SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION INCLUDING REPORTS ON COMPLIANCE
June 30, 2019

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
June 30, 2019

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS i

BASIC FINANCIAL STATEMENTS 1

Statement of Net Position 2

Statement of Revenues, Expenses and Changes in Net Position 4

Statement of Cash Flows 5

Statement of Fiduciary Net Position 7

Statement of Changes in Fiduciary Net Position 8

Statement of Plan Net Position 9

Statement of Changes in Plan Net Position 10

NOTES TO THE FINANCIAL STATEMENTS 11

REQUIRED SUPPLEMENTARY INFORMATION 44

Schedule of the District's Proportionate Share of the Net Pension Liability 45

Schedule of District Pension Contributions 46

Schedule of Changes in the Net OPEB Liability and Related Ratios 47

Schedule of Postemployment Healthcare Benefits Employer Contributions 48

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets 49

Notes to the Required Supplementary Information 50

SUPPLEMENTARY INFORMATION 52

History and Organization 53

Schedule of Expenditures of Federal Awards 54

Schedule of State Financial Assistance - Grants 56

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance 57

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 58

Reconciliation of 50 Percent Law Calculation 60

Education Protection Account Expenditure Report 61

Schedule of Financial Trends and Analysis 62

Notes to the Supplementary Information 63

OTHER INDEPENDENT AUDITOR'S REPORTS 65

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
June 30, 2019

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 66

Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance 68

Independent Auditor's Report on State Compliance 71

FINDINGS AND QUESTIONED COSTS 73

Schedule of Findings and Questioned Costs – Summary of Auditor Results 74

Schedule of Findings and Questioned Costs – Related to the Financial Statements 75

Schedule of Findings and Questioned Costs – Related to Federal Awards 76

Schedule of Findings and Questioned Costs – Related to State Awards 83

Schedule of Prior Year Findings and Questioned Costs – Related to Financial Statements and Federal Awards 84

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
South Orange County Community College District
Mission Viejo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the fiduciary activities and the aggregate discretely presented component units of the South Orange County Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the entity'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 misstatement, whether due to fraud or error.

Auditors' 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. 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 auditors' 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the fiduciary activities, and the aggregate discretely presented component units, of the South Orange County Community College District as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplementary information schedules as listed in the aforementioned table of contents 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 an opinion on the District's financial statements as a whole. The supplementary information, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, 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 supplementary section, including the schedule of expenditures of federal awards, 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 October 28, 2019 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 and 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 28, 2019

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

The South Orange County Community College District serves over 60,000 students who attend Saddleback College in Mission Viejo, Irvine Valley College in Irvine, and the Advanced Technology & Education Park (ATEP) in Tustin. Due to prudent management and conservative fiscal policies, our District is prepared for challenging budget times by maintaining reserves, retiring debt, fully funding the retiree health benefit liability, and implementing efficiencies throughout all operations. Strategic planning, investments in technology and increasing online services to students ensure we can meet the current and growing demands of transfer to four-year colleges, workforce training, career technical preparation, and basic skills. Over 3,000 employees in the South Orange County Community College District are committed to providing the best educational foundation possible for our students with respect for taxpayers. We invite you to learn more about us and our services to students and the community at www.socccd.edu.

ACCOUNTING STANDARDS

In June 1999, the Governmental Accounting Standards' Board (GASB) released Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments," which changed the reporting format for annual financial statements. In November 1999, GASB released Statement No. 35, "Basic Financial Statement and Management's Discussion and Analysis for Public Colleges and Universities," which applies these reporting standards to public colleges and universities. The South Orange County Community College District continues to present its financial statements in this reporting format.

The following management's discussion and analysis provides an overview of the financial position and activities of the South Orange County Community College District's Financial Report as of and for the year ended June 30, 2019. The report includes three basic financial statements that provide information on the District as a whole:

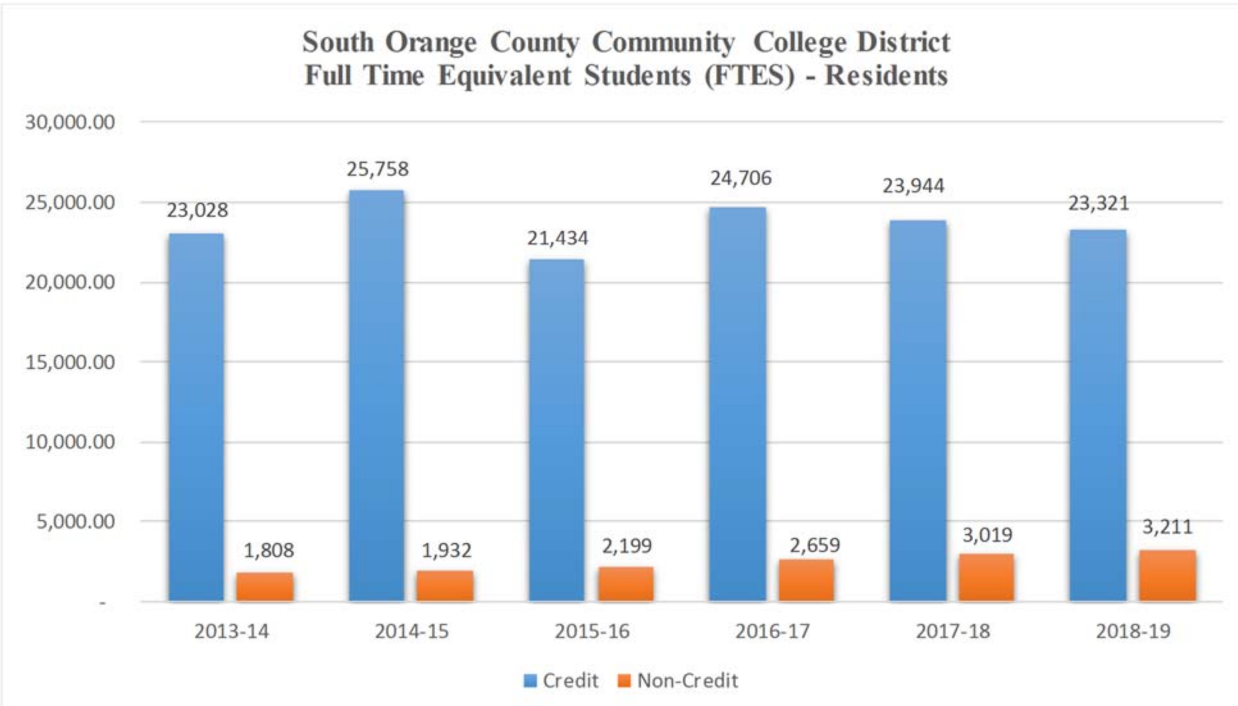
The Statement of Net Position
The Statement of Revenues, Expenses and Changes in Net Position
The Statement of Cash Flows

Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

The District ended the year with a strong fund balance. The ability to maintain a prudent reserve of 7.5% affords cash flow stability for the District without external borrowing. Property taxes continue to provide a reliable revenue source that allows the District some protection from state budget cuts and forced workload reductions.

Reported resident enrollments at the colleges decreased slightly in fiscal year 2018-2019 by 1.6% from the prior year. This is primarily the result of a reduction in class offerings to improve productivity. A history of reported resident student enrollments is provided below.



Non-resident enrollment remained relatively flat in fiscal year 2018-19. In fiscal year 2017-18 the District reported 1,662 FTES and in fiscal year 2018-19 it decreased slightly to 1,655 FTES.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

	2019	2018	Net Change
Assets			
Current assets	$465,556,375	$427,122,770	$38,433,605
Non-current assets	411,548,941	390,494,427	21,054,514
Total Assets	877,105,316	817,617,197	59,488,119
Deferred Outflows of Resources	59,566,221	63,782,101	(4,215,880)
Liabilities			
Current liabilities	68,276,129	67,283,786	992,343
Non-current liabilities	221,847,232	224,614,804	(2,767,572)
Total Liabilities	290,123,361	291,898,590	(1,775,229)
Deferred Inflows of Resources	25,319,601	17,426,629	7,892,972
Net Position			
Net investment in capital assets	402,774,316	384,476,461	18,297,855
Restricted	98,030,834	68,467,051	29,563,783
Unrestricted	120,423,425	119,130,567	1,292,858
Total Net Position	$621,228,575	$572,074,079	$49,154,496

Assets

Total Assets increased approximately $59 million, a percentage increase of 7%. The major changes affecting total assets are listed below:

- Current assets increased approximately $38 million. This was due primarily to an increase in cash for property tax revenues and an increase in the value of the District's investments in the OPEB Retiree Health Benefit Liability Trust.

- Non-current assets increased $21 million over the prior year primarily due to increases in capital assets and construction in progress for projects such as the Irvine Valley College Health Center/Concessions Building and the Saddleback College Stadium.

Liabilities

Total liabilities remained relatively flat with a slight decrease of approximately $2 million. The major changes affecting total liabilities are listed below:

- Current liabilities increased approximately $1 million. Accounts payable increased $406 thousand for capital outlay projects. Deferred revenue increased by $480 thousand for the state Strong Workforce funding.

- Non-current liabilities decreased by $2.8 million as a result of a decrease of $825 thousand in the Net Pension Liability and a decrease of $1.9 million for the Early Retirement Incentive program.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. Refer to Note 9 for the District's deferred outflows and inflows of resources related to pensions.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Operating Revenues	**2019**	**2018**	**$ Change**	**% Change**
Student tuition and fees	$ 49,350,557	$ 50,928,734	$ (1,578,177)	-3.10%
Less: scholarship discount & allowance	(11,995,187)	(12,557,394)	562,207	-4.48%
Net tuition & fees	37,355,370	38,371,340	(1,015,970)	-2.65%
Grants and contracts, noncapital:				
Federal	3,158,710	2,277,346	881,364	38.70%
State	45,620,855	27,834,639	17,786,216	63.90%
Local	3,081,697	2,799,122	282,575	10.1%
Subtotal	51,861,262	32,911,107	18,950,155	57.58%
Total Operating Revenues	89,216,632	71,282,447	17,934,185	25.16%
Operating Expenses				
Salaries	147,204,729	144,591,564	2,613,165	1.81%
Benefits	84,132,012	76,865,240	7,266,772	9.45%
Supplies, materials, & other operating expenses	42,289,316	30,571,415	11,717,901	38.33%
Financial aid	28,624,044	27,418,161	1,205,883	4.40%
Utilities	4,863,601	4,447,023	416,578	9.37%
Depreciation	24,103,438	23,672,801	430,637	1.82%
Total Operating Expenses	331,217,140	307,566,204	23,650,936	7.69%
Operating Loss	(242,000,508)	(236,283,757)	(5,716,751)	2.42%
Non-operating Revenues (Expenses)				
State apportionment, non-capital	7,573,569	5,715,886	1,857,683	32.50%
Local property taxes	222,994,926	211,200,521	11,794,405	5.58%
Federal grants and contracts, noncapital	22,545,208	23,083,397	(538,189)	-2.33%
State taxes & other revenues	15,718,074	14,794,120	923,954	6.25%
Investment income(loss) - noncapital	7,164,017	1,798,977	5,365,040	298.23%
Total Non-operating Revenues (Expenses)	275,995,794	256,592,901	19,402,893	7.56%
Income Before Other Revenues, Expenses, Gains and (Losses)	33,995,286	20,309,144	13,686,142	67.39%
Other Revenues, Expenses, Gains and (Losses)				
State apportionments, capital	-	1,872,838	(1,872,838)	-100.00%
Local revenues, grants and gifts, capital	12,651,684	12,469,026	182,658	1.46%
Interest and investment income, capital	2,507,526	2,851,900	(344,374)	-12.08%
Loss on disposal of equipment	-	(245,834)	245,834	-
Total Other Revenues, Expenses, Gains and (Losses)	15,159,210	16,947,930	(1,788,720)	-10.55%
Change in Net Position	49,154,496	37,257,074	11,897,422	31.93%
Net Position - Beginning	572,074,079	534,817,005	37,257,074	6.97%
Net Position - Ending	$ 621,228,575	$ 572,074,079	$ 49,154,496	8.59%

Operating Revenues

Total Operating Revenues increased by approximately $18 million, an increase of 25%.

- Net tuition and fees experienced a decrease of $1 million, approximately 3%. Fee revenue decreased by $1.6 million and scholarship discounts and allowances decreased by $562 thousand primarily as a result of lower enrollments.

- Non capital grants and contracts increased $19 million, an increase of 58%. Factors contributing to this include an $8.3 million increase in state funds such as Instructional Equipment, Strong Workforce, California College Promise, and Student Success, and a $9.9 million increase in state pension contributions.

Operating Expenses

Total Operating Expenses increased by 7.7%, approximately $24 million. Items of significance affecting the changes include:

- Salaries and benefits increased by approximately $9.9 million, an increase of 11%. Salaries increased by $2.6 million (2%) as a result of negotiated salary adjustments. Benefits increased by $7.3 million (9%) due to higher salaries, pension contribution rates and benefit premiums.

- Supplies, materials and other operating expenses increased by $11.7 million, an increase of 38%. The increase is primarily from higher non-capitalized project costs.

- Financial aid increased by $1.2 million (4%) due to additional Student Success and California Promise state grants.

- Depreciation increased by $430 thousand (2%) due to new buildings and other capital assets coming on-line.

Non-Operating Revenues (Expenses)

Non-Operating Revenues increased by $19 million (8%) primarily due to the net effect of the following:

- Non-capital State apportionment increased by $1.8 million, a 33% increase. This is mostly due to additional state funding for full-time and part-time faculty.

- The 6% increase of $11.8 million in local property tax reflects the moderate growth trend of the local property tax base.

- Non-capital Federal grants and contracts decreased by $538 thousand (2%) primarily due to a reduction in disbursements of federal student financial aid.

- State taxes and other revenues increased $924 thousand (6%) due to increased state resources for the state teachers' pension plan.

- Investment income significantly increased by $5.4 million, an increase of almost 300%, due to improved earnings and a higher market value at June 30, 2019

Capital contributions

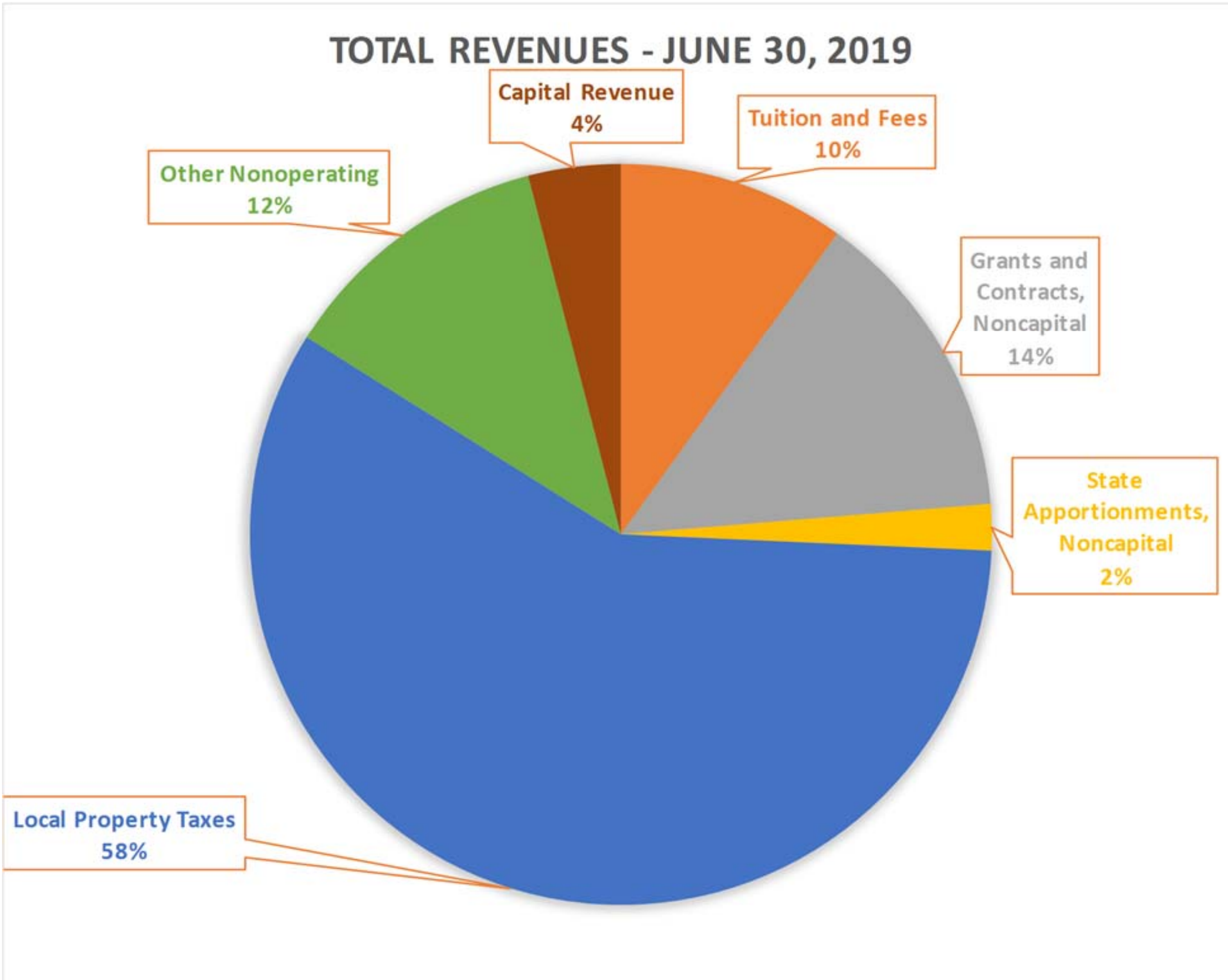
Capital contributions decreased by 11%, approximately $1.8 million.

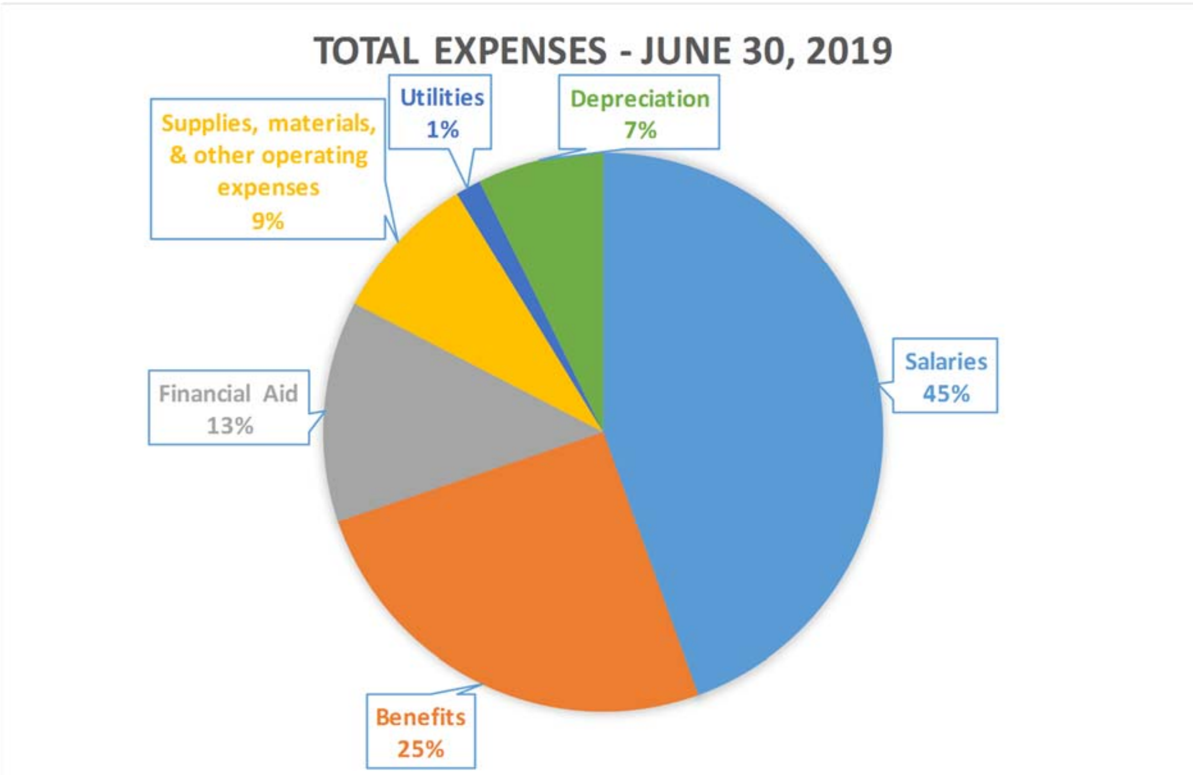
- State apportionments for capital decreased $1.8 million due to the receipt of funds for one-time Proposition 39 energy efficiency projects in the prior year.

- Local revenues for capital increased by $182 thousand due to additional property tax funds from the prior redevelopment agencies.

- Interest and investment income for capital decreased $344 thousand (12%) due to smaller cash balances for capital outlay.

The following two pie charts depict the breakdown and percentages of the major components in Total Revenues and Total Expenses as of June 30, 2019.


TOTAL REVENUES - JUNE 30, 2019
Capital Revenue 4%
Tuition and Fees 10%
Other Nonoperating 12%
Grants and Contracts, Noncapital 14%
State Apportionments, Noncapital 2%
Local Property Taxes 58%



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 reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets 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.

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 net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	(in thousands)		
	2019	**2018**	**Change**
Cash Provided By (Used in)			
Operating activities	$ (209,455,111)	$ (190,264,238)	-10%
Noncapital financing activities	281,215,937	267,340,828	5%
Capital and related financing activities	(44,828,622)	(35,006,940)	-28%
Investing activities	12,909,325	(5,030,711)	357%
Net change in cash and cash equivalents	39,841,529	37,038,939	8%
Cash balance, beginning of year	350,484,382	313,445,443	12%
Cash balance, end of year	$ 390,325,911	$ 350,484,382	11%

Operating activities

Cash receipts from operating activities consists of grants, contracts, tuition and fees, while outlays include payment of salaries, benefits, supplies, services, contracts, scholarships and financial aid.

Net cash used by operating activities increased by $19 million (10%) primarily for payments to/on-behalf of employees and payments to suppliers.

Noncapital financing activities

Property taxes are the main source of receipts for noncapital financial activities. Net cash provided by noncapital activities increased by $14 million (5%) and is consistent with the growth in the property tax base.

Capital and related financing activities

Net cash used by capital and related financing activities increased by $10 million (28%) due to higher expenditures for construction projects.

Investing activities

Net cash provided by investing activities increased by $18 million from the prior year. In FY 2017-2018, the District made a deposit of $12.6 million to the Pension Stabilization Trust that was used to purchase additional investments for that year with no corresponding deposit in FY 2018-2019. Interest on investments increased by $4.5 million over the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the District had approximately $403 million invested in net capital assets. Total capital assets of $635 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $232 million. In fiscal year 2018-2019, there were net capital asset additions in the amount of $42 million, which includes costs for the Irvine Valley College Health Center/Concession building and the Saddleback College Stadium, and net depreciation expense of $24 million.

Note 5 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

	2019	2018	Net Change
Land, Artwork and construction in progress	$ 132,533,426	$ 125,094,529	$ 7,438,897
Buildings, site improvements and equipment	502,548,108	467,604,568	34,943,540
Accumulated depreciation	(232,307,218)	(208,222,636)	(24,084,582)
Total Capital Assets	$ 402,774,316	$ 384,476,461	$ 18,297,855

Debt

At June 30, 2019, the District had $224 million in debt, a decrease of $3 million. The major portion of the decrease is related to the early retirement incentive offered in 2017. Note 11 provides additional information on long-term liabilities. A comparison is summarized herein:

	2019	2018	Net Change
Compensated absences	$ 5,492,042	$ 5,532,981	$ (40,939)
Claims liability	571,546	554,637	16,909
Early retirement incentive	5,507,117	7,420,610	(1,913,493)
Proportionate Share of Medicare Premiums	156,973	185,111	(28,138)
Net pension liability	212,699,935	213,524,507	(824,572)
Total Long-Term Liabilities	$ 224,427,613	$ 227,217,846	$ (2,790,233)

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

In FY 2018-2019, the state implemented the Student Centered Funding Formula (SCFF) that incorporates funding for student enrollments (base allocation), low income students (supplemental allocation), and completion metrics (student success incentive allocation). The fiscal year 2019-2020 state budget for community colleges made revisions to the new SCFF. The most significant changes include locking in the split between the three categories (70%, 20%, 10%, respectively), using a three-year average for the student success metrics, only funding the highest award a student `earns in the same year, and limiting which districts can count a transfer student. The funding included a 3.26% cost of living adjustment (COLA) and 0.55% for growth funding statewide. The District's calculated growth rate is 0.5%, although the colleges are not expected to grow above current funding levels.

Since the District does not receive general apportionment funds from the state, and in order to have time to evaluate the impact of the new SCFF, the District chose to delay implementation of the new SCFF until fiscal year 2019-2020. The funding formula includes a hold-harmless provision through fiscal year 2021-2022 that guarantees prior formula funding plus annual COLA. For fiscal year 2019-2020, the District fell into the hold-harmless provision by $3 million.

The District has been identified as a "locally funded" district since fiscal year 1999-2000, meaning its primary source of revenue comes from local property taxes, not state apportionment. The fiscal year 2019-2020 adopted budget assumes an increase in property tax revenue of 3.5% over fiscal year 2018-2019 actual receipts. This assumption is based on prior years' history and conservative estimations provided by the county auditor/controller's office. Property tax receipts have been a stable revenue source with moderate growth in recent years. The District continues to experience sufficient revenue to maintain funding of the colleges and allow for future capital projects. Excess funds over what would be received from the state funding formula are used to pay for long-term debt, one-time expenditures, and capital outlay needs.

State funding was also approved for new capital outlay projects funded by Proposition 51. The District has two funded projects: Saddleback College Gateway Building and Irvine Valley College Fine Arts Complex. State funding will cover approximately 50% of the costs.

The state budget continues to provide increased funding for student services including funds for veteran's services, guided pathways, and California college promise programs. Funds were also provided for scheduled maintenance and instructional equipment.

The most recent actuarial valuation study was completed for the District's other post-employment benefits (OPEB) liability in January 2019. Based on a discount rate of 6%, the actuarial accrued liability is approximately $659 thousand. The District has budgeted sufficient funds to cover the liability and meet the actuarially determined contribution for fiscal year 2019-2020. The next actuarial valuation study is scheduled to be completed in January 2020.

Due to a change in accounting standards in GASB 75, an additional actuarial report is completed for OPEB with a measurement date of June 30. This report uses the same employee data as the January report to project the liability as of June 30. Then the current asset data from our trust account as of June 30 is used to produce an updated net asset or liability as of June 30. For additional information about the OPEB liability and funding, please refer to Note 10 of the financial statements.

The state pension plans are currently underfunded and employer rates are anticipated to continue to increase over the next several years. The state budget included a $2.8 billion investment in the unfunded pension liabilities, which lowered the expected employer rates for fiscal year 2019-2020. The resulting STRS rate increased from 16.28% to 17.1% and the PERS rate increased from 18.062% to 19.721% over fiscal year 2018-2019. The District created a Pension Stability Trust to pre-fund the increased costs anticipated through fiscal year 2021-2022.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the South Orange County Community College District, Office of the Executive Director of Fiscal Services, 28000 Marguerite Parkway, Mission Viejo, CA 92692-3635.

BASIC FINANCIAL STATEMENTS

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government	Component Units
Assets		
Current Assets:		
Cash and cash equivalents	$ 390,325,911	$ 443,986
Investments	59,430,168	2,874,232
Accounts receivable, net	12,361,161	46,574
Inventory	54,343	-
Prepaid expenses	3,228,804	90,199
Due from component units	109,915	-
Due from fiduciary funds	46,073	-
Total Current Assets	465,556,375	3,454,991
Non-Current Assets:		
Contributions receivable, net of discount	-	1,150,150
OPEB asset	8,774,625	-
Investments, at fair value	-	9,690,902
Capital assets, net of accumulated depreciation	402,774,316	-
Total Non-Current Assets	411,548,941	10,841,052
Total Assets	877,105,316	14,296,043
Deferred Outflows of Resources		
Deferred outflows - OPEB	1,115,455	-
Deferred outflows - pension	58,450,766	-
Total Deferred Outflows of Resources	59,566,221	-
Total Assets and Deferred Outflows of Resources	$ 936,671,537	$ 14,296,043

See accompanying notes to the financial statements.

STATEMENT OF NET POSITION
June 30, 2019

	Primary Government	Component Units
Liabilities		
Current Liabilities:		
Accounts payable	$ 18,316,073	$ 45,470
Accrued liabilities	9,300,419	-
Unearned revenue	38,079,256	-
Due to primary government	-	109,915
Current portion of long term liabilities	2,580,381	-
Total Current Liabilities	68,276,129	155,385
Non-Current Liabilities:		
Non-current portion of long term liabilities	221,847,232	-
Total Non-Current Liabilities	221,847,232	-
Total Liabilities	290,123,361	155,385
Deferred Inflows of Resources		
Deferred inflows - OPEB	8,150,339	-
Deferred inflows - pensions	17,169,262	-
Total Deferred Inflows of Resources	25,319,601	-
Net Position		
Net investment in capital assets	402,774,316	-
Restricted for:		
Capital projects	85,300,966	-
Scholarship and loans	10,725	-
Other special purposes	9,430,717	-
Restricted - nonexpendable	3,288,426	-
Donor restricted	-	13,567,572
Unrestricted	120,423,425	573,086
Total Net Position	621,228,575	14,140,658
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 936,671,537	$ 14,296,043

See accompanying notes to the financial statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019

	Primary Government	Component Units
Operating Revenues		
Tuition and fees (gross)	$ 49,350,557	$ -
Less: Scholarship discounts and allowances	(11,995,187)	-
Net tuition and fees	37,355,370	-
Grants and contracts, non-capital:		
Federal	3,158,710	-
State	45,620,855	-
Local	3,081,697	3,335,008
Total Operating Revenues	89,216,632	3,335,008
Operating Expenses		
Salaries	147,204,729	730,518
Employee benefits	84,132,012	151,975
Supplies, materials, and other operating expenses and services	42,289,316	2,521,507
Financial aid	28,624,044	-
Utilities	4,863,601	-
Depreciation	24,103,438	-
Total Operating Expenses	331,217,140	3,404,000
Operating Income (Loss)	(242,000,508)	(68,992)
Non-Operating Revenues (Expenses)		
State apportionments, non-capital	7,573,569	-
Local property taxes	222,994,926	-
Federal grants and contracts, non-capital	22,545,208	-
States taxes and other revenue	15,718,074	-
Interest and investment income, non-capital	7,164,017	475,276
Total Non-Operating Revenues (Expenses)	275,995,794	475,276
Income Before Other Revenues, Expenses, Gains and (Losses)	33,995,286	406,284
Other Revenues, Expenses, Gains and (Losses)		
Interest and investment income, capital	2,507,526	-
Local revenues, grants and gifts, capital	12,651,684	-
Total Other Revenues, Expenses, Gains and (Losses)	15,159,210	-
Changes in Net Position	49,154,496	406,284
Net Position, Beginning of Year	572,074,079	13,669,011
Restatement for correction of errors	-	65,363
Net Position, Beginning of Year After Restatement	572,074,079	13,734,374
Net Position, End of Year	$ 621,228,575	$ 14,140,658

See accompanying notes to the financial statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

	Primary Government	Component Units
Cash Flows From Operating Activities		
Tuition and fees	$ 37,640,445	$ -
Federal grants and contracts	1,645,219	-
State grants and contracts	45,345,418	-
Local grants and contracts	3,039,774	1,936,687
Sales	2,884,998	259,369
Payments to suppliers	(46,519,400)	(1,293,441)
Payments to/on-behalf of employees	(224,644,964)	(626,456)
Payments to/on-behalf of students	(28,624,044)	(735,404)
Other miscellaneous payments	(222,557)	-
Net cash provided (used by) operating activities	(209,455,111)	(459,245)
Cash Flows From Non-Capital Financing Activities		
State apportionments and receipts	7,573,569	-
Property taxes	222,727,402	-
Grants and gifts for other than capital purposes	38,263,282	-
State tax and other revenues	12,651,684	-
Net cash provided by non-capital financing activities	281,215,937	-
Cash Flows From Capital and Related Financing Activities		
State apportionment for capital purposes	(2,404,668)	-
Local revenue, grants and gifts for capital purposes	(22,661)	-
Net purchases of capital assets	(42,401,293)	-
Net cash used by capital and related financing activities	(44,828,622)	-
Cash Flows from Investing Activities		
Interest on investments	9,108,163	373,109
Proceeds from sale of investments	10,188,805	(5,753,183)
Purchase of investments	(6,387,643)	5,794,573
Net cash provided by investing activities	12,909,325	414,499
Net Change in Cash and Cash Equivalents	39,841,529	(44,746)
Cash Balance - Beginning of Year	350,484,382	488,732
Cash Balance - End of Year	$ 390,325,911	$ 443,986

See accompanying notes to the financial statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	Primary Government	Component units
Cash Used by Operating Activities		
Operating income (loss)	$ (242,000,508)	$ (68,992)
Adjustments to reconcile operating income (loss) to net cash		-
provided (used) by operating activities:		
Depreciation expense	24,103,438	-
Amortization of discount - present value contributions	-	(65,676)
Changes in assets and liabilities:		
Receivables, net	(2,045,890)	23,079
Inventory	(24,137)	-
Prepaid expense	230,136	(36,373)
Due from component units and fiduciary funds	277,557	-
Deferred outflows of current year pensions	4,215,880	-
Accounts payable	427,518	(158,771)
Accrued liabilities	(3,962,523)	(161,942)
Net pension liabilities	(824,572)	-
Unearned revenue	2,884,998	(116)
Trust account liabilities	(366,782)	
Compensated absences	(766,167)	-
Amounts held in trust for others	-	9,546
OPEB asset	(2,756,659)	-
Estimated liability for open claims and IBNR's	16,909	-
Supplemental employee retirement plan	2,875,937	-
Deferred inflows of pension plans and OPEB	7,892,972	-
Net cash used by operating activities	$ (209,455,111)	$ (459,245)

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

		Associated Student Government Trust Funds
Assets		
Cash and cash equivalents	$	325,726
Investments		82,295
Prepaid expense		13,710
Accounts receivable		419,777
Total Assets	$	841,508
Liabilities		
Accounts payable	$	23,834
Due to District		46,073
Deferred revenue		139,674
Funds held in trust		95,613
Total Liabilities		305,194
Net Position		
Unrestricted		536,314
Total Net Position		536,314
Total Liabilities and Net Position	$	841,508

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2019

	Associated Student Government Trust Funds
Additions	
Sales and other local revenues	$ 1,162,573
Interest income	1,957
Total Additions	1,164,530
Deductions	
Salaries	190,163
Benefits	22,620
Supplies and materials	79,050
Other operating expenses and services	555,636
Capital outlay	5,883
Student financial aid	110,478
Total Deductions	963,830
Net Changes in Net Position	200,700
Net Position, Beginning of Year	335,614
Net Position, End of Year	$ 536,314

See accompanying notes to the financial statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF PLAN NET POSITION
June 30, 2019

	Retiree Health Benefit (OPEB) Trust
Assets	
Investments	$ 123,157,480
Total Assets	$ 123,157,480
Liabilities	
Accounts payable	$ 175,265
Total Liabilities	175,265
Net Position	
Restricted - nonspendable	122,982,215
Total Net Position	122,982,215
Total Liabilities and Net Position	$ 123,157,480

See accompanying notes to the financial statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN PLAN NET POSITION
For the Fiscal Year Ended June 30, 2019

	Retiree Health Benefit (OPEB) Trust
Additions	
Interest income	$ 6,008,875
Other local revenue	5,995,581
Total Additions	12,004,456
Deductions	
Benefits	5,061,064
Other operating expenses and services	391,097
Total Deductions	5,452,161
Net Changes in Net Position	6,552,295
Net Position, Beginning of Year	116,429,920
Net Position, End of Year	$ 122,982,215

See accompanying notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

South Orange County Community College District (District) is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
- The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the Facilities Corporation 2011 of the South Orange County Community College District (Corporation) would be included in the District's reporting entity as a blended component unit. The Corporation has been dissolved in fiscal year 2018-19.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation for the South Orange County Community College District, Saddleback College Foundation, and Irvine Valley College Foundation: The Foundations are separate not-for-profit corporations formed to promote and assist the educational programs of the District. The Board of Governors are appointed independent of any District Board of Trustee's elections. The Boards are responsible for their own accounting and finance related activities; however, the District's governing board has fiscal responsibility over the Foundations. The financial activities of the Foundations, excluding the Foundation for the South Orange County Community College District, have been discretely presented; the management has deemed the Foundation for the South Orange County Community College District to not be a component unit as defined by GASB. Separate financial statements for the Foundations may be obtained through the District.

Based upon the application of the criteria above, the Advanced Technology and Education Park Foundation (Foundation) would be included in the District's reporting entity as a discretely presented component unit. The Foundation was dissolved in fiscal year 2018-19.

Retiree Health Benefit OPEB Trust (the Trust): The Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain post-employment benefits other than pensions. The Trust Board of Authority comprised of the Vice Chancellor of Business Services, Vice Chancellor of Human Resources, District Executive Director of Fiscal Services/Comptroller, Vice President of Administrative Services, Saddleback College, and the Vice President of Administrative Services, Irvine Valley College, provide oversight over Trust investment and plan administration. As such, the District acts as the fiduciary of the Trust. Separate financial statements are not prepared for the Trust.

Pension Stabilization Trust (the PST): The PST was established to help California public entities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of their funding obligation. The PST is an irrevocable governmental trust intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code. The PST is administered by Benefit Trust Company as directed by the Board of Authority, of which, the District appoints one member. Because the District is the sole beneficiary of the PST, the fund does not meet the definition of a fiduciary activity, thus, the PST is reported as a blended component unit. Separate financial statements are not prepared for the PST.

The Advanced Technology & Education Park (ATEP) Facilities Corporation: The ATEP Facilities Corporation (Corporation) was established for the performance of various asset management functions pertaining to the ownership and operation of real estate assets held by the District at ATEP. The Corporation was formed as an Auxiliary Organization, as authorized by Education Code section 72670 et. seq. and California Code of Regulations sections 59250 et. seq. Based upon the application of the criteria listed above, the Corporation would be included in the District's reporting entity as a blended component unit. The Corporation had no activity for the fiscal year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

Basis of Accounting

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

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The statements of plan net position and changes in plan net position of the Retiree Health Benefit (OPEB) Trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

Cash and Cash Equivalents

The District’s cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Investments

Investments in governmental funds, the fiduciary fund and the OPEB Trust Fund are reported at fair value, which is determined by the most recent bid and asking price as obtained from dealers that make markets in such securities.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District’s grants and contracts. Material receivables are considered fully collectible.

Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

Inventories are presented at the lower of cost or market on an average basis and are expensed when used. Inventory consists of expendable instructional, custodial, health and other supplies held for consumption.

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their acquisition value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements with a unit cost of $150,000 or more and that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded as an operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings, 10 years for building and land improvements, 8 years for equipment and vehicles and 3 years for technology.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to pension and post-employment (OPEB) plans resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations and the effects of actuarially-determined changes to the pension and OPEB plans. These amounts are deferred and amortized as detailed in Note 9 and Note 10 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable and load banking.

Unearned Revenue

Cash received for Federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

The District has accrued a liability for the amounts attributable to load banking hours within

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Net Pension Liability

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 (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).

The District's OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, OPEB expense, and information about the fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust 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.

Deferred Inflows of Resources

Deferred Inflows – OPEB: The deferred inflows of resources related to OPEB benefits results from the difference between the estimated and actual return on OPEB plan investments, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 10 to the financial statements

Deferred Inflows – Pensions: Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 9 to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Position

Net Investment in Capital Assets: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Position – Expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted Net Position: Unrestricted net position represents resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

State Apportionments

The District does not receive state apportionments under the Student Centered Funding Formula because it receives more than sufficient revenues from enrollment fees and property taxes. The excess property taxes above the base revenue calculations is referred to as basic aid funding.

The District does receive state apportionments for categorical programs. These allocations are based on various financial and statistical information from the current and previous years. The District also receives funding from the State education protection account based on Full-Time Equivalent Students (FTES) and apportionment funding for full-time faculty.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31 and become delinquent after August 31.

The District reports real and personal property tax on an accrual basis. A receivable has been accrued in these financial statements to reflect the amount of property taxes receivable as of June 30, 2019.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most State and local grants and contracts.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported gross of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, and other Federal, state or nongovernmental programs are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from non-operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as food service sales, Federal and most State and local grants and contracts, and self-insurance premiums. Non-operating revenues include activities that have the characteristics of non-exchange transactions that are defined as non-operating revenues by GASB.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2019, the District's bank balance of $9,889,083 was collateralized at 110% in accordance with applicable California state law.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. At June 30, 2019 total Cash in County is $379,787,717. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2019 is measured at 100.54% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635 and 53648. The County is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Auditor-Controller County of Orange, 12 Civic Center Plaza, Room 200, Santa Ana, CA 92702.

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 (and District Board Policy 3102), the District may invest in the types of investments shown herein. The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2019.

NOTE 2: DEPOSITS AND INVESTMENTS

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to $27,340,292 as of June 30, 2019. LAIF pools these funds with other governmental agencies and invests in various investment vehicles. LAIF uses amortized cost and current value methods to value the portfolio. Regulatory oversight is provided by the State Pooled Money Investment Board and the Local Investment Advisory Board. LAIF is not subject to categorization to indicate the level of custodial credit risk assumed by the District at year end.

Investments with fiscal agent are held in the California Public Entity Pension Stabilization Trust (the PST). The PST was established to help California public entities stabilize the funding of their pension benefit liabilities by creating a secure vehicle to hold assets pending their contribution to a pension plan in satisfaction of their funding obligation. The PST is intended to qualify as a trust arrangement that is tax exempt under applicable guidance and procedures under Section 115 of the Internal Revenue Code.

Investments and investments with fiscal agent for the governmental funds at June 30, 2019 are presented below. Fiduciary investments of $82,295 are invested with LAIF.

Investment	Maturities	Fair Value	Standard & Poor's Rating
Mutual Funds - Fixed Income	Not applicable	$ 32,089,876	Not Rated
LAIF	Not applicable	27,340,292	Not Rated
Total		$ 59,430,168	

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2019 are presented below:

NOTE 2: DEPOSITS AND INVESTMENTS

		Fair Value Measurements Using		
Investment - Government-wide	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Fund - Fixed Income	$ 27,505,724	$ 27,505,724	$ -	$ -
Mutual Fund - Domestic Equity	3,313,444	3,313,444	-	-
Mutual Fund - International Equity	929,629	929,629	-	-
Mutual Fund - Real Estate	341,079	341,079	-	-
Total	$ 32,089,876	$ 32,089,876	$ -	$ -

LAIF is reported at amortized cost and is not required to be classified above.

Interest Rate Risk

Interest rate risk is the risk that changes in 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's policy is to comply with Government Code that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that one insurer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk. Information about the District's investment ratings is provided above.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. The District did not have any holdings in one issuer in excess of 5%.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 consists of the following:

Accounts Receivable	June 30, 2019
Federal and state	$ 6,730,861
Property tax	3,449,826
Miscellaneous	2,180,474
Total accounts receivable	$ 12,361,161

NOTE 4: INTERFUND TRANSACTIONS

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION

The following provides a summary of changes in capital assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 42,262,154	$ -	$ -	$ 42,262,154
Artwork	37,100	-	-	37,100
Construction in progress	82,795,275	42,152,048	34,713,151	90,234,172
Total capital assets not being depreciated	125,094,529	42,152,048	34,713,151	132,533,426
Capital assets being depreciated:				
Site improvements	110,152,115	449,781	-	110,601,896
Buildings	306,299,165	29,907,695	-	336,206,860
Equipment	51,153,288	4,604,920	18,856	55,739,352
Total capital assets being depreciated	467,604,568	34,962,396	18,856	502,548,108
Less accumulated depreciation for:				
Site improvements	(82,850,817)	(5,657,564)	-	(88,508,381)
Buildings	(92,074,334)	(8,861,262)	-	(100,935,596)
Equipment	(33,297,485)	(9,584,612)	(18,856)	(42,863,241)
Total accumulated depreciation	(208,222,636)	(24,103,438)	(18,856)	(232,307,218)
Depreciable assets, net	259,381,932	10,858,958	-	270,240,890
Governmental activities capital assets, net	$ 384,476,461	$ 53,011,006	$ 34,713,151	$ 402,774,316

NOTE 6: LEASES

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2020	$ 273,130
2021	162,620
2022	56,153
2023	19,209
2024	14,011
Thereafter	171,600
Total	$ 696,723

Current year expenditures for operating leases is approximately $442,132. The District will receive no sublease rental nor pay any contingent rentals for this equipment.

NOTE 7: RENTAL INCOME

The District holds a ground lease on a 23-acre site improved with a 400-unit apartment complex built in 1987 that is located adjacent to Saddleback College. The original term of the ground lease ran through September 2040. In July 2016, the District negotiated an amendment and restatement of the ground lease providing funds for renovations and improvements to the property, and extending the lease term from September 2040 to September 2075. Annual lease payments shall be adjusted annually based upon the percentage change for the preceding calendar year as contained in the "Consumer Price Index for All Urban Consumers Los Angeles-Anaheim-Riverside Areas", published by the United States Department of Labor, Bureau of Labor Statistics, provided however, that there shall be a minimum increase of three percent over the preceding annual rent and not more than six percent over such preceding year. Minimum annual lease receipts for the next five years and afterward are shown on the following page:

NOTE 7: RENTAL INCOME

Year Ending June 30,	Lease Income
2020	$ 2,891,734
2021	2,978,486
2022	3,067,840
2023	3,159,876
2024	3,254,672
2025-2029	17,797,880
2030-2034	20,632,621
2035-2039	23,918,862
2040-2044	27,728,517
2045-2049	32,144,951
2050-2054	37,264,808
2055-2059	43,200,126
2060-2064	50,080,786
2065-2069	58,057,357
2070-2074	67,304,389
2075	14,696,223
Total	$ 408,179,128

NOTE 8: SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

The District has a Supplemental Employee Retirement Plan for classified, faculty and management employees. The accumulated future liability for the District at June 30, 2019 is $5,507,117.

In November 2016, the Board of Trustees approved the implementation of the District's Supplemental Employee Retirement Plan for classified, faculty, and management employees.

A total of 116 employees, 63 classified, 30 faculty and 23 management employees participate in the plan. The total cost to the District is approximately $9.25 million. The District will pay benefits of $1.855 million annually through 2022. The liability has been reflected in these financial statements as a long term liability.

NOTE 9: EMPLOYEE RETIREMENT PLANS

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).

As of June 30, 2019, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as follows:

NOTE 9: EMPLOYEE RETIREMENT PLANS

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 112,126,540	$ 30,558,115	$ 14,677,395	$ 17,699,159
CalPERS - Schools Pool Plan	100,573,395	27,892,651	2,491,867	22,644,132
Total	$ 212,699,935	$ 58,450,766	$ 17,169,262	$ 40,343,291

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (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.

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 nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2019, are summarized on the following page.

NOTE 9: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	STRP Defined Benefit Program and Supplement Program	
Hire date	On or Before December 31, 2012	On or after 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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

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. The contribution rates for each plan for the year ended June 30, 2019 are presented above and the total District contributions were $12,321,240.

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

At June 30, 2019, 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 as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability associated with the District were as shown herein.

Proportionate Share of Net Pension Liability	Balance June 30, 2019
District proportionate share of net pension liability	$ 112,126,540
State's proportionate share of the net pension liability associated with the District	64,198,003
Total	$ 176,324,543

The net pension liability was measured as of June 30, 2018. 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 school districts and the State, actuarially determined. At June 30, 2018, the District's proportion was 0.1220%.

For the year ended June 30, 2019, the District recognized pension expense of $17,699,159. In addition, the District recognized revenue and corresponding expense of $13,506,610 for support

NOTE 9: EMPLOYEE RETIREMENT PLANS

provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,321,240	$ -
Difference between expected and actual experience	347,700	1,628,700
Changes in assumptions	17,419,160	-
Changes in proportion	470,015	8,731,115
Net differences between projected and actual earnings on plan investments	-	4,317,580
Total	$ 30,558,115	$ 14,677,395

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 year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2018 measurement date is seven years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed six years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2020	$ 2,105,287
2021	487,567
2022	(2,454,464)
2023	1,591,456
2024	2,636,914
2025	(807,280)
Total	$ 3,559,480

NOTE 9: EMPLOYEE RETIREMENT PLANS

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
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 and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized herein.

NOTE 9: EMPLOYEE RETIREMENT PLANS

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) 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%)	$ 164,252,260
Current discount rate (7.10%)	112,126,540
1% increase (8.10%)	68,909,260

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

NOTE 9: EMPLOYEE RETIREMENT PLANS

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

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 5 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 52 for members hired on or after January 1, 2013), and has at least 5 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, 2019, are summarized herein.

Provisions and Benefits	CalPERS-Schools Pool Plan	
Hire date	On or Before December 31, 2012	On or after 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	50	52
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer

NOTE 9: EMPLOYEE RETIREMENT PLANS

contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are determined 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, 2019 are as presented above and the total District contributions were $9,265,030.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $100,573,395. The net pension liability was measured as of June 30, 2018. 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 school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.3772%.

For the year ended June 30, 2019, the District recognized pension expense of $22,644,132. In addition, the District recognized revenue and corresponding expense of $3,410,092 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,265,030	$ -
Differences between expected and actual experience	6,593,223	-
Changes of assumptions	10,041,810	-
Changes in proportion	1,167,660	2,491,867
Net differences between projected and actual earnings on pension plan investments	824,928	-
Total	$ 27,892,651	$ 2,491,867

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 year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement

NOTE 9: EMPLOYEE RETIREMENT PLANS

period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2018 measurement date is four years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed three years.

The remaining amount will be recognized in pension expense as follows:

Year Ending June 30,	Amortization
2020	$ 10,266,832
2021	7,420,891
2022	(958,342)
2023	(593,627)
Total	$ 16,135,754

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017 used the methods and assumptions herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 15 years of mortality improvements using 90 percent of scale MP 2016 published by the Society of Actuaries.

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

NOTE 9: EMPLOYEE RETIREMENT PLANS

the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Real assets	13%	4.93%
Private equity	8%	7.23%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. 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 Schools Pool Plan 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%)	$ 146,430,054
Current discount rate (7.15%)	100,573,395
1% increase (8.15%)	62,528,732

NOTE 9: EMPLOYEE RETIREMENT PLANS

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2018, the CalPERS Board adopted new mortality assumptions for the plan. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about CalPERS Schools Pool Plan fiduciary net position is available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides health, dental and vision benefits to eligible retirees and their dependents in accordance with provisions established through negotiations between the District and the bargaining unions representing employees. Benefit provisions are renegotiated each three-year bargaining period. The District reports the financial activity of the plan as a trust fund.

The District currently provides retiree and dependent health benefits to eligible faculty, classified, police officers, and management personnel until retirees reach age 65. Eligibility requirements vary by employee classification. All participants must have a minimum service of 10 years and minimum required hours of 75% FTE. In addition, classified employees must be at least 60 years of age; faculty and police officers must be at least 55 years of age; and employees must retire under PERS or STRS. The District also pays for retiree only Medicare supplemental coverage for faculty and management retirees beyond age 65.

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	369
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	981
Total	1,350

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Funding Policy

The contribution requirements are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an annual adjustment to fully fund the actuarially required contribution. The District currently funds 100% of the pay-as-you-go premiums for covered employees. For the year ended June 30, 2019, the District contributed $6,520,406 to the plan including the implicit rate subsidy.

Net OPEB Liability (Asset)

The following table shows the components of the net OPEB liability (asset) of the District:

	Balance June 30, 2019
Total OPEB liability	$ 114,382,855
Plan fiduciary net position	123,157,480
District's net OPEB liability (asset)	$ (8,774,625)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	107.67%

The deferred outflow of resources results from a change of assumptions and is amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for June 30, 2019 is five years. The year of amortization is recognized in OPEB expense for the year the gain or loss occurs. The remaining amount is deferred and will be amortized over the remaining periods not to exceed four years.

The deferred inflows of resources related to OPEB resulting from the net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period.

At June 30, 2019, the District reported deferred inflows and outflows as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings	$ 1,115,455	$ 4,362,736
Difference between expected and actuarial experience	-	598,626
Changes in assumptions	-	3,188,977
Total	$ 1,115,455	$ 8,150,339

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

At June 30, 2019, the deferred inflows and outflows will be amortized as shown herein:

Year Ending June 30,	Amortization
2019	$ 2,122,282
2020	2,122,282
2021	2,122,283
2022	668,037
Total	$ 7,034,884

Investments

The Plan's policy for allocation of invested assets is established and may be amended by the Retirement Board of Authority through a majority vote. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of specific asset classes. Assets held in the Plan may be invested in accordance with California Government Code Sections 53600 through 53622. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span and, except for liquidity purposes, the use of cash equivalents. The Retirement Board of Authority has established a target net return of 6%. There is no established asset allocation policy.

At June 30, 2019, all Plan investments were in mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 4.46 %.

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Retiree Health Plan's investments' fair value measurements at June 30, 2019 are presented herein.

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

		Fair Value Measurements Using		
Investment	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Fund - Fixed Income	$ 67,573,168	$ 67,573,168	$ -	$ -
Mutual Fund - Domestic Equity	40,816,852	40,816,852	-	-
Mutual Fund - International Equity	8,868,540	8,868,540	-	-
Mutual Fund - Real Estate	5,898,920	5,898,920	-	-
Total	$ 123,157,480	$ 123,157,480	$ -	$ -

Actuarial Methods and Assumptions

The District's net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB asset was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	
Valuation date	December 31, 2018
Measurement date	June 30, 2019
Inflation	2.75%
Salary increases	3%
Investment rate of return	6%
Healthcare trend rate	6% decreasing to 4% in 2025

Mortality rates were based using RPH 2014 mortality table with generational improvements using scale MP2018.

The long-term expected rate of return on 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 OPEB plan 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, 2019 (see the discussion of the Retiree Health Plan's investment policy) are as shown herein.

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Fixed Income	54%	1.75%
US Equity	35%	4.25%
International Equity	7%	5.25%
Real Estate	4%	4.50%
Cash/liquidity	0%	0.00%

The discount rate used to measure the total OPEB asset was 6.0 percent. Based on the District's funding practice to fund at least the actuarially determined contribution including the normal cost for all future actives, the Retiree Health Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Retiree Health Plan members. Therefore, the long-term expected rate of return on Retiree Health Plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Changes in the Net OPEB Liability/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at December 31, 2017	$ 110,209,323	$ 116,227,289	$ (6,017,966)
Changes for the year:			
Service cost	7,061,140	-	7,061,140
Interest	10,235,997	-	10,235,997
Changes in benefit terms	37,345	-	37,345
Difference between expected and actual return	(748,283)	-	(748,283)
Employer contributions	-	6,745,882	(6,745,882)
Net investment income	-	5,877,098	(5,877,098)
Changes of assumptions	(3,986,221)	-	(3,986,221)
Benefit payments	(8,426,446)	(5,692,789)	(2,733,657)
Net changes	4,173,532	6,930,191	(2,756,659)
Balances at June 30, 2019	$ 114,382,855	$ 123,157,480	$ (8,774,625)

The following presents the District's net OPEB asset calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate:

NOTE 10: POST EMPLOYMENT HEALTHCARE BENEFITS

Discount rate	Net OPEB Liability (Asset)
1% decrease (5.0%)	$ 5,219,710
Current discount rate (6.0%)	(8,774,625)
1% increase (7.0%)	(20,469,986)

The following presents the District's net OPEB asset calculated using the current healthcare cost trend rate of 6.0 percent decreasing to 4.0 percent, as well as what the net OPEB liability/(asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent decreasing to 3.0 percent) or 1-percentage-point higher (7.0 percent decreasing to 5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (5.0% decreasing to 3.0%)	$ (22,534,335)
Current healthcare trend rate (6.0 % decreasing to 4.0%)	(8,774,625)
1% increase (7.0% decreasing to 5.0%)	8,141,709

OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of $2,549,839.

NOTE 11: LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2019 is shown below.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Amount Due in One Year
Compensated absences	$ 5,532,981	$ 482,464	$ 523,403	$ 5,492,042	$ 725,228
Claims liability	554,637	627,016	610,107	571,546	-
Early retirement incentive	7,420,610	-	1,913,493	5,507,117	1,855,153
Proportionate Share of Medicare Premiums	185,111	-	28,138	156,973	-
Net pension liability	213,524,507	-	824,572	212,699,935	-
Total	$ 227,217,846	$ 1,109,480	$ 3,899,713	$ 224,427,613	$ 2,580,381

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, net pension liability, medical premium payment program and supplemental employee retirement plan.

The District participates in the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP). The District's proportionate share of the liability is

NOTE 11: LONG-TERM DEBT

0.044%. As the plan activity and the District's proportionate share of the total OPEB liability is not significant, additional disclosures regarding the plan are not included in these financial statements.

NOTE 12: JOINT POWERS AGREEMENTS

The District participates in five joint powers agreement (JPA) entities, the Statewide Association of Community Colleges (SWACC), the Schools Association for Excess Risk (SAFER), the Protected Insurance Programs for Schools (PIPS), the Self-Insured Schools of California (SISC), and the Alameda County School Insurance Group (ACSIG). The relationships between the District and the JPAs are such that none of the JPAs are a component unit of the District for financial reporting purposes.

SWACC provides liability and property insurance up to $1,000,000 and $250,000, respectively, for its member colleges. SWACC's membership consists of two joint power authority (JPA) members (which represent 19 districts) and 31 individual member districts for a total of 50 community college districts. A full Board of Directors comprised of one representative from each member governs SWACC. Each Board Member is allocated a number of votes determined by a weighted system that is based on the lottery full-time equivalent students (FTES) of each member. The Board elects from its members a President, Vice-President, Secretary and Treasurer. Each member shares surpluses and deficits proportionately to its participation in SWACC

SAFER provides excess liability and property insurance from $1,000,000-$50,000,000 and $250,000-$250,000,000, respectively. The Board elects from its members a President, Vice-President, Secretary, Treasurer, five representatives and nine alternates. The board controls the operations of SAFER, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SAFER's board of directors and shares surpluses and deficits proportionately to its participation in SAFER.

PIPS provides workers' compensation reinsurance protection to its membership for public schools and community colleges throughout California. This is a finite risk sharing pool that transfers risk away from the members. Premiums are determined based on payroll expense.

SISC, Self-Insured Schools of California, is a Joint Powers Agreement administered by the Kern County Superintendent of Schools Office. SISC's focus is on pooling resources to provide schools with a more stable long term health insurance solution rather than purchasing from commercial carriers. South Orange County College District has been a member since August 2003.

South Orange County Community College District's dental and vision coverage is administered

NOTE 12: JOINT POWERS AGREEMENTS

through ACSIG, Alameda County School Insurance Group, which the District joined in July 2003. The program offers both a fixed rate as well as a self-funded option for individual school districts or school JPAs throughout California. There are presently over 300 school districts covering 70,000 employees participating in the program. The large size of the group allows ACSIG to enjoy a very low administration rate with Delta Dental which results in reduced costs for all members.

Condensed financial information for the year ended June 30, 2019 is as shown herein.

JPA Condensed Financial Information	SWACC 6/30/2018 (Audited)	SAFER 6/30/18 (Audited)	PIPS 6/30/18 (Audited)	SISC 9/30/18 (Audited)	ACSIG 6/30/18 (Audited)
Total assets	$ 52,332,118	$ 39,841,694	$ 128,632,982	$ 642,346,557	$ 49,134,044
Total liabilities	34,316,883	38,695,867	104,498,678	197,341,183	27,362,430
Fund balance	18,015,235	1,145,827	24,134,304	445,005,374	21,771,614
Total revenues	22,350,383	59,869,098	310,649,471	2,314,300,371	164,705,298
Total expenditures	29,435,155	59,413,248	303,959,631	2,236,274,883	158,538,548

NOTE 13: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

Functional Expense	Instructional Salaries and Benefits	Non-Instructional Salaries and Benefits	Supplies, Materials, and Other Operating Expenses and Services	Financial Aid	Depreciation	Total
Instructional activities	$ 106,261,633	$ 8,067,574	$ 2,645,118	$ -	$ -	$ 116,974,325
Academic support	1,534,379	17,386,657	419,112	-	-	19,340,148
Student services	-	33,839,390	864,353	-	-	34,703,743
Operation and maintenance of plant	-	11,655,758	3,305,398	-	-	14,961,156
Instructional support services	-	37,973,224	4,226,128	-	-	42,199,352
Community services and economic development	-	4,275,300	534,159	-	-	4,809,459
Ancillary services and auxiliary operations	-	6,874,601	650,377	-	-	7,524,978
Physical property and related acquisitions	-	3,468,225	7,692,658	-	-	11,160,883
Transfers, student aid and other outgo	-	-	26,815,614	28,624,044	-	55,439,658
Depreciation expense	-	-	-	-	24,103,438	24,103,438
Total	$ 107,796,012	$ 123,540,729	$ 47,152,917	$ 28,624,044	$ 24,103,438	$ 331,217,140

NOTE 14: SELF-INSURANCE

The District is exposed to various risks of loss related to torts, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical claims. The District is self-insured for coverage up to a maximum of $50,000 for each general liability claim and $5,000 for each property damage claim. In 1995, the District became fully insured for workers' compensation benefits. The District participates in JPAs to provide excess insurance

NOTE 14: SELF-INSURANCE

coverage above the self-insured retention level for workers' compensation and property and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

At June 30, 2019, the District accrued the claims liability in accordance with GASB standards which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability, estimated at $571,456 is included in long term debt.

Changes in the reported liability are shown herein:

Reported Liability	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Property and liability	$ 554,637	$ 627,016	$ 610,107	$ 571,546

NOTE 15: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Purchase Commitments

As of June 30, 2019, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $89.3 million. Projects will be funded through state funds and general funds.

NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2019, that have effective dates that may impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2019-20.

Statement No. 91 – *Conduit Debt Obligations*

The objective of the statement is to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit obligations and related note disclosures. The statement clarifies the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the user, and establishing standards for accounting and financial reporting. The statement is effective for the fiscal year 2021-22.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2019

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability (assets)	0.1220%	0.1290%	0.1300%	0.1290%	0.1220%
District's proportionate share of the net pension liability (asset)	$ 71,293,140	$ 86,772,244	$ 105,145,300	$ 119,299,200	$ 112,126,540
State's proportionate share of the net pension liability (asset) associated with the District	43,375,206	45,892,828	59,866,156	70,576,974	64,198,003
Total	$ 114,668,346	$ 132,665,072	$ 165,011,456	$ 189,876,174	$ 176,324,543
District's covered payroll	$ 63,923,000	$ 59,388,000	$ 66,927,000	$ 75,351,000	$ 73,766,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	111.53%	146.11%	157.10%	158.32%	152.00%
Plan fiduciary net position as a percentage of the total pension liability	76.50%	76.50%	70.04%	69.46%	71.00%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019
District's proportion of the net pension liability (assets)	0.3780%	0.3770%	0.3831%	0.3947%	0.3772%
District's proportionate share of the net pension liability (asset)	$ 42,912,204	$ 55,573,249	$ 75,662,487	$ 94,225,307	$ 100,573,395
District's covered payroll	$ 42,707,000	$ 41,766,000	$ 45,786,000	$ 50,140,000	$ 49,764,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	100.48%	133.06%	165.25%	187.92%	202.10%
Plan fiduciary net position as a percentage of the total pension liability	83.40%	83.40%	73.90%	71.87%	71.00%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

See the accompanying notes to the required supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2019

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019
Contractually required contribution	$ 8,300,583	$ 7,181,247	$ 9,479,208	$ 10,603,030	$ 12,321,240
Contributions in relation to the contractually required contribution	8,300,583	7,181,247	9,479,208	10,603,030	12,321,240
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 59,388,000	$ 66,927,000	$ 75,351,000	$ 73,766,000	$ 75,683,292
Contributions as a percentage of covered payroll	13.98%	10.73%	12.58%	14.37%	16.28%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019
Contractually required contribution	$ 4,916,269	$ 5,424,269	$ 6,963,468	$ 7,728,887	$ 9,265,030
Contributions in relation to the contractually required contribution	4,916,269	5,424,269	6,963,468	7,728,887	9,265,030
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 41,766,000	$ 45,786,000	$ 50,140,000	$ 49,764,000	$ 51,295,704
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2019

Total OPEB Liability	As of June 2017	As of December 2017	As of June 2019
Service Cost	$ 4,353,903	$ 4,353,892	$ 4,753,578
Interest	6,099,713	6,387,047	6,901,495
Changes in Benefit Terms	-	-	37,345
Difference between expected and actual experience			(748,283)
Changes in assumptions	-	-	(3,986,221)
Benefit Payments	(4,239,872)	(5,257,031)	(5,692,789)
Net Change in Total OPEB Liability	6,213,744	5,483,908	1,265,125
Total OPEB Liability - beginning	99,594,587	104,725,415	113,117,730
Total OPEB Liability - ending (a)	$ 105,808,331	$ 110,209,323	$ 114,382,855
Plan Fiduciary Net Position			
Contributions - Employer	$ 11,116,750	$ 12,133,909	$ 6,745,882
Net Investment Income	10,662,951	13,243,922	5,625,978
Benefit Payments	(4,239,872)	(5,257,031)	(5,692,789)
Administrative Expense	(327,398)	-	-
Net Change in Plan Fiduciary Net Position	17,212,431	20,120,800	6,679,071
Plan Fiduciary Net Position - beginning	92,851,453	96,106,489	116,478,409
Plan Fiduciary Net Position - ending (b)	$ 110,063,884	$ 116,227,289	$ 123,157,480
Net OPEB Liability (Asset) - ending (a) - (b)	$ (4,255,553)	$ (6,017,966)	$ (8,774,625)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	104.02%	105.46%	107.67%
Covered-employee payroll	$ 89,360,000	$ 91,216,000	$ 94,182,000
Net OPEB liability (asset) as a percentage of covered-employee payroll	-4.76%	-6.60%	-9.30%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2019

OPEB Contributions	As of June 2017	As of December 2017	As of June 2019
Actuarially Determined Contribution (ADC)	$ 4,594,742	$ 4,594,742	$ 4,979,864
Contributions in relation to the ADC	6,390,000	12,133,909	6,745,882
Contribution deficiency (excess)	$ (1,795,258)	$ (7,539,167)	$ (1,766,018)
District's covered-employee payroll	$ 89,360,000	$ 91,216,000	$ 94,182,000
Contributions as a percentage of covered-employee payroll	7.15%	13.30%	7.16%

See the accompanying notes to the required supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
For the Fiscal Year Ended June 30, 2019

Year	Annual money-weighted rate of return, net of investment expense
2017	10.62%
2018	5.83%
2019	4.46%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See the accompanying notes to the required supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan

The 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, 10 years of information will be presented.

Schedule of Changes in the Net OPEB Liability and Related Ratios

The schedule is intended to show trends about the changes in the District's actuarially determined liability for postemployment benefits other than pensions.

Benefit changes – None

Changes of Assumptions - None

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

Actuarially determined contribution rates are calculated as of December 31, 2018, six months prior to the end of the fiscal year in which contributions are reported.

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary Increases	3%
Investment Rate of Return	6.0%
Health Care Trend Rate	6.0% decreasing to 4.0% in 2025

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Mortality rates were based using RPH 2014 mortality table with generational improvements using scale MP2018.

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

The schedule is intended to show trends about the rate of return on plan assets.

SUPPLEMENTARY INFORMATION

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2019

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2019 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Mr. T. J. Prendergast, III	President	2022
Mr. Timothy Jemal	Vice President	2020
Dr. James R. Wright	Clerk	2020
Mr. David B. Lang	Member	2020
Ms. Marcia Milchiker	Member	2022
Ms. Barbara J. Jay	Member	2020
Ms. Terri Whitt	Member	2022
Ms. Martha Uriarte	Student Member	2020

DISTRICT ADMINISTRATORS

Dr. Kathleen F. Burke	Chancellor
Dr. Elliot Stern	President, Saddleback College
Dr. Glenn R. Roquemore	President, Irvine Valley College
Ms. Ann-Marie Gabel	Vice Chancellor, Business Services
Dr. Robert S. Bramucci	Vice Chancellor, Technology and Learning Services
Dr. Cindy Vyskocil	Vice Chancellor, Human Resources

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Passed through to Subrecipients
United States Department of Education				
Direct:				
Student Financial Aid Cluster:				
Federal Work Study	84.033	(1)	$ 501,724	$ -
Pell Grant	84.063	(1)	20,059,021	-
Financial Aid Administrative Allowance	84.007	(1)	29,997	-
Federal Direct Student Loans	84.268	(1)	1,992,491	-
Supplemental Education Opportunity Grant	84.007	(1)	661,000	-
Subtotal: Student Financial Aid Cluster			23,244,233	-
Asian American and Native Pacific Islander Serving Institutions Program (AANAPISI)	84.031	(1)	406,411	-
Pass-Through Program From California Department of Education:				
Perkins Title 1-C	84.048	(1)	811,151	-
CTE Transistions-Perkins IV	84.048	(1)	82,754	-
Subtotal: VTEA (Perkins)			893,905	-
Workforce Innovation and Opportunity Act- Adult Education and Family Literacy Act	84.002	(1)	108,501	-
Total: United States Department of Education			24,653,050	-
United States Department of Health and Human Services				
Direct:				
Health Resources and Services Administration-Behavioral Health	93.243	(1)	58,789	-
Pass-Through Program From California Department of Education:				
Temporary Assistance for Needy Families (TANF) Cluster	93.558	6780-111-0001	88,488	-
Total: United States Department of Health and Human Services			147,277	-

See the accompanying notes to the supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures	Passed through to Subrecipients
National Science Foundation (NSF)				
Direct:				
NSF Photonics Planning	47.076	(1)	595	-
NSF STEM Core Initiative	47.076	(1)	134,200	-
NSF: STEM CORE Expansion	47.076	(1)	727,716	449,085
NSF: Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076	(1)	22,585	-
Subtotal: NSF Direct Program			885,096	449,085
Passed through the University of California, Irvine:				
NSF iUse	47.076	(1)	18,495	-
Subtotal: NSF Passed Through			18,495	-
Total: NSF			903,591	449,085
Total Federal Programs			$ 25,703,918	$ 449,085

(1) Pass-Through Entity Identifying Number not readily available or not applicable

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2019

Program Name	Program Revenues: Cash Received	Program Revenues: Prior Year Unearned Revenue	Program Revenues: Accounts Receivable	Program Revenues: Unearned Revenue	Program Revenues: Accounts Payable	Program Revenues: Total	Total Program Expenditures
State Categorical Aid Programs:							
Adult Education Block Grant (AEBG)	$ 2,664,886	$ 3,622,378	$ -	$ 2,832,674	$ -	$ 3,454,590	$ 3,454,590
Adult Education AEBG Fiscal Agent	4,776,634	57,439		99,589		4,734,484	4,734,484
Adult Education Block Grant - Data		32,345				32,345	32,345
Basic Skills	756,007	642,253		728,565		669,695	669,695
Board Financial Assistance Program - Student Financial Aid Administration	934,620					934,620	934,620
California College Promise	1,900,199			489,127		1,411,072	1,411,072
CalWORKS	465,744					465,744	465,744
Classified Professional Development	112,856			112,856		-	-
Cooperative Agencies Resources for Education (CARE)	151,345					151,345	151,345
Disabled Student Program and Services (DSPS)	3,233,977					3,233,977	3,233,977
Equal Employment Opportunity	50,000	93,521		114,813		28,708	28,708
Extended Opportunities Program and Services (EOPS)	1,700,527					1,700,527	1,700,527
Enrollment Growth	263,834					263,834	263,834
Financial Aid Technology	342,211			253,929		88,282	88,282
Foster and Kinship Care Education	161,968		46,174			208,142	208,142
Guided Pathways	688,663			482,404		206,259	206,259
Hunger Free Campus	244,466			188,127		56,339	56,339
Mental Health Support	243,381			103,332		140,049	140,049
Physical Plant and Instructional Equipment	676,633	6,430,318		3,765,222		3,341,729	3,341,729
Strong Workforce Local Allocation	2,843,699	3,886,917		4,537,320		2,193,296	2,193,296
Student Success - (Equity)	1,903,275	1,089,489		1,228,467		1,764,297	1,764,297
Student Success and Support Program (SSSP) - Credit	7,170,672	2,379,164		2,438,757		7,111,079	7,111,079
Student Success and Support Program (SSSP) - Non-Credit	272,034	43,556		225,859		89,731	89,731
Student Success Completion Grant	2,027,298					2,027,298	2,027,298
Veteran Resource Center	121,886	130,863		121,591		131,158	131,158
Other State Awards:							
Basic Skills Student Outcome Transformation	653,297		763,808			1,417,104	1,417,104
Business & Entrepreneurship	7,500					7,500	7,500
California Virtual Campus	14,218					14,218	14,218
Campus Safety and Sexual Assault		53,488		35,450		18,038	18,038
Child Development Training Consortium	12,301		22,235			34,537	34,537
CTE Data Unlocked Initiative		46,815		32,909		13,907	13,907
Deputy Sector Navigator	80,000		24,867			104,867	104,867
Education Futures Project	104,313		10,141			114,454	114,454
Innovation and Effectiveness Plan	200,000			152,311		47,689	47,689
Pre-Apprenticeship	55,983					55,983	55,983
Real Estate Education Center	62,481		40,519			103,000	103,000
Strong Workforce - Regional	1,456,185		182,370			1,638,555	1,638,555
Veterans Credit Articulation Track		1,871,750		1,605,131		266,619	266,619
Veterans Resource Center Grant Program	200,000	1,800,000	-	1,709,949	-	290,051	290,051
Total State Awards	$ 36,553,093	$ 22,180,296	$ 1,090,114	$ 21,258,381	$ -	$ 38,565,122	$ 38,565,122

See the accompanying notes to the supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2019

Categories	Reported Data Factored	Audit Adjustments	Revised Data Factored
A. Summer Intersession (Summer 2018 only)			
1. Noncredit[1]	446.65	-	446.65
2. Credit[1]	3,302.44	-	3,302.44
B. Summer Intersession (Summer 2019- Prior to July 1, 2019)			
1. Noncredit[1]	0.78	-	0.78
2. Credit[1]	26.19	-	26.19
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,860.00	-	12,860.00
(b) Daily Census Contact Hours	794.32	-	794.32
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	2,754.83	-	2,754.83
(b) Credit[1]	1,051.20	-	1,051.20
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,622.40	-	2,622.40
(b) Daily Census Contact Hours	2,664.07	-	2,664.07
(c) Noncredit Independent Study/Distance Education Courses	9.08	-	9.08
D. Total FTES	26,531.96	-	26,531.96
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	-	-	-
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	1,282.26	-	1,282.26
(b) Credit[1]	1,157.70	-	1,157.70
CCFS 320 Addendum			
CDCP Noncredit FTES	1,053.06	-	1,053.06
Centers FTES			
(a) Noncredit[1]	-	-	-
(b) Credit[1]	-	-	-

1Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

The audit resulted in no adjustments to the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board 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. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	$ 77,459,498
Restricted Fund Balance	9,876,054
Capital Outlay Fund Balance	275,713,949
Self Insurance Fund Balance	3,306,877
Retiree Benefits Fund Balance	1,418,447
Pension Stabilization Trust Fund Balance	30,325,168
All Other Funds	443,977
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 398,543,970

See the accompanying notes to the supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 398,543,970
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Net capital assets of $9,160 are already recorded in other governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	402,774,316
Deferred outflows associated with pension (PERS and STRS) and OPEB costs result from pension and OPEB contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	59,566,221
Compensated absences and load banking are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences and load banking of $745,111 is already recorded in the General Fund.	(4,746,931)
The supplemental employee retirement plan is not due and payable in the current period and therefore are not reported in the governmental funds.	(5,507,117)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan (PERS and STRS) is recorded as net pension and liabilities. The proportionate share of the STRS Medicare Premium Program is also recorded as a liability.	(212,856,908)
Amounts reserved for other post employment retirement plans in excess of annual required contributions is reported in total net position in the governmental funds. These amounts are recognized as assets which will apply against future required contribution.	8,774,625
Deferred inflows associated with pension costs and OPEB represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	(25,319,601)
Total net position	$ 621,228,575

See the accompanying notes to the supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2019

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) 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	35,561,300	-	35,561,300	35,561,300	-	35,561,300
Instructional Salaries - Other	1300	30,310,235	-	30,310,235	30,310,235	-	30,310,235
Total Instructional Salaries		65,871,535	-	65,871,535	65,871,535	-	65,871,535
Non-Instructional Salaries - Contract or Regular	1200	-	-	-	10,635,050	-	10,635,050
Non-Instructional Salaries - Other	1400	-	-	-	3,783,723	-	3,783,723
Total Non-Instructional Salaries		-	-	-	14,418,773	-	14,418,773
Total Academic Salaries		65,871,535	-	65,871,535	80,290,308	-	80,290,308
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100	-	-	-	32,593,046	-	32,593,046
Non-Instructional Salaries - Other	2300	-	-	-	2,010,302	-	2,010,302
Total Non-Instructional Salaries		-	-	-	34,603,348	-	34,603,348
Instructional Aides - Regular Status	2200	3,685,175	-	3,685,175	3,685,175	-	3,685,175
Instructional Aides - Other	2400	1,163,577	-	1,163,577	1,163,577	-	1,163,577
Total Instructional Aides		4,848,752	-	4,848,752	4,848,752	-	4,848,752
Total Classified Salaries		4,848,752	-	4,848,752	39,452,100	-	39,452,100
Employee Benefits	3000	27,471,464	-	27,471,464	53,161,794	-	53,161,794
Supplies and Materials	4000	-	-	-	1,541,975	-	1,541,975
Other Operating Expenses	5000	933,851	-	933,851	15,080,270	-	15,080,270
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		99,125,602	-	99,125,602	189,526,447	-	189,526,447
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	463,942	-	463,942	463,942	-	463,942
Student Health Services Above Amount Collected	6441	-	-	-	53,369	-	53,369
Student Transportation	6491	-	-	-	420,787	-	420,787
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-	-	-	1,449,551	-	1,449,551
Objects to Exclude							
Rents and Leases	5060	-	-	-	346,563	-	346,563
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	190,376	-	190,376
Employee Benefits	3000	-	-	-	33,871	-	33,871
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	4,468,839	-	4,468,839
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		463,942	-	463,942	7,427,298	-	7,427,298
Total for ECS 84362, 50% Law		98,661,660	-	98,661,660	182,099,149	-	182,099,149
Percent of CEE (Instructional Salary Cost/Total CEE)		54.18%	0%	54.18%	100%	0%	100%
50% of Current Expense of Education					91,049,575	-	91,049,575

See the accompanying notes to the supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
For the Fiscal Year Ended June 30, 2019

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 2,617,298
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 2,617,298	$ -	$ -	$ 2,617,298
		-	-	-	-
Other Support Activities (list below)	6XXX	-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
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		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
Total Expenditures for EPA*		$ 2,617,298	$ -	$ -	2,617,298
Revenue less Expenditures					

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See the accompanying notes to the supplementary information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

	2020 (Budget)	2019	2018	2017
Total revenues	$ 360,400,541	$ 330,394,392	$ 302,618,006	$ 282,233,521
Total expenditures	298,422,552	240,264,626	230,584,690	221,183,049
Total other uses	91,186,760	73,494,294	66,992,972	54,731,550
Change in fund balance	(29,208,771)	16,635,472	5,040,344	6,318,922
Ending fund balance	$ 58,126,781	$ 87,335,552	$ 70,700,080	$ 65,659,736
Available reserve	$ 50,615,095	$ 58,126,781	$ 45,281,055	$ 38,623,055
Available reserve %	16.96%	24.19%	19.64%	17.46%
Full-time equivalent students	26,532	26,532	26,963	27,365
Total long term debt	$ 221,847,232	$ 224,427,613	$ 222,217,846	$ 195,695,202

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2020 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2019 amounts reserved.

The 2020 budget is the Plan and Budget adopted by the Board of Trustees on August 26, 2019

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of unrestricted expenditures as a minimum with a prudent ending fund balance being 5% of unrestricted expenditures. In addition, the District's Board policy requires a 7.5% unrestricted ending fund balance.

Long-term debt is reported for the District as a whole and includes debt related to all funds.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal governmental for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District did not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance – Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

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

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of a portion of the District's annual source of funding.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2019 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Propositions 30 and 55 Education Protection Act were expended.

Schedule of General Fund Financial Trends and Analysis

This schedule is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

OTHER INDEPENDENT AUDITOR'S REPORT

CliftonLarsonAllen LLP
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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
South Orange County Community College District
Mission Viejo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, the fiduciary activities and the aggregate discretely presented component units of South Orange County Community College District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2019.

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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 non-compliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 28, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
South Orange County Community College District
Mission Viejo, California

Report on Compliance for Each Major Federal Program

We have audited South Orange County Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2019. 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.

Auditors' 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, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 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 and therefore, material weaknesses or significant deficiencies may exist and not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003, that we consider to be significant deficiencies.

The Districts' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 28, 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
South Orange County Community College District
Mission Viejo, California

We have audited the South Orange County Community College District's (the District) compliance with the types of compliance requirements described in the *2018-19 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

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 *2018-19 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

A member of Nexia International

Compliance Requirements Tested

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

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment (CCAP and Non-CCAP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D and 51 State Bond Funded Projects	Not applicable
491	Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2018-19 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
October 28, 2019

FINDINGS AND QUESTIONED COSTS

SOUTH ORGANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued — *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	___ *Yes*	X *No*
Significant deficiency(ies) identified?	___ *Yes*	X *None Reported*
Noncompliance material to financial statements noted?	___ *Yes*	X *No*

Federal Awards

Internal control over major federal awards:

Material weakness(es) identified?	___ *Yes*	X *No*
Significant deficiency(ies) identified?	X *Yes*	___ *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 2 CFR 200.516(a)?	X *Yes*	___ *No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, and 84.268	Student Financial Aid Cluster
47.076	National Science Foundation, Education and Human Resources

Dollar threshold used to distinguish between Type A and Type B programs: Type A - $771,118; Type B - $192,779

Auditee qualified as low-risk auditee? X Yes ___ No

The Single Audit for fiscal year 2019 was performed in accordance with the August 2019 edition of the 2019 Compliance Supplement.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO THE FINANCIAL STATEMENTS
June 30, 2019

There were no findings and questioned costs related to financial statements for June 30, 2019.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

FEDERAL AWARDS FINDINGS

Finding 2019-001: Special Tests and Provisions: Borrower Data Transmission and Reconciliation (Direct Loan)

Federal agency:	Department of Education
Federal program title:	Student Financial Aid Cluster
CFDA Numbers:	84.268 – Federal Direct Student Loans
Award Period:	July 1, 2018 through June 30, 2019

Type of Finding:
Significant Deficiency in Internal Control over Compliance and Non Compliance.

Criteria:
Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the District) Loan Detail records. The District is required to reconcile these files to the institution's financial records.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure student enrollment status changes are accurately and timely reported to the National Student Loan Data System (NSLDS).

Condition:
We were unable to obtain evidence that Irvine Valley College (IVC) is performing the required reconciliations.

Context:
IVC disbursed $531,563 in Federal Direct Student loans during the fiscal year.

Questioned Costs:
None

Cause*:*
IVC's internal control process did not ensure the monthly reconciliations were performed on a timely basis.

Possible Asserted Effect:
There could be unreconciled differences with DLSS. IVC's internal control process did not ensure the required reconciliations were completed on a timely basis.

Repeat Finding:
Similar condition was noted in fiscal year 2018. Refer to finding No. 2018-001.

Recommendation:
We recommend IVC establish procedures to ensure the proper reconciliations are performed on a timely basis.

Views of responsible officials and planned corrective actions:

Irvine Valley College understands the importance and the requirement to properly reconcile all Title IV, HEA and FSA Program funds. This includes reconciling the Direct Loan Program monthly. The Irvine Valley College Financial Aid Office was in transition for most of 2018. Due to this transitional period, there were several staff vacancies, including individuals responsible for the Direct Loan and Pell Grant programs. During this time, reconciliation of the Direct Loan program was neither sufficiently performed nor documented. Once a replacement staff member was hired, the Common Origination and Disbursement (COD) staff continuously contacted the Financial Aid Office to reconcile 17-18 Pell Grants as the department had not been able to closeout by the 9/30/18 deadline for similar reasons. By the time the staff member was trained and performing Direct Loan reconciliations, it was not until near the end of the school year. The program was eventually closed out in July 2019 to meet the federal deadline.

To ensure the Direct Loan reconciliation process at IVC is performed within the required 30 days and is being properly documented moving forward, the Assistant Dean of Financial Aid, in working with staff members and District Accounting has enacted the following:

1. Loans have begun being reconciled on the first of the month by the Senior Financial Aid Specialist over fiscal duties in the Financial Aid Office, in collaboration with District Accounting and Financial Aid Office staff including the Assistant Dean.
2. A tracking log is provided with signatures for both the Senior Financial Aid Specialist and Assistant Dean signing off each month.
3. Reconciliation documents are stored on a shared network drive with District Accounting to verify work being performed for all programs for future audits.
4. Quarterly meetings with District Accounting to discuss projects, deadlines, program reconciliations and closeouts, audit findings, disbursement processing and related functions.
5. Change in division of duties to streamline processing by splitting loan functions between the Financial Aid Specialist who processes loan requests and the Senior Financial Aid Specialist who transmits data to COD for approval and reconciles funds.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

6. Ongoing meetings each month between team members in the Financial Aid Office on reconciliation status, disbursement processing and related tasks.
7. Reconciliation procedures were updated to reflect new processing changes.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2019

FINDING 2019-002 – Special Tests and Provisions – Return of Funds on Behalf of the Students:

Federal agency:	Department of Education
Federal program title:	Student Financial Aid Cluster
CFDA Numbers:	Various
Award Period:	July 1, 2018 through June 30, 2019

Type of Finding:
Significant Deficiency in Internal Control over Compliance and Non Compliance

Criteria:
According to 34 CFR 668.22 (a)(6)(ii)(B)(1), all grant funds relating to post-withdrawal disbursements that are not disbursed to the student's account, must be disbursed to the student no later than 45 days after the date of the institution's determination that the student withdrew. The Institution should also obtain permission to make post-withdrawal disbursement of grant or loan funds for other than institutional charges.

Condition / Context:
We selected a sample of 40 students who had received Federal aid and had withdrawn from courses offered by the District during the 2018-2019 fiscal year.

During our testing we noted for one student at Irvine Valley College (IVC), the post-withdrawal disbursement for grant funds was made after the 45 days of the date of IVC's determination that the student withdrew and without the permission of the student

Cause:
IVC's process in place did not ensure IVC's compliance with the applicable provisions of Title IV requirements.

Effect:
The case identified resulted in non-compliance with the applicable Title IV requirements.

Identification of repeat finding:
This was not a finding in the prior year.

Recommendation:
We recommend IVC implement controls to ensure compliance with the aforementioned criteria.

Views of responsible officials and planned corrective actions:
Irvine Valley College understands the importance and requirement to ensure post-withdrawal (PWD) funds are disbursed to students within 45 days from the institution's date of determination of student withdrawal as part of Return to Title IV processing per 34 CFR 668.22(a)(6), while also making sure students want the disbursements as noted in the Student Financial Aid Handbook (SFA), Volume 5, Page 100 (2018-2019) in order to avoid potential Pell Grant overpayments, as two schools cannot pay the student for the same overlapping periods of enrollment and reducing the student's future Pell Grant eligibility (Lifetime Eligibility Used or LEU = 6 years of full-time study).

To ensure PWD funds are disbursed to students within the 45 days, while also acknowledging the student's desire and avoiding Pell Grant overpayment issues, the Assistant Dean of Financial Aid, in working with Financial Aid Office staff members will alter existing processing by observing the following:

1. Students eligible for post-withdrawal disbursements will be notified after the determination has been made and given 14 days to respond if they accept or reject their PWD disbursement.
2. Students who accept their awards, or who do not reply within the 14 days will be processed for disbursement
3. In situations where the student has already been paid at another school for the same term, the R2T4 Specialist will inform the student that no payment can be made unless the other school cancels their award to avoid an overpayment situation and potential District liability.
4. Updated procedures to reflect the procedural changes and training of departmental staff will be performed by the Assistant Dean of Financial Aid.
5. An audit will be conducted each semester by the Senior Financial Aid Specialist in charge of fiscal duties, in collaboration with the Assistant Dean of Financial Aid, to ensure students are being paid their PWD disbursement in accordance with the aforementioned procedures to ensure compliance with 34 CFR 668.22(a)(6) and SFA Handbook, Volume 5, Page 100.

Finding 2019-003: Special Tests and Provisions: Enrollment Reporting

Federal agency:	Department of Education
Federal program title:	Student Financial Aid Cluster
CFDA Numbers:	Various
Award Period:	July 1, 2018 through June 30, 2019

Type of Finding:
Significant Deficiency in Internal Control over Compliance and Non Compliance

Criteria:
Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a student status confirmation report sent to NSLDS within 60 days of the status change (34 CFR Section 690.83(b)(2), 34 CFR 685.309). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

In addition, 2 CFR 200.303 requires nonfederal entities to, among other things, establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls should include establishing procedures to ensure student enrollment status changes are accurately and timely reported to the NSLDS.

Condition*:*
During our testing we noted discrepancies for 4 out of 40 students tested, which is a statistically valid sample. For 1 of the 40 students, we noted that the student withdrew from Saddleback College with proper notification, however the change in the student's enrollment status was not reported to NSLDS on a timely basis. Furthermore, Saddleback College did not properly report to NSLDS, the change in enrollment status for 3 of the 40 students that graduated during the year.

Saddleback College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. However, it is possible for the college to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Questioned costs:
None

Context:
Saddleback College disbursed $11,904,560 in federal student financial assistance during fiscal year 2019.

Cause:
Saddleback College did not provide updated rosters to NSC on a timely basis. This resulted in a delay in submission of the student's status change information to NSLDS.

Effect:
Saddleback College did not update student enrollment statuses correctly or timely to NSLDS.

Repeat Finding:
This was not a finding in the prior year.

Auditor's Recommendation:
We recommend that Saddleback College put a process in place to ensure determination of all students who withdraw or graduate are accurately and timely reported to NSLDS.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:
Saddleback College has been reporting all enrollments to the National Student Clearinghouse (NSC) enrollment reporting system. Due to NSC not being capable of identifying graduated students with more than one degree program listed in the enrollment files, not all students have been flagged as graduated by NSC for reporting to NSLDS. As such, we are implementing a "Graduates Only" file to send to NSC that will accommodate our students with multiple degree programs. This will resolve the issue discovered in the findings for the first three students.

The final student filed a petition for and was granted a late drop after the final Fall enrollment file was already sent to NSC. Going forward, the Registrar will be responsible for making sure that all late drops and/or retroactive changes to enrollment are manually updated to NSC at the time the drop is processed. These occur rarely and will be easy to flag and maintain.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS RELATED TO STATE AWARDS June 30, 2019

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2019.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS RELATED TO FINANCIAL STATEMENTS AND FEDERAL AWARDS June 30, 2019

Finding- 2018-001

Condition:
Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 15 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the District) Loan Detail records. The District is required to reconcile these files to the institution's financial records. During fiscal year 2018, evidence that the District was performing the required reconciliations were not maintained.

Recommendation:
The District is required to reconcile the School Account Statement (SAS) data file from COD with the institution's financial records and maintain evidence that said reconciliation was completed.

Current Status:
Corrective action was taken at Saddleback College. Similar condition was noted for Irvine Valley College during the fiscal year. Refer to finding 2019-001.

Irvine Valley College (IVC) understands the importance and the requirement to properly reconcile all Title IV, HEA and FSA Program funds. This includes reconciling the Direct Loan Program monthly. The IVC Financial Aid Office was in transition for most of 2018. Due to this transitional period, there were several staff vacancies, including individuals responsible for the Direct Loan and Pell Grant programs. During this time, reconciliation of the Direct Loan program was neither sufficiently performed nor documented. Once a replacement staff member was hired, the Common Origination and Disbursement (COD) staff continuously contacted the Financial Aid Office to reconcile 17-18 Pell Grants as the department had not been able to closeout by the 9/30/18 deadline for similar reasons. By the time the staff member was trained and performing Direct Loan reconciliations, it was not until near the end of the school year. The program was eventually closed out in July 2019 to meet the federal deadline.

To ensure the Direct Loan reconciliation process at IVC is performed within the required 30 days and is being properly documented moving forward, the Assistant Dean of Financial Aid, in working with staff members and District Accounting has enacted the following:

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- Reconciliation documents are stored on a shared network drive with District Accounting to verify work being performed for all programs for future audits.

- Quarterly meetings with District Accounting to discuss projects, deadlines, program reconciliations and closeouts, audit findings, disbursement processing and related functions.
- Change in division of duties to streamline processing by splitting loan functions between the Financial Aid Specialist who processes loan requests and the Senior Financial Aid Specialist who transmits data to COD for approval and reconciles funds.
- Ongoing meetings each month between team members in the Financial Aid Office on reconciliation status, disbursement processing and related tasks.
- Reconciliation procedures were updated to reflect new processing changes.

Finding- 2018-002

Condition: The institutional portion of the unearned aid was not returned in a timely manner.

Recommendation:
It was recommended the District implement controls to ensure the Title IV funds are returned in a timely manner.

Current Status:
Corrective action was taken at both Saddleback College and Irvine Valley College.