the 2017-2018 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2018, 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.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 18, and other required supplementary schedules on pages 68 through 72 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Other 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 listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is 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, 2018, 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.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 5, 2018

NORTH ORANGE COUNTY
COMMUNITY COLLEGE DISTRICT

KASHMIRA VYAS, CPA
District Director
Fiscal Affairs

FRED WILLIAMS
Vice Chancellor
Finance & Facilities

CHERYL A. MARSHALL, Ed.D.
Chancellor

Introduction

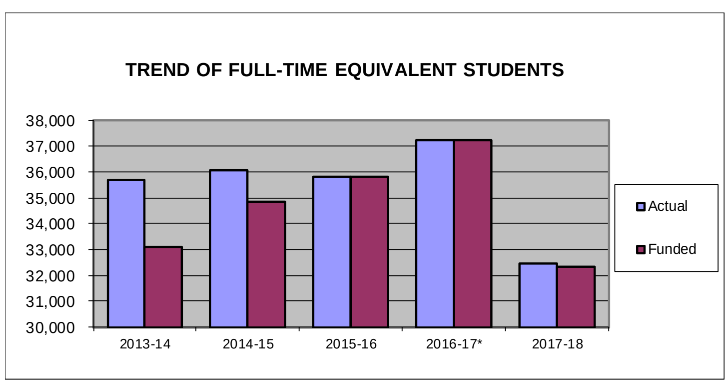
The following discussion and analysis provides an overview of the financial position and activities of the North Orange County Community College District (the District) for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial 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, academically excellent, and 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. North Orange Continuing Education offers non-college credit programs including high school diploma completion, basic skills, vocational certificates, and self-development courses. Specific activities in both colleges and school of continuing education will be directed toward economic development within the community.

Selected Highlights

- During 2017-2018, total reported Full-Time Equivalent Students (FTES) decreased by approximately 4,802 or 12.89 percent. Allowing for the shifting of 2,149 in FTES from Summer 2017 that was reported as part of 2016-2017 FTES, the overall decrease of actual FTES is 504 or 1.44 percent. The softening of demand which the community college system has been experiencing statewide has been continuing. However, for 2018-2019, the State Chancellor's Office has implemented a new Student Centered Funding Formula which moves away from a growth-based FTES model to one which also emphasizes completion and supports higher need student populations. The new funding formula contains a three-year "hold harmless" provision. For our District, since we are in stability in 2017-2018, this will mean that we will continue to receive that same level of funding for the next three years. In the coming year, we will be working towards getting an understanding of the new funding formula and developing and validating existing processes to ensure that we have the required data to maximize funding.



*Includes shifting of Summer FTES

1830 W. Romneya Drive, Eighth Floor • Anaheim, CA 92801-1819 • Telephone (714) 808-4751 • FAX (714) 808-4733

- On March 5, 2002, the voters of the District approved a $239,000,000 bond measure with $139,000,000 (Series A) issued in May 2002 and $99,999,001 (Series B) issued in December 2003. In April 2005, the District issued $164,935,000 General Obligation Refunding Bonds to advance refund and defease portions of the Series A and B bonds. The Refunding resulted in an additional $9.6 million in proceeds which was used to leverage an additional $87 million from State Facilities Bond monies to meet local match requirements for the Cypress College Humanities project and the Fullerton College Science Building and Technology Center projects. Twenty major projects were established to be undertaken with these bond proceeds that would provide better facilities for the students, faculty, and community. On January 24, 2013 the District issued $145,910,000 General Obligation Refunding Bonds to advance refund and defease a portion of the 2005 General Obligation Refunding Bond. The District completed the refunding to reduce its debt service payment over the subsequent 11 years by $10,001,601. The District is completing the last of its projects to be funded by Measure X.

- 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. 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 includes a new Cypress College Science, Engineering and Math Building to create classroom and lab spaces to support ongoing student success in addressing skills needs in the STEM industries. Additionally, planning and design has been completed for the new Veterans' Center and Student Activities Center Expansion Project at Cypress College. At Fullerton College, the initial projects being focused on are the renovation of the Business and Computer Information Building and of the Applied Arts/Humanities Building, a new instructional building, as well as the expansion of the chilled water plant to complete the existing system. Measure J funds will also be used to complete the build-out of the 7th and 10th floors at the Anaheim Campus, as well as other projects to serve the students of North Orange Continuing Education.

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. Certain prior year amounts have been reclassified to follow current year classifications.

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 including Student Financial Aid Programs, 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, 2018, 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 page 85 and 86 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.

The Statement of Net Position as of June 30, 2018 and 2017, is summarized below.

	2018	(as restated) 2017
ASSETS		
Current assets		
Cash and investments	$ 336,828,508	$ 317,188,860
Receivables	11,602,781	15,775,724
Due from fiduciary funds	10,324,685	9,501,969
Prepaid expenses	86,567	258,121
Inventory	611,615	808,832
Total current assets	359,454,156	343,533,506
Noncurrent assets		
Capital assets, net	399,663,985	401,775,187
TOTAL ASSETS	759,118,141	745,308,693
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	76,494,307	51,607,116
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	24,000,539	24,719,043
Due to fiduciary funds	1,396,470	1,330,947
Unearned revenue	14,909,913	11,502,824
Long-term liabilities - current portion	41,175,682	38,064,455
Total current liabilities	81,482,604	75,617,269
Noncurrent liabilities		
Long-term liabilities less current portion	484,622,272	480,665,521
TOTAL LIABILITIES	566,104,876	556,282,790
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	12,914,853	11,442,595
NET POSITION		
Net investment in capital assets	281,511,835	257,036,515
Restricted	104,844,821	102,823,802
Unrestricted*	(129,763,937)	(130,669,893)
TOTAL NET POSITION	$ 256,592,719	$ 229,190,424

* *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 ($102.8 million), Bond Fund ($95.1 million), Capital Outlay Fund ($58.2 million), and the Self Insurance Fund ($29.6 million). The Cash Flow Statement included in these financial statements provides greater detail of the sources and uses of the District's cash during the 2017-2018 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. This year, there is a net decrease in this account with a $2.7 million anticipated receivable for apportionment-related funds based on stability funding and $1.6 million associated with 4th quarter lottery funds. Note 5 of these financial statements provides a summary of the accounts receivable balance.

- Inventory is primarily made up of merchandise held for sale in the bookstores located at Fullerton College and North Orange Continuing Education.

- Due from fiduciary funds and Due to fiduciary funds consist of amounts due from/to the Associated Students Trust, Student Representation Fee, and Other Trust funds at Cypress College, Fullerton College, North Orange Continuing Education, and the Retiree Benefits Fund.

- Other assets are primarily prepaid expenses.

- Capital assets, net is primarily made up of the District's investments in land, buildings and building improvements, construction in progress, and vehicles, at historical cost and net of accumulated depreciation. Note 7 of these financial statements provides a summary of changes during the 2017-2018 fiscal year.

- Deferred outflows of resources represents 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 pension costs has increased significantly over the prior year. This is consistent with the increases in the STRS/PERS rates. (See Note 12).

- Accounts payable are amounts due as of the fiscal year-end for goods and services received as of June 30, 2018. 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, 2018. The decrease in this account is attributable primarily to the decrease in outstanding interest payable associated with the District's outstanding bonds.

- Unearned revenues 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.

- Long-term liabilities include bonded debt issuances, unamortized premiums and deferred charges on refunding related to the general obligation bond liability, compensated absence balances, supplemental early retirement plan (SERP), claims, and aggregate net OPEB and net pension obligations. The District has bonded debt issuances outstanding that amounts to $248.4 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 $8.4 million in compensated absences 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. In 2017-2018, the District offered a one-time SERP. Eligible employees were offered a payment of 75 percent of their eligible salary. The $9.0 million cost of the SERP will be paid out over five years. Claims payable and 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. The District has continued to contribute to its Irrevocable OPEB Trust. As a result, this liability is reduced by the value of the trust assets. The net position and activity for the irrevocable trust are shown on pages 23 and 24 as part of the Fiduciary group of funds. Aggregate net pension obligation amounts are provided based on calculations from CalSTRS and CalPERS. Note 10 of these financial statements provides more information on the District's long-term obligations.

- Additional information regarding long-term debt is included in the Debt Administration section of this discussion and analysis.

- Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period. For example, deferred revenue and advance collections. In our instance, the deferred inflow associated with changes in the net pension liability has increased from the prior year primarily due to differences between projected and actual earnings on the plan investments. (See Note 12).

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.

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, 2018 and 2017, is summarized below:

	2018	2017
Operating revenues		
Net tuition and fees	$ 22,611,071	$ 21,691,586
Net grants and contracts, noncapital	51,210,488	46,024,442
Sales	4,588,849	5,100,452
Total operating revenues	78,410,408	72,816,480
Operating expenses		
Salaries and benefits	240,994,162	202,969,746
Supplies, materials, depreciation, and other expenses	51,195,349	52,219,879
Student financial aid	62,636,102	58,022,197
Total operating expenses	354,825,613	313,211,822
Operating loss	(276,415,205)	(240,395,342)
Nonoperating revenues (expenses)		
State apportionments, noncapital	100,381,045	90,715,738
Local property taxes	127,531,611	124,718,826
Federal and State financial aid grants, noncapital	61,210,086	56,304,037
State taxes and other revenues	10,952,355	12,263,841
Investment income	3,755,949	2,285,378
Other nonoperating revenues (expenses), net	(3,187,687)	51,071,082
Total nonoperating revenues (expenses)	300,643,359	337,358,902
Other revenues		
State revenue, capital	3,174,141	5,727,523
Change in net position	$ 27,402,295	$ 102,691,083

- 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 this account is primarily associated with a decrease in the amount of BOG waivers.

- Grants and contracts, noncapital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs and funding received in support of Student Success and Strong Workforce Initiative-related programs. On pages 76 through 78 of the supplementary information section of this report provides a complete listing of Federal and State noncapital grants and contracts.

- Sales are primarily related to the sale of merchandise in the Bookstores located at Fullerton College and North Orange Continuing Education.

- Salaries and benefits comprise 67.9 percent 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 87.0 percent of total General Fund expenses as reflected on page 87 of this report. The increase in these costs is due to salary increases of 3.0 percent for Full-Time Faculty, Management, Executive Management, Confidential, and Classified staff. The costs of benefits have been increasing as well, with medical costs and pension costs on the rise.

- Other operating expenses consist of supplies, insurance, utilities, depreciation expense, other services, and capital outlay items below the capitalization threshold. The decrease in this account is related to a decrease in expenditures for capital outlay projects as major projects were completed in the prior year offset by increases in bond program-related projects.

- 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, noncapital, 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. 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. Calculated apportionment increased by $8.7 million over the prior year. This increase is primarily the result of a $5.0 million base increase and $2.6 million in COLA. Since the District was in stability for 2017-2018, we received adjustments to our total computational revenue that offset the effect of declining reported FTES.

- 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 increase is attributable to the continued improvements in the housing market.

- Grants and contracts, noncapital are primarily those received from Federal and State sources and used in the instructional program such as the Student Financial Aid cluster of programs and funding received in support of Student Success and Strong Workforce Initiative-related programs. Pages 76 through 78 of the supplementary information section of this report provide a complete listing of Federal and State noncapital grants and contracts.

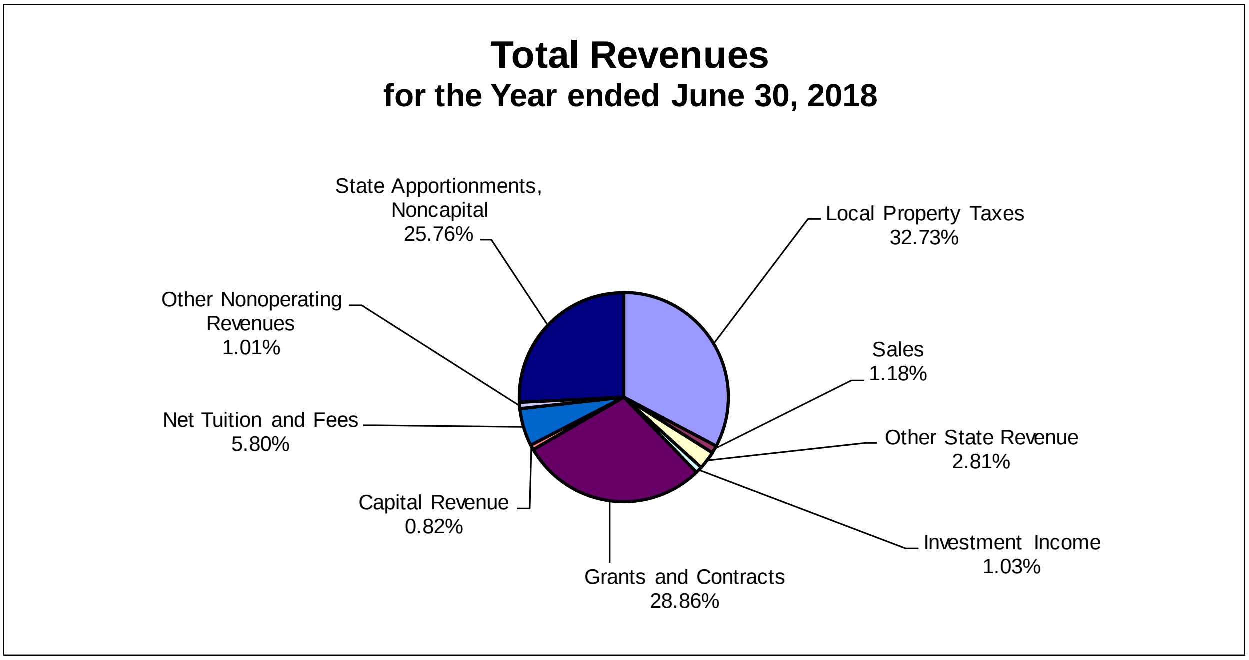
- State taxes and other revenues are mainly comprised of State mandated cost revenues and lottery revenues. The decrease in this account is mainly due to the result of no supplemental mandated cost revenues being distributed in 2017-2018 as it had been in 2016-2017, which resulted in $2.4 million less in funds. This decrease is offset by $1.1 million more in lottery funds received than in the previous year.

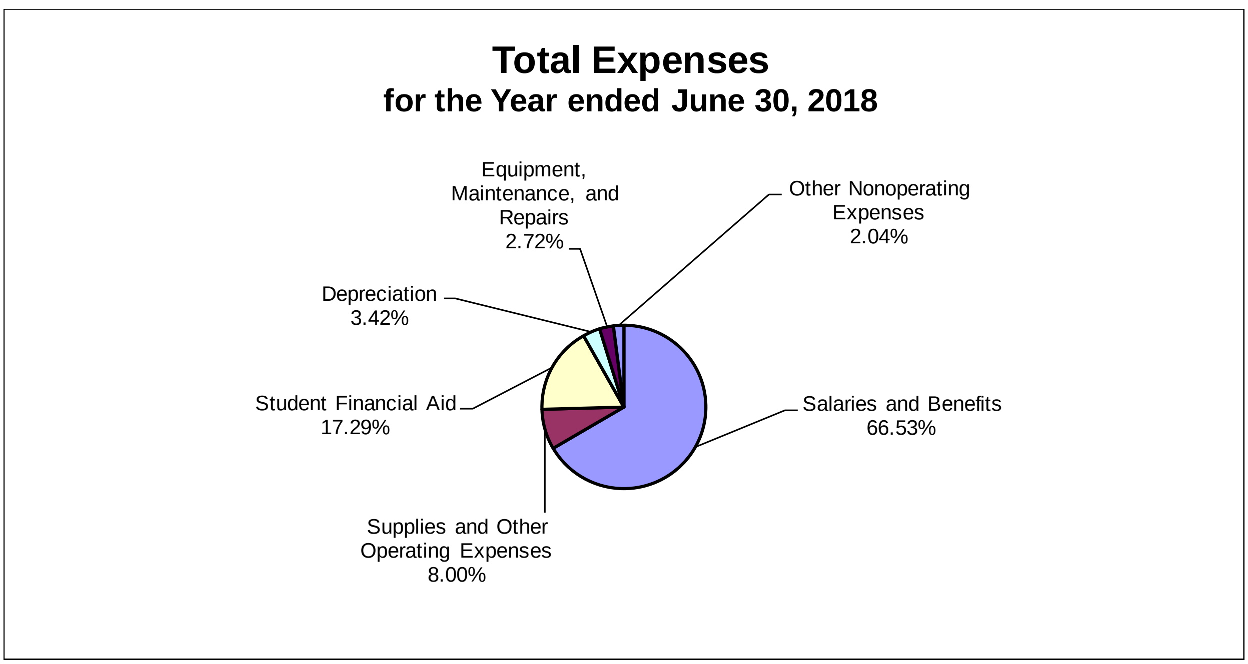
- Investment income, net increased due to an increase in interest rates and overall increase in cash balances.

- Other nonoperating revenues (expenses), net are comprised of the amounts recorded in the Bond Interest and Redemption Fund that was established for the General Obligation Bond, accrued interest on the general obligation bonds, other local revenues, local revenues designated for capital purposes, capital outlay fees received from non-resident students, transfers to and from the fiduciary funds, and an amount recorded for payments made by the State of California to STRS on the District's behalf in the amount of $6.8 million. The decrease from the prior year is the attributable to the planned transfer done in the prior year to the Irrevocable Retiree Benefits Trust of funds that had been set aside in the Retiree Benefits Fund.

- State revenues, capital relate to projects for capital outlay. The decrease in this account is mainly due to a decrease in scheduled maintenance revenues received.

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 20.





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, 2018 and 2017, is presented below:

	2018	**2017**
Cash provided by (used in)		
Operating activities	$ (242,911,826)	$ (340,274,349)
Noncapital financing activities	267,849,830	363,457,717
Capital financing activities	(8,782,897)	(13,717,221)
Investing activities	3,484,541	2,285,378
Net change in cash and cash equivalents	19,639,648	11,751,525
Cash balance, beginning of year	317,188,860	305,437,335
Cash balance, end of year	$ 336,828,508	$ 317,188,860

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 72.3 percent of the total cash provided by noncapital financing activities. Additionally, cash received from noncapital related grants and contracts accounts for 22.9 percent 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 proceeds received from any new debt issuances, and cash sources or uses from Federal, State, and local grants for capital purposes. We have had no significant new financing activity this year. The primary change in this category stems from reductions in State funding for scheduled maintenance, as well as a reduction in the amount spent on the purchase of capital assets from the prior year.

- The cash from investing activities is interest earned on cash in banks, and on cash invested through the Orange County Educational Investment Pool. The increase in cash received from investing activities is due to the increase in interest rates as applied to the increased funds resulting from the Measure J bond issuance of the prior year.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the District had $399.7 million invested in net capital assets. Total capital assets of $581.5 million consist of land, buildings and building improvements, construction in progress, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $181.8 million over the years they have been in service. During 2017-2018, $11.3 million of building and improvement projects completed construction. In addition, $9.4 million of construction in progress occurred during 2017-2018. Depreciation expense of $12.4 million was recorded for the fiscal year.

Capital additions primarily comprise replacement, renovation, and new construction. As the District starts up on its capital construction program resulting from the Measure J bond issuance, there will be an increase in the accumulated expenses resulting from construction in progress. At the same time, the District is completing the last of the Measure X-funded projects and completing other locally funded projects. The additions to capital additions in 2017-2018 are the result of completing construction projects including the completion of the Thermal Energy Project at Cypress College, which was a major multi-year project.

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

	2018	2017
Land and improvements	$ 19,339,965	$ 19,555,085
Buildings and improvements	360,598,691	360,053,855
Equipment	8,082,665	8,325,954
Construction in progress	11,642,664	13,840,293
Net capital assets	$ 399,663,985	$ 401,775,187

Debt Administration

At June 30, 2018, the District had $525.8 million in debt consisting of $248.4 million from general obligation bonds; $3.2 million from Self-Insurance claims payable; $8.4 million from compensated absences payable; $9.0 million from the supplemental early retirement program; $9.5 million from the aggregate net OPEB liability; and $247.3 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 12.)

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 bond rating for its most recent issues was AA+.

The aggregate net OPEB liability 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 net amount of our OPEB liability takes into account the value of assets in the District's Irrevocable Retiree Benefit Trust. As of June 30, 2018, our total OPEB liability is 92.07 percent funded by the value of the assets in the Trust.

Note 10 in the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	2018	(as restated) 2017
Long-term obligations		
General obligation bonds	$ 248,435,538	$ 279,266,760
Claims payable	3,234,638	4,594,692
Compensated absences and load banking	8,373,908	7,966,927
Supplemental early retirement plan	8,977,820	-
Aggregate net OPEB liability	9,452,093	14,746,854
Aggregate net pension obligation	247,323,957	212,154,743
Total long-term obligations	525,797,954	518,729,976
Less current portion	(41,175,682)	(38,064,455)
Long-term portion	$ 484,622,272	$ 480,665,521

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are excluded from these financial statements since these resources cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Economic Factors that May Affect the Future

As of June 30, 2018, the District ended the fiscal year with a surplus due to prudent fiscal management in previous years as well as a large amount of one-time funds from the State in the prior year, which were largely set aside pending determination of the best use of these funds to support operations. The 2018-2019 State Budget is the sixth year of anticipated prosperous times for California. The Governor's adopted budget contains $138.7 billion in General Fund expenditures, up $11.6 billion from 2017-2018 levels. Based on the information currently available, the District believes it is in good financial shape for the 2018-2019 fiscal year.

For the community colleges, the 2018-2019 budget provides approximately $800 million in new Proposition 98 resources, of which approximately $300 million are in one-time funds. There is currently no statutory shortfall in the 2018-2019 apportionment funding report for community colleges. The major budget provision included in the State budget for community colleges is the new Student Centered Funding Formula the provides an increase to community college apportionments of $378 million. The implementation of the new funding formula includes a three-year phase in by providing 70 percent enrollment-based funding (Base Allocation), 20 percent funding based on enrollment of low-income students (Supplemental Allocation), and 10 percent funding based on performance outcomes (Student Success Initiative Allocation). Over a three-year period, this would shift from the 70-20-10 split to 60-20-20. The new formula excludes noncredit and CDCP FTES from the new funding formula and continues to fund them at existing rates. Also included was a hold-harmless provision during this three-year transition period that will guarantee all colleges are funded at 2017-2018 levels, plus any approved COLA. This will provide a measure of stability to the District during the transition.

As has been noted, the District has continued to experience a downward trend in FTES. While the new funding formula will shift some of the focus towards support and completion for our students, a significant portion of funding will still be based on FTES. The Districtwide Enrollment Management Advisory Committee (DEMAC) and its subcommittees have continued to work to improve overall institutional effectiveness in student achievement and fiscal stability. While overall apportionment revenue is not affected in the hold harmless years, the work being done by DEMAC is critical to setting us up for success under the new funding formula.

Still a major concern is how to bring salaries and benefits in alignment with comparable districts responsibly. Increases to or offers to increase the fringe benefit allocation for all permanent employees have been made to continue to progress on the Chancellor's goal of a competitive benefit package. Additionally, in 2017-2018, the District offered an early retirement plan which resulted in 118 employees taking advantage of the opportunity to retire. Many of these retirees were on the top steps of the salary schedule. Therefore, we will be need to be aware of the increased annual cost of step and column increases as we replace the retirees. With an approximate four percent differential between steps, the estimated annual increase is approximately $2 million per year. This is normally mitigated by retirements, but we anticipate significantly less normal retirements for the next few years because of the participation in the SERP.

Other than the concerns discussed above, the District is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

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 - PRIMARY GOVERNMENT
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 3,966,909
Cash and cash equivalents - restricted	1,426,646
Investments - unrestricted	132,125,020
Investments - restricted	199,309,933
Accounts receivable	10,990,770
Student loans receivable	612,011
Due from fiduciary funds	10,324,685
Prepaid expenses	86,567
Stores inventories	611,615
Total Current Assets	359,454,156
Noncurrent Assets	
Nondepreciable capital assets	28,408,201
Depreciable capital assets, net of depreciation	371,255,784
Total Noncurrent Assets	399,663,985
TOTAL ASSETS	759,118,141
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	76,494,307
LIABILITIES	
Current Liabilities	
Accounts payable	22,021,552
Accrued interest payable	1,978,987
Due to fiduciary funds	1,396,470
Unearned revenue	14,909,913
Long-term liabilities - current portion	41,175,682
Total Current Liabilities	81,482,604
Noncurrent Liabilities	
Compensated absences and load banking	4,588,790
Claims liability	3,234,638
Bonds payable	212,840,538
Supplemental early retirement plan	7,182,256
Aggregate net other postemployment benefits (OPEB) liability	9,452,093
Aggregate net pension obligation	247,323,957
Total Noncurrent Liabilities	484,622,272
TOTAL LIABILITIES	566,104,876
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	12,914,853
NET POSITION	
Net investment in capital assets	281,511,835
Restricted for:	
Debt service	37,942,079
Capital projects	61,267,055
Educational programs	5,635,687
Unrestricted	(129,763,937)
TOTAL NET POSITION	$ 256,592,719

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Student Tuition and Fees	$ 44,047,568
Less: Scholarship discounts and allowances	(21,436,497)
Net tuition and fees	22,611,071
Grants and Contracts, Noncapital	
Federal	5,575,541
State	43,055,792
Local	2,579,155
Total grants and contracts, noncapital	51,210,488
Auxiliary Enterprise Sales and Charges	
Bookstore	4,362,582
Cafeteria	226,267
TOTAL OPERATING REVENUES	78,410,408
OPERATING EXPENSES	
Salaries	170,535,489
Employee benefits	70,458,673
Supplies, materials, and other operating expenses and services	28,960,702
Student financial aid	62,636,102
Equipment, maintenance, and repairs	9,836,994
Depreciation	12,397,653
TOTAL OPERATING EXPENSES	354,825,613
OPERATING LOSS	(276,415,205)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	100,381,045
Local property taxes, levied for general purposes	89,515,521
Taxes levied for other specific purposes	38,016,090
Federal financial aid grants, noncapital	53,931,298
State financial aid grants, noncapital	7,278,788
State taxes and other revenues	10,952,355
Investment income	3,755,949
Interest expense on capital related debt	(7,171,787)
Investment income on capital asset-related debt	261,820
Transfers to fiduciary funds	(216,096)
Other nonoperating revenues	3,938,376
TOTAL NONOPERATING REVENUES (EXPENSES)	300,643,359
INCOME BEFORE OTHER REVENUES	24,228,154
OTHER REVENUES	
State revenues, capital	3,174,141
CHANGE IN NET POSITION	27,402,295
NET POSITION, BEGINNING OF YEAR, as restated	229,190,424
NET POSITION, END OF YEAR	$ 256,592,719

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 23,394,585
Auxiliary sales	4,588,849
Federal, State, and local operating grants and contracts	55,437,427
Payments to or on behalf of employees	(226,051,935)
Payments to vendors for supplies and services	(37,644,650)
Payments to students for scholarships and grants	(62,636,102)
Net Cash Flows From Operating Activities	(242,911,826)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	104,132,335
Federal and State financial aid grants	61,355,611
Property taxes - nondebt related	89,515,521
State taxes and other revenues	10,952,355
Other nonoperating revenues	1,894,008
Net Cash Flows From Noncapital Financing Activities	267,849,830
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(10,854,109)
State revenue, capital projects	3,174,141
Property taxes - related to capital debt	38,016,090
Proceeds from capital debt	3,638,139
Principal paid on capital debt	(34,469,361)
Interest paid on capital debt	(8,549,617)
Interest received on capital asset-related debt	261,820
Net Cash Flows From Capital Financing Activities	(8,782,897)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	3,484,541
NET CHANGE IN CASH AND CASH EQUIVALENTS	19,639,648
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	317,188,860
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 336,828,508

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

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (276,415,205)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	12,397,653
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:	
Accounts receivable	1,603,364
Stores inventories	197,217
Prepaid expenses	171,554
Deferred outflows of resources related to pensions	(24,887,191)
Accounts payable and accrued liabilities	1,242,235
Unearned revenue	3,407,089
Compensated absences and load banking	406,981
Supplemental early retirement plan	8,977,820
Claims payable	(1,360,054)
Aggregate net OPEB liability	(5,294,761)
Aggregate net pension obligation	35,169,214
Deferred inflows of resources related to pensions	1,472,258
Total Adjustments	33,503,379
Net Cash Flows From Operating Activities	$ (242,911,826)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 5,393,555
Cash in county treasury	331,434,953
Total Cash and Cash Equivalents	$ 336,828,508

NON CASH TRANSACTIONS	
On behalf payments for benefits (see Note 12)	$ 6,844,297

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Retiree OPEB Trust	Other Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 12,646,632	$ 41,897
Investments	96,104,279	6,122,461	-
Accounts receivable	-	2,528,759	19,000
Student loans receivable	-	1,220,785	9,325
Due from primary government	-	1,396,470	-
Total Assets	96,104,279	23,915,107	$ 70,222
LIABILITIES			
Accounts payable	-	659,126	$ -
Due to primary government	-	10,324,685	-
Unearned revenue	-	5,072,056	-
Due to student groups	-	4,075,998	70,222
Total Liabilities	-	20,131,865	$ 70,222
NET POSITION			
Restricted for postemployment benefits other than pensions	96,104,279	-	
Unrestricted	-	3,783,242	
Total Net Position	$ 96,104,279	$ 3,783,242	

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

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Retiree OPEB Trust	Trust Funds
ADDITIONS		
District contributions	$ 8,346,685	$ -
Interest and investment income	3,609,266	-
Net realized and unrealized gains	2,778,375	-
Local revenues	-	1,985,569
Total Additions	14,734,326	1,985,569
DEDUCTIONS		
Classified salaries	-	108,346
Employee benefits	4,865,894	1,308,068
Books and supplies	-	61,950
Services and other operating expenditures	342,392	524,057
Capital outlay	-	36,084
Total Deductions	5,208,286	2,038,505
OTHER FINANCING SOURCES		
Transfers from primary government	-	216,096
Change in Net Position	9,526,040	163,160
Net Position - Beginning of Year	86,578,239	3,620,082
Net Position - End of Year	$ 96,104,279	$ 3,783,242

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

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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 and as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective which was previously reported. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, 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 prescribed 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 intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. 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. 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, such as 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.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statement of Net Position - Primary Government
  - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statement of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statement of Fiduciary Net Position
    - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of one year or less from the date of acquisition. Cash equivalents also include unrestricted cash with the County treasury for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, 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 are stated at cost or amortized cost. Fair value of investments in county investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent those required by laws to be set aside by the District for the purpose of satisfying certain requirements.

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 majority of each residing in the State of California. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30, 2018.

Stores Inventories

Stores 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.

Capital Assets and Depreciation

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, infrastructure, and land improvements that cost more than $150,000, significantly increase the value, or extend the useful life of the structure, are capitalized. 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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/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 or expenditure until then. The District reports deferred outflows of resources for 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 for pension related items.

Pensions

For purposes of measuring the net pension liability and 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 (the 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB 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 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.

Unearned Revenue

Unearned revenue is recorded to the extent that cash received from Federal programs, State special projects, other programs, and fees, has not been earned.

Noncurrent Liabilities

Noncurrent liabilities include compensated absences and load banking, claims payable, bonds payable, supplemental early retirement plan, aggregate net OPEB liability, and aggregate net pension obligation with maturities greater than one year.

Compensated Absences

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 school members who retire after January 1, 1999. At retirement, each member will receive .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.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" which represents the difference between assets and liabilities. The net position is classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following net position categories:

> **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.
>
> **Restricted**: Net position is reported as restricted when there are limitations imposed on their use, either through 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 resources are available.
>
> **Unrestricted**: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $104,844,821 of restricted net position.

Operating 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 Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, 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, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, 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.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) 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.

Interfund Activity

Interfund transfers and interfund receivables and payables for governmental activities are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged. The requirements of this Statement should be applied prospectively.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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 is considered to be an involuntary participant in an external investment pool as the District is required to deposit receipts and collections of monies with their County Treasurer (*Education Code* Section (ECS) 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which are recorded on the amortized cost basis.

General Authorizations

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

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

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, 2018, consist of the following:

Primary government	$ 336,828,508
Fiduciary funds	114,915,269
Total Deposits and Investments	$ 451,743,777
Cash on hand and in banks	$ 17,857,084
Cash in revolving funds	225,000
Investments	433,661,693
Total Deposits and Investments	$ 451,743,777

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	Book Value	Fair Value	Weighted Average Days to Maturity
Orange County Educational Investment Pool	$ 335,656,190	$ 334,211,171	302
Certificates of Deposit	1,901,224	1,901,224	350
Mutual Funds	96,104,279	96,104,279	No maturity
Total	$ 433,661,693	$ 432,216,674	

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 investments in the Orange County Educational Investment Pool is not required to be rated. However, as of the year-end, the Orange County Educational Investment Pool reflected an AAAm rating by Standard and Poor's Rating Service.

Custodial Credit Risk - Deposits

This 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, of the District's bank balance of $13,284,152, $12,569,746 was exposed to custodial credit risk because it was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

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.

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, 2018:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Orange County Educational Investment Pool	$ 334,211,171	$ -	$ 334,211,171
Certificates of Deposit	1,901,224	1,901,224	-
Mutual Funds	96,104,279	96,104,279	-
Total	$ 432,216,674	$ 98,005,503	$ 334,211,171

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

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 3,126,950	$ -
State Government		
Apportionment	2,694,655	-
Categorical aid	851,315	-
Lottery	1,593,746	-
Other State sources	26,810	-
Local Government		
Interest	484,720	5,723
Other	2,212,574	2,542,036
Total	$ 10,990,770	$ 2,547,759
Student receivables	$ 612,011	$ 1,230,110

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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, respectively, has been eliminated 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. As of June 30, 2018, the amount owed to the fiduciary funds from the primary government was $1,396,470 and the amount owed to the primary government from the fiduciary funds was $10,324,685.

Interfund Operating Transfers

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 funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 fiscal year, the amount transferred to the fiduciary funds from the primary government amounted to $216,096.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions/ Reclassifications	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$ 16,765,537	$ -	$ -	$ 16,765,537
Construction in progress	13,840,293	9,364,880	11,562,509	11,642,664
Total Capital Assets Not Being Depreciated	30,605,830	9,364,880	11,562,509	28,408,201
Capital Assets Being Depreciated				
Land improvements	4,509,415	-	-	4,509,415
Buildings and improvements	510,249,082	11,262,493	-	521,511,575
Machinery and equipment	27,407,950	1,292,604	1,655,524	27,045,030
Total Capital Assets Being Depreciated	542,166,447	12,555,097	1,655,524	553,066,020
Total Capital Assets	572,772,277	21,919,977	13,218,033	581,474,221
Less Accumulated Depreciation				
Land improvements	1,719,867	215,120	-	1,934,987
Buildings and improvements	150,195,227	10,717,657	-	160,912,884
Machinery and equipment	19,081,996	1,464,876	1,584,507	18,962,365
Total Accumulated Depreciation	170,997,090	12,397,653	1,584,507	181,810,236
Net Capital Assets	$ 401,775,187	$ 9,522,324	$ 11,633,526	$ 399,663,985

Depreciation expense for the year was $12,397,653.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 7,368,366	$ -
Construction	2,622,188	-
State categorical aid	22,523	-
Vendor payables	12,008,475	659,126
Total	$ 22,021,552	$ 659,126

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
State categorical aid	$ 14,002,087	$ -
Student fees	907,826	5,072,056
Total	$ 14,909,913	$ 5,072,056

NOTE 10 - LONG-TERM OBLIGATIONS

Long-Term Obligations Summary

The changes in the District's long-term obligations during the 2018 fiscal year consisted of the following:

	(as restated) Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
Bonds Payable					
2003B General obligation bonds	$ 66,915,619	$ 3,638,139	$ -	$ 70,553,758	$ -
2013 General obligation refunding bonds	121,220,000	-	17,885,000	103,335,000	18,960,000
2016A General obligation bonds	85,625,000	-	16,345,000	69,280,000	16,635,000
Unamortized premium	5,506,141	-	239,361	5,266,780	-
Total Bonds Payable	279,266,760	3,638,139	34,469,361	248,435,538	35,595,000
Other Liabilities					
Compensated absences and load banking	7,966,927	456,318	49,337	8,373,908	3,785,118
Supplemental early retirement plan	-	8,977,820	-	8,977,820	1,795,564
Claims payable	4,594,692	-	1,360,054	3,234,638	-
Aggregate net OPEB liability	14,746,854	9,566,952	14,861,713	9,452,093	-
Aggregate net pension obligation	212,154,743	35,169,214	-	247,323,957	-
Total Other Liabilities	239,463,216	54,170,304	16,271,104	277,362,416	5,580,682
Total Long-Term Obligations	$ 518,729,976	$ 57,808,443	$ 50,740,465	$ 525,797,954	$ 41,175,682

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences/load banking liability and the supplemental early retirement program will be paid by the fund for which the employee worked. The claims payable liability will be paid by the Internal Service Fund. The OPEB expense related to the aggregate net OPEB liability will be paid by the General Fund. Pension expense related to the aggregate net pension obligation will be paid by the fund for which the employee worked. See Note 12 for further details of the aggregate net pension obligation.

Bonded Debt

Bonds Payable

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, 2018, was $70,553,758.

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 outstanding principal balance of these bonds at June 30, 2018, was $103,335,000.

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, 2018, was $69,280,000.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2018
2003	2029	2.00%-5.44%	$ 99,999,001	$ 66,915,619	$ 3,638,139	$ -	$ 70,553,758
2013	2024	0.40%-2.65%	145,910,000	121,220,000	-	17,885,000	103,335,000
2016	2041	2.00%-4.00%	100,000,000	85,625,000	-	16,345,000	69,280,000
				$ 273,760,619	$ 3,638,139	$ 34,230,000	$ 243,168,758

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

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest*	Total
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	7,057,396	1,377,604	8,435,000
2023	6,928,023	1,811,977	8,740,000
2024-2028	41,493,871	21,931,129	63,425,000
2029	15,074,468	11,410,532	26,485,000
Total	$ 70,553,758	$ 36,531,242	$ 107,085,000

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

The 2013 Refunding Bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 18,960,000	$ 2,063,938	$ 21,023,938
2020	20,140,000	1,729,536	21,869,536
2021	21,440,000	1,308,395	22,748,395
2022	14,425,000	902,419	15,327,419
2023	15,465,000	535,707	16,000,707
2024	12,905,000	171,120	13,076,120
Total	$ 103,335,000	$ 6,711,115	$ 110,046,115

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

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 16,635,000	$ 2,206,938	$ 18,841,938
2020	15,550,000	1,563,238	17,113,238
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
2024-2028	5,240,000	5,443,890	10,683,890
2029-2033	8,245,000	4,278,308	12,523,308
2034-2038	12,080,000	2,560,626	14,640,626
2039-2041	9,535,000	441,076	9,976,076
Total	$ 69,280,000	$ 20,162,090	$ 89,442,090

Compensated Absences

At June 30, 2018, the liability for compensated absences was $5,588,790.

Load Banking

At June 30, 2018, the liability for load banking was $2,785,118.

Supplemental Early Retirement Plan (SERP)

On February 13, 2018, the District adopted a one-time SERP for certificated, classified, faculty, and confidential employees. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS or CalPERS, and be resigned from District employment by August 17, 2018. In exchange for early retirement, the District will contribute 75 percent of the 2017-2018 actual paid step/column salary. The District had 118 employees that enrolled in the SERP. The remaining obligation as of June 30, 2018, is $8,977,820.

Fiscal Year	SERP Payment
2019	$ 1,795,564
2020	1,795,564
2021	1,795,564
2022	1,795,564
2023	1,795,564
Total	$ 8,977,820

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported aggregate net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	OPEB Expense
District Plan	$ 8,280,395	$ (5,167,374)
Medicare Premium Payment (MPP) Program	1,171,698	(127,387)
Total	$ 9,452,093	$ (5,294,761)

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, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	1,020
Active employees	1,310
	2,330

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 Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) 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 not prepared for the Trust.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. 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 fiscal year 2017-2018, the District contributed $8,346,685 to the Plan, of which $4,865,894 was used for current premiums and $3,480,791 was used to fund the OPEB Trust.

Investment

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, expect 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, 2018:

Asset Class	Target Allocation
Domestic equity	23%
Fixed income	50%
International equity	20%
Real estate	7%

Rate of Return

For the year ended June 30, 2018, the annual money-weighed rate of return on investments, net of investment expense, was 7.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $8,280,395 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

Total OPEB liability	$ 104,384,674
Plan fiduciary net position	96,104,279
District's net OPEB liability	$ 8,280,395
Plan fiduciary net position as a percentage of the total OPEB liability	92%

Actuarial Assumptions

The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.50 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-Bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous 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 actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience as of June 2018.

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, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	9.3%
Fixed income	4.8%
International equity	8.8%
Real estate	8.0%
Cash	1.0%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. 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 lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	$ 100,026,008	$ 86,578,239	$ 13,447,769
Service cost	2,792,913	-	2,792,913
Interest	6,431,647	-	6,431,647
Contributions - employer	-	8,346,685	(8,346,685)
Net investment income	-	6,387,641	(6,387,641)
Benefit payments	(4,865,894)	(4,865,894)	-
Administrative expense	-	(342,392)	342,392
Net change in total OPEB liability	4,358,666	9,526,040	(5,167,374)
Balance at June 30, 2018	$ 104,384,674	$ 96,104,279	$ 8,280,395

There were no changes to benefit terms or changes of assumptions since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability 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 (5.50%)	$ 21,195,450
Current discount rate (6.50%)	8,280,395
1% increase (7.50%)	(2,464,017)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare Cost Trend Rates	Net OPEB Liability/(Asset)
1% decrease (3.00%)	$ (2,532,552)
Current healthcare cost trend rate (4.00%)	8,280,395
1% increase (5.00%)	20,856,047

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, 2016 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.

Contributions

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.

OPEB Liabilities and OPEB Expense

At June 30, 2018, the District reported a liability of $1,171,698 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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 community college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.2785 percent and 0.2776, respectively, resulting in a net increase in the proportionate share of 0.0009 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(127,387).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now 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 the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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, 2017 and 2016, 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

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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 pension liability 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
1% decrease (2.58%)	$ 1,297,151
Current discount rate (3.58%)	1,171,698
1% increase (4.58%)	1,049,668

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 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:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,058,809
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,171,698
1% increase (4.7% Part A and 5.1% Part B)	1,283,460

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to $247,323,957. See Note 12 for additional information.

NOTE 11 - 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, 2018 and 2017, liabilities for claims amounted to $3,234,638 and $4,594,692, respectively. Changes in the claims liability amount in the fiscal years 2018 and 2017 are presented below:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2016	$ 3,728,295	$ 1,344,120	$ 5,072,415
Claims and changes in estimates	(1,361,439)	2,282,202	920,763
Claims payments	(294,324)	(1,104,162)	(1,398,486)
Liability Balance, July 1, 2017	2,072,532	2,522,160	4,594,692
Claims and changes in estimates	459,030	(1,470,001)	(1,010,971)
Claims payments	(349,083)	-	(349,083)
Liability Balance, June 30, 2018	$ 2,182,479	$ 1,052,159	$ 3,234,638
Assets available to pay claims at June 30, 2018			$ 34,919,341

NOTE 12 - 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, 2018, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 142,266,269	$ 42,938,884	$ 11,677,929	$ 14,146,349
CalPERS	105,057,688	33,555,423	1,236,924	19,300,623
Total	$ 247,323,957	$ 76,494,307	$ 12,914,853	$ 33,446,972

The details of each plan are as follows:

<u>California State Teachers' Retirement System (CalSTRS)</u>

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, 2016, 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 percent 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 provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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%	9.205%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and 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 AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were $12,601,575.

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

At June 30, 2018, 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	$	142,266,269
State's proportionate share of net pension liability associated with the District		84,163,523
Total	$	226,429,792

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.1538 percent and 0.1561 percent, respectively, resulting in a net decrease in the proportionate share of 0.0023 percent.

For the year ended June 30, 2018, the District recognized pension expense of $14,146,349. In addition, the District recognized pension expense and revenue of $8,471,867 for support provided by the State. At June 30, 2018, 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	$	12,601,575	$	-
Net change in proportionate share of net pension liability		3,454,707		5,407,629
Differences between projected and actual earnings on the pension plan investments		-		3,788,947
Differences between expected and actual experience in the measurement of the total pension liability		526,114		2,481,353
Changes of assumptions		26,356,488		-
Total	$	42,938,884	$	11,677,929

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
2019	$ (3,149,892)
2020	2,383,540
2021	343,692
2022	(3,366,287)
Total	$ (3,788,947)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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
2019	$ 3,387,718
2020	3,387,718
2021	3,387,718
2022	3,387,718
2023	4,661,441
Thereafter	4,236,014
Total	$ 22,448,327

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 (7.10 percent) and assuming 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 208,892,049
Current discount rate (7.10%)	142,266,269
1% increase (8.10%)	88,194,934

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, 2016, 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 provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
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%	6.50%
Required employer contribution rate	15.531%	15.531%

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, 2018, are presented above, and the total District contributions were $9,091,116.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $105,057,688. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, was 0.4401 percent and 0.4350 percent, respectively, resulting in a net increase in the proportionate share of 0.0051 percent.

For the year ended June 30, 2018, the District recognized pension expense of $19,300,623. At June 30, 2018, 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	$ 9,091,116	$ -
Net change in proportionate share of net pension liability	1,720,917	-
Differences between projected and actual earnings on the pension plan investments	3,634,278	-
Differences between expected and actual experience in the measurement of the total pension liability	3,763,784	-
Changes of assumptions	15,345,328	1,236,924
Total	$ 33,555,423	$ 1,236,924

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
2019	$ (98,476)
2020	4,193,168
2021	1,529,714
2022	(1,990,128)
Total	$ 3,634,278

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, changes of assumptions, and 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 7,416,418
2020	6,678,667
2021	5,498,020
Total	$ 19,593,105

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. 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. 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 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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 154,573,525
Current discount rate (7.15%)	105,057,688
1% increase (8.15%)	63,980,155

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to $6,844,297 (7.837 percent) of salaries subject to CalSTRS. 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. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

NOTE 13 - 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, 2018.

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, 2018.

Operating Leases

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain bargain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. The operating lease expense for the year ended June 30, 2018, was approximately $46,116.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Anaheim Campus Upper Deck Parking Restoration	$ 225,284	December 2018
Fullerton Campus Relocate 300/500 Buildings (State Funded Project)	214,793	September 2022
Fullerton Campus Interior/Exterior Light Retrofit	65,078	Ongoing
Fullerton Campus Lighting Retrofit Project Year 5	233,751	Ongoing
Cypress Campus Baseball Field and Clubhouse	533,556	Ongoing
Anaheim Campus Build-Out Project	1,894,316	Ongoing
Fullerton Campus Renovate 300/500 Buildings (State Project Bond Match)	1,486,850	Ongoing
Fullerton Campus Instructional Building	3,187,217	Ongoing
Fullerton Campus Thermal Energy Storage Expansion	579,992	Ongoing
Cypress Campus Veteran's Resource Center Expansion	577,712	Ongoing
Cypress Campus Science Engineering and Math (SEM) Building	2,674,236	Ongoing
Cypress Campus Reactivate Swing Space	1,025,358	Ongoing
Anaheim Campus 2nd and 5th Floor CTE Laboratory	261,643	Ongoing
Anaheim Campus 7th and 5th Floor Buildout	298,906	Ongoing
	$ 13,258,692	

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.

NOTE 14 - FUNCTIONAL EXPENSES CLASSIFICATION

The District's operating expenses by functional classification for the fiscal year ended June 30, 2018, are:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 116,567,695	$ 3,976,754	$ 251	$ 1,973,453	$ -	$ 122,518,153
Academic support	23,215,952	2,227,604	45,891	234,288	-	25,723,735
Student services	50,748,385	4,541,455	1,368,252	651,745	-	57,309,837
Plant operations and maintenance	13,183,293	7,610,641	-	473,901	-	21,267,835
Instructional support services	29,081,874	4,641,223	-	142,036	-	33,865,133
Community services and economic development	1,487,255	136,984	-	-	-	1,624,239
Ancillary services and auxiliary operations	4,784,937	4,189,146	-	46,550	-	9,020,633
Student aid	5,649	7,425	61,221,708	-	-	61,234,782
Physical property and related acquisitions	1,919,122	1,629,470	-	6,315,021	-	9,863,613
Depreciation	-	-	-	-	12,397,653	12,397,653
Total	$ 240,994,162	$ 28,960,702	$ 62,636,102	$ 9,836,994	$ 12,397,653	$ 354,825,613

NOTE 15 - RESTATEMENT OF PRIOR YEAR FIDUCIARY NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ 258,205,539
Inclusion of aggregate net OPEB liability from the adoption of GASB Statement No. 75	(29,015,115)
Net Position - Beginning, as Restated	$ 229,190,424

REQUIRED SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 2,792,913
Interest	6,431,647
Benefit payments	(4,865,894)
Net changes in total OPEB liability	4,358,666
Total OPEB Liability - beginning	100,026,008
Total OPEB Liability - ending (a)	$ 104,384,674
Plan fiduciary net position	
Contributions - employer	$ 8,346,685
Net investment income	6,387,641
Benefit payments	(4,865,894)
Administrative expense	(342,392)
Net change in plan fiduciary net position	9,526,040
Plan fiduciary net position - beginning	86,578,239
Plan fiduciary net position - ending (b)	$ 96,104,279
District's net OPEB liability - ending (a) - (b)	$ 8,280,395
Plan fiduciary net position as a percentage of the total OPEB liability	92.07%
Covered-employee payroll	$ 145,864,293
District's net OPEB liability as a percentage of covered-employee payroll	5.68%

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

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Annual money-weighted rate of return, net of investment expense	7.22%

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

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.2785%
District's proportionate share of the net OPEB liability	$ 1,171,698
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[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.

See accompanying note to required supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1538%	0.1561%
District's proportionate share of the net pension liability	$ 142,266,269	$ 126,233,864
State's proportionate share of the net pension liability associated with the District	84,163,523	71,862,687
Total	$ 226,429,792	$ 198,096,551
District's covered-employee payroll	$ 84,243,824	$ 79,575,871
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.87%	158.63%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.4401%	0.4350%
District's proportionate share of the net pension liability	$ 105,057,688	$ 85,920,879
District's covered-employee payroll	$ 55,210,837	$ 50,283,625
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	190.28%	170.87%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

See accompanying note to required supplementary information.

2016	2015
0.1495%	0.1590%
$ 100,670,970	$ 92,916,230
53,243,846	56,106,831
$ 153,914,816	$ 149,023,061
$ 70,822,399	$ 70,820,109
142.15%	131.20%
74%	77%
0.4304%	0.4088%
$ 63,443,575	$ 46,408,766
$ 46,862,170	$ 43,007,787
135.38%	107.91%
79%	83%

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 12,601,575	$ 10,597,873
Contributions in relation to the contractually required contribution	12,601,575	10,597,873
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 87,329,002	$ 84,243,824
Contributions as a percentage of covered-employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 9,091,116	$ 7,667,681
Contributions in relation to the contractually required contribution	9,091,116	7,667,681
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 58,535,291	$ 55,210,837
Contributions as a percentage of covered-employee payroll	15.531%	13.888%

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

See accompanying note to required supplementary information.

2016	2015
$ 8,538,491	$ 6,289,029
8,538,491	6,289,029
$ -	$ -
$ 79,575,871	$ 70,822,399
10.73%	8.88%
$ 5,957,101	$ 5,516,146
5,957,101	5,516,146
$ -	$ -
$ 50,283,625	$ 46,862,170
11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. 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 the 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

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 2.85 percent to 3.58 percent 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. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

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

SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2018

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

MEMBER	OFFICE	TERM EXPIRES
Ms. Jacqueline Rodarte	President	2020
Mr. Jeffrey P. Brown	Vice President	2018
Mr. Ryan Bent	Secretary	2020
Ms. Molly McClanahan	Member	2020
Mr. Stephen T. Blount	Member	2018
Dr. Barbara Dunsheath	Member	2018
Mr. Ed Lopez	Member	2020
Vacant	Student Trustee, Cypress College	--
Mr. Pascual Castillo	Student Trustee, Fullerton College	2019

ADMINISTRATION

Dr. Cheryl A. Marshall, Ed.D	Chancellor
Mr. Fred Williams	Vice Chancellor, Finance and Facilities
Ms. Irma Ramos	Vice Chancellor, Human Resources
Dr. Cherry Li-Bugg	Vice Chancellor, Educational Services and Technology
Dr. JoAnna Schilling	President, Cypress College
Dr. Greg Schulz	President, Fullerton College
Ms. Valentina Purtell	Provost, North Orange Continuing Education
Ms. Kai Stearns Moore	District Director, Public and Governmental Affairs

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 44,639,195
Federal Pell Grant Program Administrative Allowance	84.063		96,502
Federal Direct Student Loans	84.268		8,608,857
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		683,246
FSEOG Administrative Allowance	84.007		1,929
Federal Work-Study Program	84.033		582,972
Federal Work-Study Program Administrative Allowance	84.033		21,874
Subtotal Student Financial Assistance Cluster			54,634,575
Passed through from Rancho Santiago Community College District			
Title III, Part F, Hispanic-Serving Institutions Science, Technology, Engineering, and Mathematics and Articulation Programs	84.031C	P031C110183	53,063
Passed through California State University Fullerton Auxiliary Services Corporation			
Project RAISE: Regional Alliance in STEM Education	84.031C	P031C160152	59,942
Passed through California Department of Education			
Adult Education and Family Literacy Act (AEFLA)	84.002A	V002A160005	1,114,632
English Literacy and Civics Education Grant (EL Civics)	84.002A	V002A160005	509,688
Passed through from California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	17-C01-037	2,220,091
Title I, CTEA Transitions	84.048A	17-112-037	59,836
Passed through from California Department of Rehabilitation			
College to Career Program	84.126A	30494	248,361
Workability III Program	84.126A	29865	218,120
Total U.S. Department of Education			59,118,308
NATIONAL SCIENCE FOUNDATION			
Research and Development Cluster			
Passed through from Rancho Santiago Community College District			
Advanced Technological Education Grant	47.076	15-1621.01	34,976
Passed through from Whatcom Community College			
CyberWatch West: Securing the Cyber West	47.076	1500375	12,889
Total Research and Development Cluster			47,865
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through from California Community Colleges Chancellor's Office			
Temporary Assistance to Needy Families (TANF)	93.558	[1]	171,571
Passed through California State University Fullerton Auxiliary Services Corporation			
North Orange County Allied Health Careers Opportunity Program	93.822	1 D18HP29033	16,111
Total U.S. Department of Health and Human Services			187,682

[1] Pass-Through Grantor's Number not available.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through from Orange County Transportation Authority			
Job Access - Reverse Commute	20.516	C-3-1384	$ 155,714
U.S. DEPARTMENT OF AGRICULTURE			
Passed through from California Department of Education			
Child and Adult Care Food Program	10.558	13666	46,413
Passed through from California State University Fullerton			
Urban-Agriculture Community-Based Research Experience (U-ACRE 3.0)	10.223	2016-38422-25550	9,079
Total U.S. Department of Agriculture			55,492
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Services	64.117		9,363
Total Federal Program Expenditures			$ 59,574,424 [2]

[2] The difference between the Schedule of Expenditures of Federal Awards and Federal revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position is due to differences of $67,585 related to revenue recognition principles in various programs.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Program	Program Entitlements Current Year	Prior Year	Total Entitlement
AB86 Adult Education Block - Data and Accountability	$ -	$ 572,730	$ 572,730
AB86 Adult Education Regional Consortium	3,653,902	3,992,930	7,646,832
Alternative Fuel and Vehicle Technology Training Grant (AFVT)	-	178,194	178,194
AS Degree Nursing Program	154,000	-	154,000
Baccalaureate Degree Pilot Program	-	245,462	245,462
Baccalaureate Degree Pilot Program Implementation Support Grant	-	154,154	154,154
Basic Skills	1,308,305	285,976	1,594,281
Board Financial Assistance Program (BFAP)	1,358,580	-	1,358,580
CalWORKs	1,000,704	-	1,000,704
Campus Safety and Sexual Assault	73,806	-	73,806
Career Technical Education Data Unlocked Initiative	-	81,044	81,044
Center for Applied Competitive Technologies (CACT)	200,000	-	200,000
Child Care Food Program	992	-	992
Child Development Training Consortium	15,000	-	15,000
Community College Basic Skills and Student Outcomes Transformation Program	50,000	2,401,652	2,451,652
Cooperative Agencies Resources for Education (CARE)	362,073	-	362,073
Deputy Sector Navigator	-	88,758	88,758
Disabled Students Programs and Services (DSPS)	3,053,755	-	3,053,755
Education Futures Initiative: TPPP	30,000	-	30,000
Equal Employment Opportunities	50,000	49,702	99,702
Extended Opportunity Programs and Services (EOPS)	2,661,707	-	2,661,707
Faculty Entrepreneur, Champion	7,500	-	7,500
General Child Care	111,370	-	111,370
Guided Pathways	864,575	-	864,575
Hunger Free Campus Program	77,084	-	77,084
Industry-Driven Regional Collab (IDRC)	-	13,250	13,250
Information and Communications Technology	18,000	-	18,000
Innovation and Effectiveness Grant	400,000	-	400,000
Non-Credit Student Success and Support Program	1,196,436	392,958	1,589,394
Orange County Career Pathways Partnership	142,772	67,718	210,490
Orange County Teacher Pathway Partnership	367,784	39,716	407,500
Puente Project	4,500	10,029	14,529
QRIS Block Grant	-	1,980	1,980
Referee and Lane Technician	12,000	-	12,000
Strong Workforce - Regional	2,267,431	281,666	2,549,097
Strong Workforce Initiative	4,741,149	2,848,459	7,589,608
Student Equity Program	3,656,215	1,192,382	4,848,597
Student Success and Support Program	6,509,652	964,331	7,473,983
Supply Chain Multi Regional Projects in Common (ISPIC)	92,000	-	92,000
Teacher Preparation Pipeline	-	105,639	105,639
Telecommunications Technology Improvement Program (TTIP)	-	2,615	2,615
TPP Leadership Seed Grant	5,000	-	5,000
Veteran Resource Center	125,357	-	125,357
Work Independence Self-Advocacy Education	544,969	-	544,969
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
$ 572,729	$ -	$ -	$ 202,766	$ 369,963	$ 369,963
7,646,831	-	-	4,906,966	2,739,865	2,739,865
109,356	68,221	-	-	177,577	177,577
-	153,999	-	-	153,999	153,999
245,461	-	-	108,375	137,086	137,086
94,042	-	-	-	94,042	94,042
1,594,280	-	-	510,676	1,083,604	1,083,604
1,358,580	-	-	-	1,358,580	1,358,580
1,000,704	-	19,027	-	981,677	981,677
73,806	-	-	73,806	-	-
81,043	-	-	71,475	9,568	9,568
120,106	54,110	-	-	174,216	174,216
992	-	-	-	992	992
15,000	-	-	-	15,000	15,000
753,387	201,945	-	93,097	862,235	862,235
362,073	-	10	-	362,063	362,063
88,756	-	-	-	88,756	88,756
3,053,755	-	-	-	3,053,755	3,053,755
-	11,923	-	-	11,923	11,923
100,907	-	-	75,817	25,090	25,090
2,661,707	-	3,486	-	2,658,221	2,658,221
7,500	-	-	-	7,500	7,500
111,370	-	-	-	111,370	111,370
864,575	-	-	782,073	82,502	82,502
77,084	-	-	74,421	2,663	2,663
13,250	-	-	-	13,250	13,250
18,000	-	-	-	18,000	18,000
400,000	-	-	151,152	248,848	248,848
1,589,395	-	-	74,231	1,515,164	1,515,164
156,488	51,657	-	-	208,145	208,145
308,588	98,912	-	-	407,500	407,500
14,527	-	-	13,105	1,422	1,422
1,980	-	-	-	1,980	1,980
12,000	-	-	-	12,000	12,000
252,321	138,863	-	-	391,184	391,184
7,589,608	-	-	4,388,439	3,201,169	3,201,169
4,848,596	-	-	1,009,725	3,838,871	3,838,871
7,473,982	-	-	1,246,399	6,227,583	6,227,583
92,000	-	-	92,000	-	-
33,953	71,685	-	-	105,638	105,638
2,615	-	-	2,615	-	-
5,000	-	-	-	5,000	5,000
125,357	-	-	124,949	408	408
569,892	-	-	-	569,892	569,892
$44,501,596	$851,315	$22,523	$14,002,087	$31,328,301	$31,328,301

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

CATEGORIES	Revised* Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit**	566.93	-	566.93
2. Credit	226.01	-	226.01
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit**	-	-	-
2. Credit	10.21	-	10.21
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	22,141.63	-	22,141.63
(b) Daily Census Contact Hours	756.68	-	756.68
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	4,671.55	-	4,671.55
(b) Credit	657.08	-	657.08
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,544.07	-	2,544.07
(b) Daily Census Contact Hours	872.64	-	872.64
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	32,446.80	-	32,446.80
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	2,606.13	-	2,606.13
2. Credit	1,975.75	-	1,975.75
CCFS-320 Addendum			
CDCP Noncredit FTES	2,664.91	-	2,664.91
Centers FTES			
1. Noncredit**	5,065.67	-	5,065.67
2. Credit	-	-	-

* Annual report revised as of November 5, 2018.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 49,353,408	$ -	$ 49,353,408	$ 49,353,408	$ -	$ 49,353,408
Other	1300	28,927,659	-	28,927,659	28,927,659	-	28,927,659
Total Instructional Salaries		78,281,067	-	78,281,067	78,281,067	-	78,281,067
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	17,681,252	-	17,681,252
Other	1400	-	-	-	488,126	-	488,126
Total Noninstructional Salaries		-	-	-	18,169,378	-	18,169,378
Total Academic Salaries		78,281,067	-	78,281,067	96,450,445	-	96,450,445
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	36,685,337	-	36,685,337
Other	2300	-	-	-	2,559,678	-	2,559,678
Total Noninstructional Salaries		-	-	-	39,245,015	-	39,245,015
Instructional Aides							
Regular Status	2200	4,256,585	-	4,256,585	4,256,585	-	4,256,585
Other	2400	785,426	-	785,426	785,426	-	785,426
Total Instructional Aides		5,042,011	-	5,042,011	5,042,011	-	5,042,011
Total Classified Salaries		5,042,011	-	5,042,011	44,287,026	-	44,287,026
Employee Benefits	3000	25,211,133	-	25,211,133	47,038,201	-	47,038,201
Supplies and Material	4000	-	-	-	1,892,957	-	1,892,957
Other Operating Expenses	5000	-	-	-	13,413,964	-	13,413,964
Total Expenditures Prior to Exclusions		108,534,211	-	108,534,211	203,082,593	-	203,082,593

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 2,566,803	$ -	$ 2,566,803	$ 2,566,803	$ -	$ 2,566,803
Student Health Services Above Amount Collected	6441	-	-	-	28,111	-	28,111
Student Transportation	6491	-	-	-	78,249	-	78,249
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,103,145	-	3,103,145
Objects to Exclude							
Rents and Leases	5060	-	-	-	79,291	-	79,291

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 6,051,618	$ -	$ 6,051,618
Total Exclusions		2,566,803	-	2,566,803	11,907,217	-	11,907,217
Total for ECS 84362, 50 Percent Law		$ 105,967,408	$ -	$ 105,967,408	$191,175,376	$ -	$191,175,376
Percent of CEE (Instructional Salary Cost/Total CEE)		55.43%		55.43%	100.00%		100.00%
50% of Current Expense of Education					$ 95,587,688		$ 95,587,688

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 28,926,088
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 28,926,088	$ -	$ -	$ 28,926,088
Total Expenditures for EPA		$ 28,926,088	$ -	$ -	$ 28,926,088
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance and Retained Earnings		
General Fund	$ 84,655,627	
Special Revenue Funds	3,359,383	
Capital Project Funds	154,435,686	
Debt Service Fund	39,921,066	
Internal Service Fund	31,684,703	
Fiduciary Funds	104,083,741	
Total Fund Balance and Retained Earnings		**$ 418,140,206**
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	581,474,221	
Accumulated depreciation is	(181,810,236)	399,663,985
Amounts held in trust on behalf of others (Trust Funds)		(104,033,741)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,978,987)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to the measurement date	21,692,691	
Net change in proportionate share of net pension liability	5,175,624	
Difference between projected and actual earnings on pension plan investments	3,634,278	
Differences between expected and actual experience in the measurement of the total net pension liability	4,289,898	
Changes of assumption	41,701,816	
Total Deferred Outflows of Resources related to Pensions		76,494,307
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	5,407,629	
Difference between projected and actual earnings on pension plan investments	3,788,947	
Differences between expected and actual experience in the measurement of the total net pension liability	2,481,353	
Changes of assumption	1,236,924	
Total Deferred Inflows of Resources related to Pensions		(12,914,853)

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEETS TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2018

Long-term obligations at year end consist of:		
Bonds payable	$ 211,320,781	
Compensated absences and load banking	8,373,908	
Supplemental early retirement plan	8,977,820	
Aggregate net other postemployment benefits (OPEB) liability	9,452,093	
Aggregate net pension obligation	247,323,957	
Less compensated absences and load banking already recorded in funds	(3,785,118)	
In addition, the District issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is:	37,114,757	
		$ (518,778,198)
Total Net Position		**$ 256,592,719**

See accompanying note to supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS OF THE GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	(Budget[1]) 2019		2018	
	Amount	%	Amount	%
GENERAL FUND				
Revenues				
Federal	$ 5,479,664	1.9	$ 5,555,966	2.0
State	159,342,393	55.4	152,412,463	55.5
Local	122,781,990	42.7	116,726,187	42.5
Total Revenues	287,604,047	100.0	274,694,616	100.0
Expenditures				
Academic salaries	97,222,615	33.3	105,077,549	41.2
Classified salaries	65,975,933	22.6	62,945,984	24.6
Employee benefits	52,731,496	18.0	53,789,705	21.1
Supplies and materials	23,969,397	8.2	5,007,627	2.0
Other operating expenses	35,115,529	12.0	18,426,508	7.2
Capital outlay	15,151,588	5.2	6,334,545	2.5
Student financial aid	578,113	0.2	1,426,017	0.6
Interfund transfers, net	1,344,055	0.5	2,030,349	0.8
Other uses, net	128,940	0.0	45,210	0.0
Total Expenditures and Other Uses	292,217,666	100.0	255,083,494	100.0
INCREASE (DECREASE) IN FUND BALANCE	$ (4,613,619)	(1.6)	$ 19,611,122	7.1
ENDING FUND BALANCE	$ 80,042,008	27.8	$ 84,655,627	30.8
FULL-TIME EQUIVALENT STUDENTS	34,596.74		32,446.80	
TOTAL LONG-TERM OBLIGATIONS, INCLUDING RETIREE BENEFIT LIABILITY	N/A		$ 525,797,954	

[1] The year 2019 General Fund budget was adopted by the Board on September 11, 2018. The budget is included for analytical purposes and has not been subjected to audit.

[2] The year 2017 long-term obligations were restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

2017		2016	
Amount	%	Amount	%
$ 5,551,413	2.1	$ 5,443,786	2.1
140,576,835	53.7	143,647,457	55.2
115,746,785	44.2	110,991,759	42.7
261,875,033	100.0	260,083,002	100.0
102,161,127	41.0	93,523,515	36.7
60,147,633	24.2	54,480,399	21.4
113,801,561	45.7	53,158,483	20.8
4,591,440	1.8	4,312,638	1.7
18,922,869	7.6	17,330,002	6.8
6,808,481	2.7	6,679,789	2.6
1,253,784	0.5	1,287,958	0.4
(58,803,326)	-23.6	24,180,937	9.5
70,458	0.1	97,978	0.1
248,954,027	100.0	255,051,699	100.0
$ 12,921,006	4.9	$ 5,031,303	1.9
$ 65,044,505	24.8	$ 52,123,499	20.0
37,248.38		35,834.74	
$ 518,729,976 [2]		$ 637,483,445	

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2018.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 Community Colleges 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 on which apportionments of State funds, including certain restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

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

ECS 84362 requires the District to expend a minimum of 50 percent 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.

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Reconciliation of the Governmental Fund Balance Sheets 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

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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 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 business-type activities and the aggregate remaining fund information of North Orange County Community College District (the District) as of and for the year ended June 30, 2018, 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, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 15 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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) to determine the 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 may exist that have not been identified.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 5, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements described 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, 2018. 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.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2018.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 5, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited North Orange County Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018.

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

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 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Instructional Service Agreements/Contracts for Apportionment Funding; therefore, the compliance tests within this section were not applicable.

The District does not offer any Intersession Extension Programs; 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 District did not receive any funding for Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Programs or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.048A	Career and Technical Education Act (CTEA), Title I, Part C
84.048A	Title I, CTEA Transitions

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,787,233
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.

ADDITIONAL SUPPLEMENTARY INFORMATION

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General	Bookstore	Cafeteria
ASSETS			
Cash and cash equivalents	$ 150,007	$ 1,151,730	$ 2,431,260
Investments	102,622,068	-	-
Accounts receivable	9,764,450	47,738	61,208
Student loans receivable	110	218	-
Due from other funds	11,714,060	-	-
Prepaid expenses	-	86,567	-
Stores inventories	61,913	549,702	-
Total Assets	$ 124,312,608	$ 1,835,955	$ 2,492,468
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 14,989,120	$ 157,742	$ -
Due to other funds	10,592,950	813,854	-
Unearned revenue	14,074,911	-	-
Total Liabilities	39,656,981	971,596	-
FUND BALANCES			
Nonspendable	211,913	636,269	-
Restricted	5,585,687	-	-
Committed	6,337,728	-	-
Assigned	23,936,710	228,090	2,492,468
Unassigned	48,583,589	-	-
Total Fund Balances	84,655,627	864,359	2,492,468
Total Liabilities and Fund Balances	$ 124,312,608	$ 1,835,955	$ 2,492,468

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
$ -	$ -	$ 1,426,646	$ -	$ 5,159,643
22,733	39,921,066	56,817,826	95,078,351	294,462,044
31	-	397,906	129,980	10,401,313
-	-	-	-	328
70,412	-	3,246,133	15,900	15,046,505
-	-	-	-	86,567
-	-	-	-	611,615
$ 93,176	$ 39,921,066	$ 61,888,511	$ 95,224,231	$ 325,768,015
$ 15,284	$ -	$ 569,988	$ 2,053,200	$ 17,785,334
75,336	-	51,468	2,400	11,536,008
-	-	-	-	14,074,911
90,620	-	621,456	2,055,600	43,396,253
-	-	-	-	848,182
-	39,921,066	61,267,055	93,168,631	199,942,439
-	-	-	-	6,337,728
2,556	-	-	-	26,659,824
-	-	-	-	48,583,589
2,556	39,921,066	61,267,055	93,168,631	282,371,762
$ 93,176	$ 39,921,066	$ 61,888,511	$ 95,224,231	$ 325,768,015

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General	Bookstore	Cafeteria
REVENUES			
Federal revenues	$ 5,555,966	$ -	$ -
State revenues	152,412,463	-	-
Local revenues	116,726,187	4,362,582	226,267
Total Revenues	274,694,616	4,362,582	226,267
EXPENDITURES			
Current Expenditures			
Academic salaries	105,077,549	-	-
Classified salaries	62,945,984	1,045,796	-
Employee benefits	53,789,705	297,017	-
Books and supplies	5,007,627	3,536,399	-
Services and operating expenditures	18,426,508	119,454	16,000
Capital outlay	6,334,545	65,278	-
Debt service - principal	-	-	-
Debt service - interest	45,210	-	-
Total Expenditures	251,627,128	5,063,944	16,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	23,067,488	(701,362)	210,267
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,081,156	-	-
Operating transfers out	(3,111,505)	-	(75,000)
Other uses - student financial aid	(1,426,017)	-	-
Total Other Financing Sources (Uses)	(3,456,366)	-	(75,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	19,611,122	(701,362)	135,267
FUND BALANCES, BEGINNING OF YEAR	65,044,505	1,565,721	2,357,201
FUND BALANCES, END OF YEAR	$ 84,655,627	$ 864,359	$ 2,492,468

See accompanying note to additional supplementary information.

Child Development	Bond Interest and Redemption	Capital Outlay Projects	Revenue Bond Construction	Total Governmental Funds (Memorandum Only)
$ 19,575	$ -	$ -	$ -	$ 5,575,541
114,270	234,889	3,174,141	-	155,935,763
130,456	38,277,910	3,840,367	1,281,348	164,845,117
264,301	38,512,799	7,014,508	1,281,348	326,356,421
-	-	-	-	105,077,549
514,315	-	268,437	-	64,774,532
159,296	-	82,676	-	54,328,694
22,627	-	74,613	-	8,641,266
37,163	-	1,406,482	292,539	20,298,146
1,309	-	4,921,682	8,871,648	20,194,462
-	34,230,000	-	-	34,230,000
-	5,105,629	-	-	5,150,839
734,710	39,335,629	6,753,890	9,164,187	312,695,488
(470,409)	(822,830)	260,618	(7,882,839)	13,660,933
470,409	-	2,500,000	-	4,051,565
-	-	(1,000,000)	-	(4,186,505)
-	-	-	-	(1,426,017)
470,409	-	1,500,000	-	(1,560,957)
-	(822,830)	1,760,618	(7,882,839)	12,099,976
2,556	40,743,896	59,506,437	101,051,470	270,271,786
$ 2,556	$ 39,921,066	$ 61,267,055	$ 93,168,631	$ 282,371,762

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
BALANCE SHEET
JUNE 30, 2018

	Internal Service Fund
ASSETS	
Cash and cash equivalents	$ 75,000
Investments	29,480,219
Accounts receivable	40,207
Due from other funds	5,864,997
Total Assets	$ 35,460,423
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	$ 126,504
Due to other funds	414,578
Claim liabilities	3,234,638
Total Liabilities	3,775,720
FUND EQUITY	
Retained earnings	31,684,703
Total Liabilities and Fund Equity	$ 35,460,423

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
OPERATING REVENUES	
Premium contributions	$ 5,864,997
OPERATING EXPENSES	
Classified salaries	227,090
Employee benefits	4,930,066
Services and other operating expenditures	17,101
Total Operating Expenses	5,174,257
Operating Income	690,740
NONOPERATING REVENUES	
Interest income	407,387
NET INCOME	1,098,127
RETAINED EARNINGS, BEGINNING OF YEAR	30,586,576
RETAINED EARNINGS, END OF YEAR	$ 31,684,703

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	$ 8,839,318
Cash payments to employees for services	(5,157,156)
Cash payments for insurance claims	(1,287,738)
Net Cash Provided from Operating Activities	2,394,424
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	391,728
Net change in cash and cash equivalents	2,786,152
Cash and cash equivalents - Beginning	26,769,067
Cash and cash equivalents - Ending	$ 29,555,219
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Operating Income	$ 690,740
Changes in assets and liabilities:	
Due from other funds	2,564,643
Accounts payable	89,417
Due to other funds	409,678
Claim liabilities	(1,360,054)
NET CASH PROVIDED FROM OPERATING ACTIVITIES	$ 2,394,424

See accompanying note to additional supplementary information.

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2018

	Associated Students Trust	Student Representation Fee	Student Financial Aid
ASSETS			
Cash and cash equivalents	$ 628,426	$ 104,385	$ 158,912
Investments	475,873	-	7,492,690
Accounts receivable	15	-	549,250
Student loans receivable	-	652	611,683
Due from other funds	-	-	76,275
Total Assets	$ 1,104,314	$ 105,037	$ 8,888,810
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 4,997	$ -	$ 7,894,832
Due to other funds	58,457	-	108,976
Unearned revenue	-	-	835,002
Due to student groups	90,486	-	-
Total Liabilities	153,940	-	8,838,810
FUND BALANCES			
Restricted	-	-	50,000
Unassigned	950,374	105,037	-
Total Fund Balances	950,374	105,037	50,000
Total Liabilities and Fund Balances	$ 1,104,314	$ 105,037	$ 8,888,810

See accompanying note to additional supplementary information.

Retiree Benefits	Retiree OPEB Trust	Other Trust	Other Agency Fund	Total
$ -	$ -	$ 11,913,821	$ 41,897	$ 12,847,441
4,669	96,104,279	5,641,919	-	109,719,430
6	-	2,528,738	19,000	3,097,009
-	-	1,220,133	9,325	1,841,793
1,353,682	-	42,788	-	1,472,745
$ 1,358,357	$ 96,104,279	$ 21,347,399	$ 70,222	$ 128,978,418
$ -	$ -	$ 654,129	$ -	$ 8,553,958
-	-	10,266,228	-	10,433,661
-	-	5,072,056	-	5,907,058
-	-	3,985,512	70,222	4,146,220
-	-	19,977,925	70,222	29,040,897
-	96,104,279	-	-	96,154,279
1,358,357	-	1,369,474	-	3,783,242
1,358,357	96,104,279	1,369,474	-	99,937,521
$ 1,358,357	$ 96,104,279	$ 21,347,399	$ 70,222	$ 128,978,418

NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Associated Students Trust	Student Representation Fee	Student Financial Aid
REVENUES			
Federal revenues	$ -	$ -	$ 53,931,298
State revenues	-	-	7,278,788
Local revenues	313,212	16,777	85,344
Total Revenues	313,212	16,777	61,295,430
EXPENDITURES			
Current Expenditures			
Classified salaries	62,493	-	-
Employee benefits	4,803	-	-
Books and supplies	46,763	-	-
Services and operating expenditures	80,425	6,037	4,189
Capital outlay	28,399	-	-
Total Expenditures	222,883	6,037	4,189
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	90,329	10,740	61,291,241
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(15,000)	-	(81,156)
Other uses - student financial aid	-	-	(61,210,085)
Total Other Financing Sources (Uses)	(15,000)	-	(61,291,241)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	75,329	10,740	-
FUND BALANCES, BEGINNING OF YEAR	875,045	94,297	50,000
FUND BALANCES, END OF YEAR	$ 950,374	$ 105,037	$ 50,000

See accompanying note to additional supplementary information.

Retiree Benefits	Retiree OPEB Trust	Other Trust	Total
$ -	$ -	$ -	$ 53,931,298
-	-	-	7,278,788
1,360,872	9,868,432	294,708	11,939,345
1,360,872	9,868,432	294,708	73,149,431
-	-	45,853	108,346
1,300,167	-	3,098	1,308,068
-	-	15,187	61,950
248	342,392	437,347	870,638
-	-	7,685	36,084
1,300,415	342,392	509,170	2,385,086
60,457	9,526,040	(214,462)	70,764,345
-	-	231,096	231,096
-	-	-	(96,156)
-	-	-	(61,210,085)
-	-	231,096	(61,075,145)
60,457	9,526,040	16,634	9,689,200
1,297,900	86,578,239	1,352,840	90,248,321
$ 1,358,357	$ 96,104,279	$ 1,369,474	$ 99,937,521

NOTE TO ADDITIONAL SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 request of District management.