SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2020

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
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YEAR ENDED JUNE 30, 2020

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2020, 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 schedules, as referenced in the Table of Contents, 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.

The history and organization and schedule of financial trends and analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 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
January 27, 2021

Introduction to the Basic Financial Statements

The South Orange County Community College District (District) served over 43,000 students in spring 2020 attending 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, creating a pension stabilization trust fund, 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 4,000 employees in the 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 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 District's Financial Report as of and for the year ended June 30, 2020. The report includes three basic financial statements that provide information on the District as a whole:

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

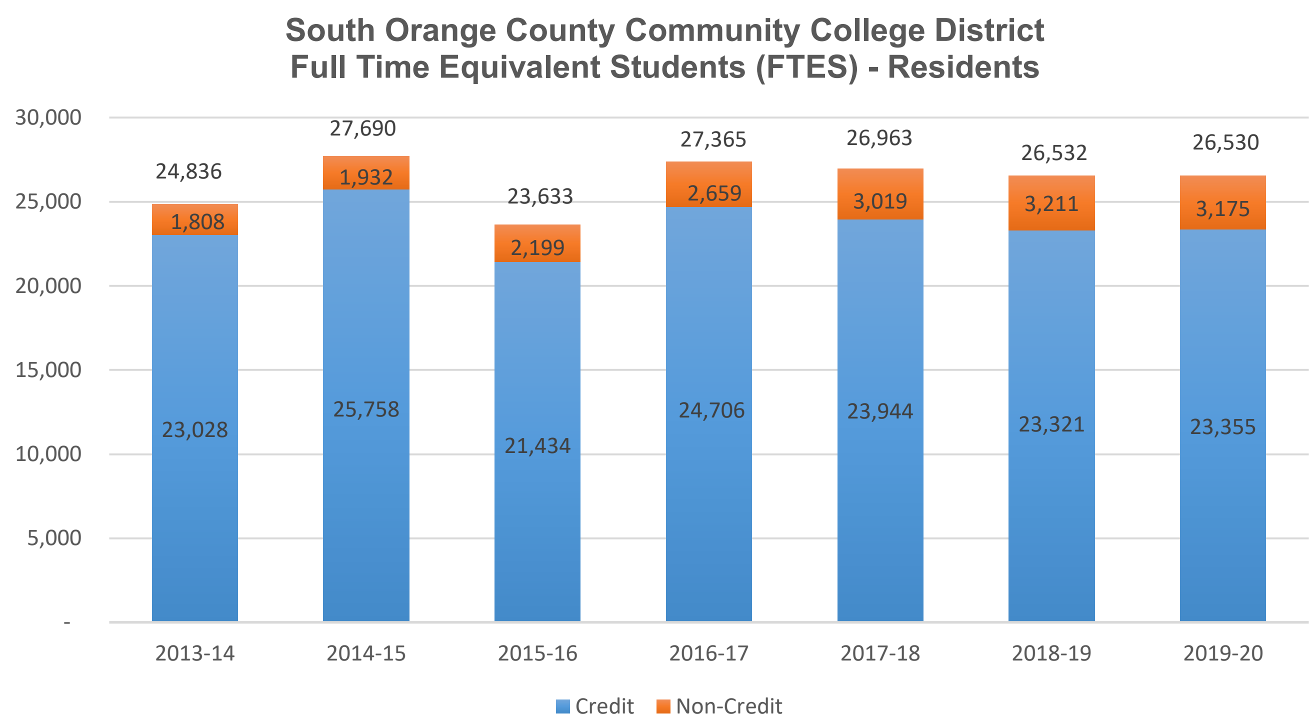
Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

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 to fund capital projects without issuing general obligation bonds and affords the District some protection from state budget cuts and forced workload reductions.

Reported resident enrollments at the colleges remained flat in fiscal year 2019-20 from the prior year. A history of reported resident student enrollments is provided on the following page.

Financial and Enrollment Highlights (Continued)



Non-resident enrollment declined by 39 FTES (2.4 percent) in fiscal year 2019-20. In fiscal year 2018-19 the District reported 1,656 FTES and in fiscal year 2019-20, it decreased to 1,617 FTES. This was largely due to the Coronavirus pandemic.

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.

	2020	2019	$ Change	% Change
ASSETS				
Current Assets	$ 488,541,132	$ 465,556,375	$ 22,984,757	4.94%
Noncurrent Assets	451,759,076	411,548,941	40,210,135	9.77%
Total Assets	940,300,208	877,105,316	63,194,892	7.20%
DEFERRED OUTFLOWS OF RESOURCES	62,901,830	59,566,221	3,335,609	5.60%
LIABILITIES				
Current Liabilities	71,597,380	68,276,129	3,321,251	4.86%
Noncurrent Liabilities	239,453,473	221,847,232	17,606,241	7.94%
Total Liabilities	311,050,853	290,123,361	20,927,492	7.21%
DEFERRED INFLOWS OF RESOURCES	31,979,556	25,319,601	6,659,955	26.30%
NET POSITION				
Net Investment in Capital Assets	419,518,513	402,774,316	16,744,197	4.16%
Restricted	50,320,214	98,030,834	(47,710,620)	-48.67%
Unrestricted	190,332,902	120,423,425	69,909,477	58.05%
Total Net Position	$ 660,171,629	$ 621,228,575	$ 38,943,054	6.27%

Assets

Total Assets increased approximately $63.2 million, a percentage increase of 7.2%. The major changes affecting total assets are listed below:

- Current assets increased approximately $23 million. This was due primarily to an increase in cash from property tax revenues.
- Non-current assets increased $40.2 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, the Saddleback College Stadium and the Saddleback College Building Access Controls project.

Liabilities

Total liabilities increased by approximately $20.9 million, a percentage increase of 7.2%. The major changes affecting total liabilities are listed below:

- Current liabilities increased approximately $3.3 million. Accounts payable increased $6.5 million for capital outlay projects. Deferred revenue decreased by $3 million for the state Strong Workforce and physical plant funding
- Non-current liabilities increased by $17.6 million as a result of an increase in the Net Pension Liability.

Statement of Net Position (Continued)

Deferred Outflows/Deferred Inflows of Resources

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.

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

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

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.

Statement of Revenue, Expenses and Changes in Net Position (Continued)

	2020	2019*	$ Change	% Change
OPERATING REVENUES				
Student Tuition and Fees	$ 47,070,825	$ 49,350,557	$ (2,279,732)	-4.62%
Less: Scholarship Discount and Allowance	(12,128,950)	(11,995,187)	(133,763)	1.12%
Net Tuition and Fees	34,941,875	37,355,370	(2,413,495)	-6.46%
Grants and Contracts, Noncapital:				
Federal	3,316,893	3,158,710	158,183	5.01%
State	38,025,107	35,754,671	2,270,436	6.35%
Local	2,035,148	3,081,697	(1,046,549)	-33.96%
Subtotal	43,377,148	41,995,078	1,382,070	3.29%
Total Operating Revenues	78,319,023	79,350,448	(1,031,425)	-1.3%
OPERATING EXPENSES				
Salaries	152,892,312	147,204,729	5,687,583	3.86%
Benefits	87,930,328	84,132,012	3,798,316	4.51%
Supplies, Materials, and Other Operating Expenses	51,668,744	42,289,316	9,379,428	22.18%
Financial Aid	35,414,361	28,624,044	6,790,317	23.72%
Utilities	4,858,039	4,863,601	(5,562)	-0.11%
Depreciation	27,452,168	24,103,438	3,348,730	13.89%
Total Operating Expenses	360,215,952	331,217,140	28,998,812	8.76%
OPERATING LOSS	(281,896,929)	(251,866,692)	(30,030,237)	11.92%
NONOPERATING REVENUES (EXPENSES)				
State Apportionment, Noncapital	7,586,697	7,573,569	13,128	0.17%
Local Property Taxes	234,285,367	222,994,926	11,290,441	5.06%
Federal Grants and Contracts, Noncapital	29,831,596	22,545,208	7,286,388	32.32%
State Taxes and Other Revenues	24,684,138	25,584,258	(900,120)	-3.52%
Investment Income (Loss) - Noncapital	6,933,653	7,164,017	(230,364)	-3.22%
Total Nonoperating Revenues (Expenses)	303,321,451	285,861,978	17,459,473	6.11%
INCOME BEFORE OTHER REVENUES AND LOSSES	21,424,522	33,995,286	(12,570,764)	-36.98%
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES				
State Apportionments, Capital	3,342,999	-	3,342,999	-
Local Revenues, Grants, and Gifts, Capital	12,422,521	12,651,684	(229,163)	-1.81%
Interest and Investment Income, Capital	2,527,751	2,507,526	20,225	0.81%
Loss on Disposal of Equipment	(774,739)	-	(774,739)	-
Total Other Revenues, Expenses, Gains, and (Losses)	17,518,532	15,159,210	2,359,322	15.56%
CHANGE IN NET POSITION	38,943,054	49,154,496	(10,211,442)	-20.77%
Net Position - Beginning	621,228,575	572,074,079	49,154,496	8.59%
NET POSITION - ENDING	$ 660,171,629	$ 621,228,575	$ 38,943,054	6.27%

* Amounts have been reclassed to conform to current year reporting

Statement of Revenue, Expenses and Changes in Net Position (Continued)

Operating Revenues

Total Operating Revenues decreased by approximately $1 million, a decrease of 1.3%.

- Net tuition and fees experienced a decrease of $2.4 million, approximately 6.5%. Fee revenue decreased by $2.3 million and scholarship discounts and allowances increased slightly by $134 thousand, primarily as a result of the COVID-19 pandemic related fee refunds and lower non-resident enrollments.

- Noncapital grants and contracts increased $1.4 million, an increase of 3.2%. Factors contributing to this include increased State funds of $2.3 million for programs such as Strong Workforce and financial aid. Local funds decreased $1 million as a result of reduced services such as child development and community services classes during the campus closures due to the COVID-19 pandemic.

Operating Expenses

Total Operating Expenses increased by 8.8%, approximately $29 million. Items of significance affecting the changes include:

- Salaries and benefits increased by approximately $9.5 million, an increase of 4.1%. Salaries increased by $5.7 million (3.9%) as a result of negotiated salary adjustments. Benefits increased by $3.8 million (4.5%) due to higher salaries, pension contribution rates, and benefit premiums.

- Supplies, materials and other operating expenses increased by $9.4 million, an increase of 22.2%. The increase is primarily from higher capital outlay related costs for projects.

- Financial aid increased by $6.8 million (23.7%) due to additional federal and state grants, such as Pell, Higher Education Emergency Relief Fund (HEERF), and Cal Grant B.

- Depreciation increased by $3.3 million (13.9%) due to new buildings and other capital assets recognition.

Nonoperating Revenues (Expenses)

Nonoperating Revenues increased by $17.4 million (6.1%) primarily due to the following:

- The 5% increase of $11.3 million in local property tax reflects the moderate growth trend of the local property tax base.

- Noncapital Federal grants and contracts increased by $7.3 million (32.3%) primarily due to the receipt of $4 million of CARES Act funds and an increase in grants for federal student financial aid.

- State taxes and other revenues decreased by $900 thousand (3.5%) as a result of lower lottery proceeds.

- Investment income decreased slightly by $230 thousand, a reduction of 3.2%, as a result of the market uncertainty due to the COVID-19 pandemic.

Statement of Revenue, Expenses and Changes in Net Position (Continued)

Other Revenues, Expenses, Gains, and Losses

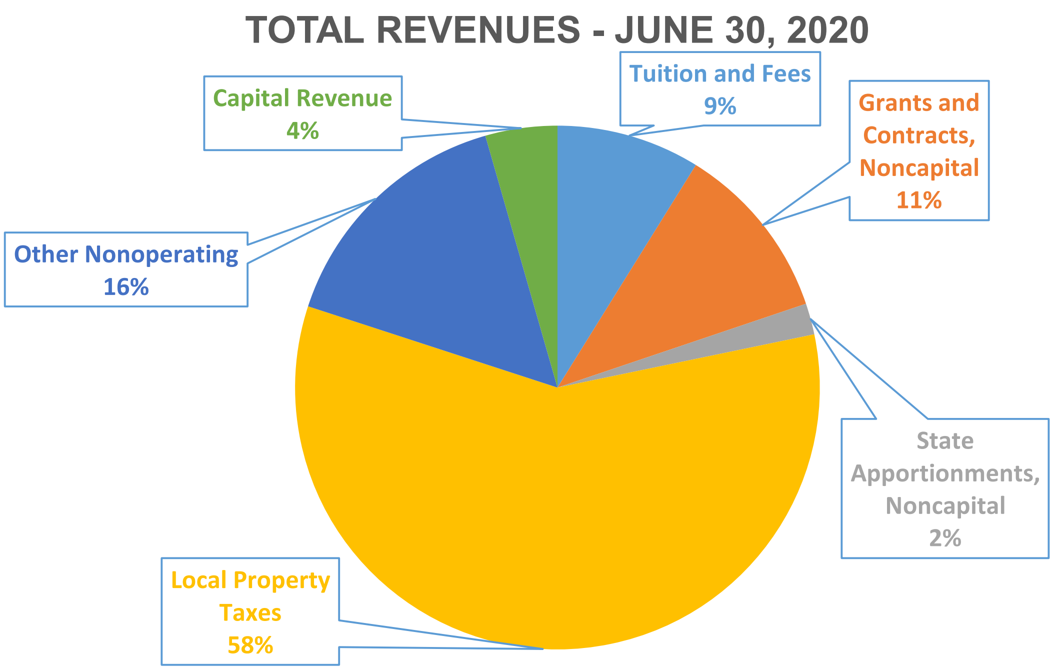
Other Revenues, Expenses, Gains, and Losses increased by 15.6%, approximately $2.4 million.

- State apportionments for capital increased $3.3 million due to the receipt of funds for two new state funded construction projects, the Saddleback College Gateway Building and the Irvine Valley College Fine Arts Building.

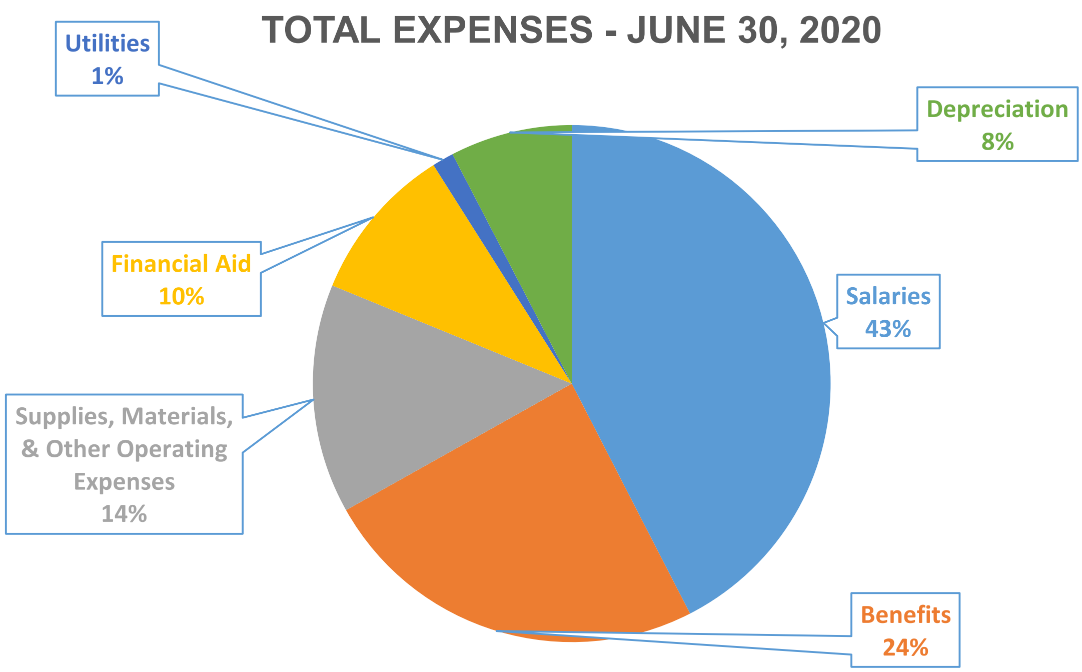
- Local revenues for capital decreased by $229 thousand (1.8%) as a result of rental income declines during the campus closures due to the COVID-19 pandemic.

- The loss on disposal of equipment of $775 thousand is the net of surplus sales ($210 thousand) and the reduction in costs not capitalized (CIP) ($985 thousand).

The following two pie charts depict the breakdown and percentages of the major components in Total Revenue and Total Expenses as of June 30, 2020



Statement of Revenue, Expenses and Changes in Net Position (Continued)



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.

	2020	2019	$ Change	% Change
CASH PROVIDED (USED) BY				
Operating Activities	$(247,259,610)	$(209,455,111)	$ (37,804,499)	18.05%
Noncapital Financing Activities	303,400,414	281,215,937	22,184,477	7.89%
Capital and Related Financing Activities	(48,038,232)	(44,828,622)	(3,209,610)	7.16%
Investing Activities	15,552,470	12,909,325	2,643,145	20.47%
Net Change in Cash and Cash Equivalents	23,655,042	39,841,529	(16,186,487)	-40.63%
Cash Balance - Beginning of Year	390,325,911	350,484,382	39,841,529	11.37%
CASH BALANCE - END OF YEAR	$ 413,980,953	$ 390,325,911	$ 23,655,042	6.06%

Operating Activities

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

Net cash used by operating activities increased by $37.8 million (18%) primarily for payments to/on-behalf of employees and payments to suppliers.

Noncapital Financing Activities

Property taxes and financial aid are the main source of receipts for noncapital financial activities. Net cash provided by noncapital activities increased by $22.2 million (8%) and is consistent with the growth in the property tax base and financial aid.

Capital and Related Financing Activities

Net cash used by capital and related financing activities increased by $3.2 million (7%) due to higher expenditures for construction projects.

Investing Activities

Net cash provided by investing activities increased by $2.6 million (20%) from the prior year due to increased cash balances throughout the year.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the District had approximately $431 million invested in net capital assets. Total capital assets of $691 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $260 million. In fiscal year 2019-20, there were net capital asset additions in the amount of $55.6 million, which includes costs for the Irvine Valley College Health Center/Concession building and the Saddleback College Stadium, and net depreciation expense of $27.5 million.

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

	2020	2019	Net Change
Land, Artwork, and Construction in Progress	$ 146,052,678	$ 132,533,426	$ 13,519,252
Buildings, Site Improvements, and Equipment	544,636,712	502,548,108	42,088,604
Accumulated Depreciation	(259,759,386)	(232,307,218)	(27,452,168)
Total Capital Assets	$ 430,930,004	$ 402,774,316	$ 28,155,688

Debt

At June 30, 2020, the District had $242 million in debt, an increase of $17.7 million. The increase is primarily related to the change in the net pension liability. Note 11 provides additional information on long-term liabilities. A comparison is summarized below:

	2020	2019	Net Change
Compensated Absences	$ 6,675,312	$ 5,492,042	$ 1,183,270
Claims Liability	611,832	571,546	40,286
Early Retirement Incentive	3,651,086	5,507,117	(1,856,031)
Proportionate Share of Medicare Premiums	778,310	156,973	621,337
Net Pension Liability	230,459,792	212,699,935	17,759,857
Total Long-Term Liabilities	$ 242,176,332	$ 224,427,613	$ 17,748,719

Economic Outlook and Factors Affecting Next Year's Budget

The fiscal year 2020-21 state budget for community colleges made slight revisions to the funding formula rates and included no COLA or growth funding. The hold harmless provisions were extended two additional years through 2023-24. Rather than making reductions to K-14 education, the state budget covered the anticipated budget shortfall with large cash deferrals between fiscal years 2020-21 and 2021-22. Since the District does not receive general apportionment funds from the state, the cash deferrals are minimal and do not have an impact on District operations.

State funding was also approved for an additional capital outlay project funded by Proposition 51. The project is the Saddleback College Science and Math Building Reconstruction. State funding will cover approximately 50% of the costs.

The District has been identified as a "locally funded" district since 1999-2000, meaning its primary source of revenue comes from local property taxes, not state apportionment. The fiscal year 2020-21 adopted budget assumes an increase in property tax revenue of 2.5% over fiscal year 2019-20 actual receipts. This assumption is based on prior years' history, anticipated impact of the COVID-19 pandemic, 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 the funding formula are used to pay for long-term debt, one-time expenditures, and capital outlay needs. This year, excess property tax revenues were also utilized to fund a 2.31% COLA and 0.48% growth in the funding model in order to keep up with salary, benefit, and operational increases.

The most recent actuarial valuation study was completed for the District's other post-employment benefits (OPEB) liability in January 2020. Based on a discount rate of 6%, the actuarial accrued asset is approximately $21 million. The District has budgeted sufficient funds to cover the actuarially determined contribution for fiscal year 2020-21. The next actuarial valuation study is scheduled to be completed in January 2021.

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 investments in the unfunded pension liabilities, which lowered the expected employer rates for fiscal year 2020-21 and 2021-22. For fiscal year 2020-21, the resulting STRS rate decreased from 17.1% to 16.15% and the PERS rate increased from 19.721% to 20.7% over fiscal year 2019-20. The District created a Pension Stabilization Trust to pre-fund the increased costs and has previously made deposits totaling $39.7 million. The Board of Trustees has approved making additional deposits into the fund beginning with a $5 million allocation in 2020-21.

Economic Outlook and Factors Affecting Next Year's Budget (Continued)

The full impact of the COVID-19 pandemic remains to be seen. The additional funding provided in the CARES Act has helped out substantially in the short-term. The State's economic forecast appears to be better than originally projected but the economy is still in flux and additional funding from the federal government at the levels anticipated appears uncertain. Enrollment declines are occurring throughout the state and for the District. Discussions with prospective tenants for ATEP continue to take place, albeit at a somewhat slower pace, due to the uncertainty of the market and challenges faced by all during these tumultuous times. The colleges are primarily offering online instruction for this academic year with the exception of a few required labs. Procedures are in place to maintain safety and social distancing for the students and staff in the classes held on campus and for anyone else who comes onto our sites.

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:

South Orange County Community College District
Office of the Executive Director of Fiscal Services
28000 Marguerite Parkway
Mission Viejo, CA 92692-3635

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 413,980,953	$ 230,056
Investments	54,131,246	3,311,602
Accounts Receivable, Net	16,857,476	79,018
Inventory	56,410	-
Prepaid Expenses	3,424,822	33,248
Due from Component Units	90,225	-
Total Current Assets	488,541,132	3,653,924
Noncurrent Assets:		
Contributions Receivable, Net of Discount	-	1,218,079
OPEB Asset	20,829,072	-
Investments, at Fair Value	-	9,700,372
Capital Assets, Not Being Depreciated	146,052,678	
Capital Assets, Net of Accumulated Depreciation	284,877,326	-
Total Noncurrent Assets	451,759,076	10,918,451
Total Assets	940,300,208	14,572,375
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pension	62,901,830	-
Total Deferred Outflows of Resources	62,901,830	-
Total Assets and Deferred Outflows of Resources	$ 1,003,202,038	$ 14,572,375

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2020

	Primary Government	Component Units
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 24,226,853	$ 29,139
Accrued Liabilities	9,777,347	90,637
Unearned Revenue	34,868,562	-
Due to Primary Government	-	90,225
Due to Foundation	1,759	-
Current Portion of Long-Term Liabilities	2,722,859	-
Total Current Liabilities	71,597,380	210,001
Noncurrent Liabilities:		
Noncurrent Portion of Long-Term Liabilities	239,453,473	-
Total Noncurrent Liabilities	239,453,473	-
Total Liabilities	311,050,853	210,001
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - OPEB	13,695,223	-
Deferred Inflows - Pensions	18,284,333	-
Total Deferred Inflows of Resources	31,979,556	-
NET POSITION		
Net Investment in Capital Assets	419,518,513	-
Restricted for:		
Capital Projects	35,256,739	-
Other Special Purposes	11,559,564	-
Restricted - Nonexpendable	3,503,911	-
Donor Restricted	-	10,104,101
Unrestricted	190,332,902	4,258,273
Total Net Position	660,171,629	14,362,374
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,003,202,038	$ 14,572,375

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020

	Primary Government	Component Units
OPERATING REVENUES		
Tuition and Fees (Gross)	$ 47,070,825	$ -
Less: Scholarship Discounts and Allowances	(12,128,950)	-
Net Tuition and Fees	34,941,875	-
Grants and Contracts, Noncapital:		
Federal	3,316,893	-
State	38,025,107	-
Local	2,035,148	3,852,876
Total Operating Revenues	78,319,023	3,852,876
OPERATING EXPENSES		
Salaries	152,892,312	371,886
Employee Benefits	87,930,328	82,696
Supplies, Materials, and Other Operating Expenses and Services	51,668,744	3,172,851
Financial Aid	35,414,361	-
Utilities	4,858,039	-
Depreciation	27,452,168	-
Total Operating Expenses	360,215,952	3,627,433
OPERATING INCOME (LOSS)	(281,896,929)	225,443
NONOPERATING REVENUES (EXPENSES)		
State Apportionments, Noncapital	7,586,697	-
Local Property Taxes	234,285,367	-
Federal Grants and Contracts, Noncapital	29,831,596	-
State Taxes and Other Revenue	24,684,138	-
Interest and Investment Income, Noncapital	6,933,653	254,217
Total Nonoperating Revenues (Expenses)	303,321,451	254,217
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, AND (LOSSES)	21,424,522	479,660
OTHER REVENUES, EXPENSES, GAINS, AND (LOSSES)		
State Apportionments, Capital	3,342,999	-
Loss on Disposal of Equipment	(774,739)	-
Realized and Unrealized Gain (loss) on Investments	-	(257,944)
Interest and Investment Income, Capital	2,527,751	-
Local Revenues, Grants, and Gifts, Capital	12,422,521	-
Total Other Revenues, Expenses, Gains and (Losses)	17,518,532	(257,944)
CHANGES IN NET POSITION	38,943,054	221,716
Net Position, Beginning of Year	621,228,575	14,140,658
NET POSITION - END OF YEAR	$ 660,171,629	$ 14,362,374

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

	Primary Government	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 33,348,111	$ -
Federal Grants and Contracts	4,192,072	-
State Grants and Contracts	36,656,137	-
Local Grants and Contracts	2,069,185	2,353,457
Payments to Suppliers	(56,453,704)	(956,266)
Payments To/On-Behalf of Employees	(231,948,431)	(371,839)
Payments To/On-Behalf of Students	(35,374,898)	(845,075)
Other Miscellaneous Receipts	251,918	56,360
Net Cash Provided (Used) by Operating Activities	(247,259,610)	236,637
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Apportionments and Receipts	7,044,332	-
Property Taxes	232,775,742	-
Grants and Gifts for Other Than Capital Purposes	50,383,080	-
State Tax and Other Revenues	13,197,260	-
Net Cash Provided by Noncapital Financing Activities	303,400,414	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Apportionment for Capital Purposes	1,458,999	-
Local Revenue, Grants, and Gifts for Capital Purposes	142,478	-
Net Purchases of Capital Assets	(49,639,709)	-
Net Cash Used by Capital and Related Financing Activities	(48,038,232)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	9,010,948	215,242
Proceeds from Sale of Investments	17,935,434	(4,621,135)
Purchase of Investments	(11,393,912)	3,955,326
Net Cash Provided (Used) by Investing Activities	15,552,470	(450,567)
NET CHANGE IN CASH AND CASH EQUIVALENTS	23,655,042	(213,930)
Cash Balance - Beginning of Year	390,325,911	443,986
CASH BALANCE - END OF YEAR	$ 413,980,953	$ 230,056

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020

	Primary Government	Component Units
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$(281,896,929)	$ 225,443
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	27,452,168	-
Amortization of Discount - Present Value Contributions	-	(67,929)
Changes in Assets and Liabilities:		
Receivables, Net	(1,185,418)	(32,444)
Inventory	(2,067)	-
Prepaid Expense	(196,018)	56,951
Due from Component Units and Fiduciary Funds	65,763	-
Deferred Outflows of Pensions Plans and OPEB	(3,335,609)	-
OPEB Asset	(12,054,447)	-
Accounts Payable	310,627	(22,022)
Accrued Liabilities	476,928	82,742
Unearned Revenue	(1,303,282)	-
Trust Account Liabilities	-	(6,104)
Compensated Absences	1,183,270	-
Net Pension Liabilities	17,759,857	-
Estimated Liability for Open Claims and IBNR's	40,286	-
Supplemental Employee Retirement Plan	(1,856,031)	-
Medical Premium Payment Program	621,337	-
Deferred Inflows of Pension Plans and OPEB	6,659,955	-
Net Cash Provided (Used) by Operating Activities	$(247,259,610)	$ 236,637

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Associated Student Government and Student Representation Fee Funds
ASSETS	
Cash and Cash Equivalents	$ 692,531
Investments	83,979
Accounts Receivable	315,582
Due From District	1,759
Prepaid Expense	13,824
Total Assets	$ 1,107,675
LIABILITIES	
Accounts Payable	$ 36,759
Deferred Revenue	179,175
Funds Held in Trust	102,604
Total Liabilities	318,538
NET POSITION	
Unrestricted	789,137
Total Net Position	789,137
Total Liabilities and Net Position	$ 1,107,675

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020

	Associated Student Government and Student Representation Fee Funds
ADDITIONS	
Sales and Other Local Revenues	$ 1,010,958
Interest Income	1,684
Total Additions	1,012,642
DEDUCTIONS	
Salaries	122,190
Benefits	48,979
Supplies and Materials	80,348
Other Operating Expenses and Services	364,917
Capital Outlay	5,365
Student Financial Aid	138,020
Total Deductions	759,819
NET CHANGES IN NET POSITION	252,823
Net Position - Beginning of Year	536,314
NET POSITION - END OF YEAR	$ 789,137

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF PLAN NET POSITION
JUNE 30, 2020

	Retiree Health Benefit (OPEB) Trust
ASSETS	
Investments	$ 129,192,912
Accounts Receivable	41,354
Total Assets	$ 129,234,266
NET POSITION	
Restricted - Nonspendable	$ 129,234,266
Total Net Position	129,234,266
Total Liabilities and Net Position	$ 129,234,266

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN PLAN NET POSITION
YEAR ENDED JUNE 30, 2020

	Retiree Health Benefit (OPEB) Trust
ADDITIONS	
Interest Income	$ 5,957,499
Other Local Revenue	5,700,000
Total Additions	11,657,499
DEDUCTIONS	
Benefits	4,994,245
Other Operating Expenses and Services	411,203
Total Deductions	5,405,448
NET CHANGES IN NET POSITION	6,252,051
Net Position - Beginning of Year	122,982,215
NET POSITION - END OF YEAR	$ 129,234,266

See accompanying Notes to 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 following potential component units have been evaluated for inclusion in the District's reporting entity:

Foundation for South Orange County Community College District, Saddleback College Foundation, and Irvine Valley College Foundation (Collectively, the Foundations): The Foundations are separate nonprofit 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The financial activities of the Foundations, excluding the Foundation for South Orange County Community College District, have been discretely presented; the management has deemed the Foundation for South Orange County Community College District to not be a component unit as defined by GASB since the activity is not significant to the District. Separate financial statements for the Foundations may be obtained through the District.

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 for College Administrative Services, Saddleback College, and the Vice President for College Administrative Services, Irvine Valley College, provide oversight over Trust investment and plan administration. As such, the District acts as the fiduciary of the Trust and has included the financial statements within this report. 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 (CONTINUED)

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).

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Retiree Health Benefits 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, 2020 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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 and fall 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.

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) plans 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources resulted from the effects of actuarially-determined changes to pension and other post-employment (OPEB) plans. These amounts are deferred and amortized as detailed in Note 9 and Note 10 to the financial statements.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020.

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 position. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues – Proprietary Funds

Proprietary funds distinguish operating revenues from nonoperating 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. Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating 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.

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies and our communities. Management is taking appropriate actions to mitigate the impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of June 30, 2020.

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, 2020, the District's bank balance of $12,134,518 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 educational investment pool. At June 30, 2020 total Cash in County is $401,493,790. 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, 2020 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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in County Treasury (Continued)

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 a 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 follows. 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 6320), 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, 2020.

- 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 $27,899,792 as of June 30, 2020. 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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Policies (Continued)

Investments and investments with fiscal agent for the governmental funds at June 30, 2020 are presented below. Fiduciary investments of $83,979 are invested with LAIF.

Investment	Maturities	Fair Value	Standard & Poor's Rating
Mutual Funds - Fixed Income	Not Applicable	$ 26,231,454	Not Rated
LAIF	Not Applicable	27,899,792	Not Rated
Total		$ 54,131,246	

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, 2020 are presented below:

		Fair Value Measurements Using		
Investment - Government-Wide	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Fund - Fixed Income	$ 21,612,474	$ 22,412,958	$ -	$ -
Mutual Fund - Domestic Equity	2,398,919	2,302,078	-	-
Mutual Fund - International Equity	1,100,891	1,044,782	-	-
Mutual Fund - Real Estate	511,551	471,636	-	-
Total	$ 25,623,835	$ 26,231,454	$ -	$ -

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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 has a policy limiting the amount of securities that can be held by counterparties as prescribed by the applicable Government Code.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020 consists of the following:

Federal and State	$ 9,381,259
Property Tax	4,829,430
Miscellaneous	2,646,787
Total Accounts Receivable	$ 16,857,476

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, 2020.

	Balance July 01, 2019	Additions	Retirements	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	$ 42,262,154	$ 9,547,506	$ -	$ 51,809,660
Artwork	37,100	-	-	37,100
Construction in Progress	90,234,172	54,498,419	50,526,673	94,205,918
Total Capital Assets Not Being Depreciated	132,533,426	64,045,925	50,526,673	146,052,678
Capital Assets Being Depreciated:				
Site Improvements	110,601,896	2,628,112	-	113,230,008
Buildings	336,206,860	19,592,300	-	355,799,160
Equipment	55,739,352	20,072,444	204,252	75,607,544
Total Capital Assets Being Depreciated	502,548,108	42,292,856	204,252	544,636,712
Less: Accumulated Depreciation for:				
Site Improvements	(88,508,381)	(5,734,388)	-	(94,242,769)
Buildings	(100,935,596)	(9,373,557)	-	(110,309,153)
Equipment	(42,863,241)	(12,344,223)	-	(55,207,464)
Total Accumulated Depreciation	(232,307,218)	(27,452,168)	-	(259,759,386)
Depreciable Assets, Net	270,240,890	14,840,688	204,252	284,877,326
Governmental Activities Capital Assets, Net	$ 402,774,316	$ 78,886,613	$ 50,730,925	$ 430,930,004

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
2021	$ 163,177
2022	54,889
2023	19,209
2024	14,011
2025	6,600
Thereafter	165,000
Total Nonoperating Revenues (Expenses)	$ 422,886

Current year expenditures for operating leases is approximately $580,186. 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 below:

Year Ending June 30,	Lease Income
2021	$ 2,978,463
2022	3,067,841
2023	3,159,876
2024	3,254,672
2025	3,352,312
2026-2030	18,331,817
2031-2035	21,251,601
2036-2040	24,636,430
2041-2045	28,560,374
2046-2050	33,109,301
2051-2055	38,382,755
2056-2060	44,496,133
2061-2065	51,583,213
2066-2070	59,799,081
2071-2075	69,323,525
Total	$ 405,287,394

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, 2020 is $3,651,086.

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, 2020, 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:

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	$ 121,926,600	$ 38,464,682	$ 14,816,739	$ 23,012,572
CalPERS - Schools Pool Plan	108,533,192	24,437,148	3,467,594	23,449,558
Total	$ 230,459,792	$ 62,901,830	$ 18,284,333	$ 46,462,130

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

<u>Plan Description</u>

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.

<u>Benefits Provided</u>

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.

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Continued)

The STRP provisions and benefits in effect at June 30, 2020, are summarized below:

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	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2020 are presented above and the total District contributions were $13,221,886.

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

At June 30, 2020, 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, 2020
District Proportionate Share of Net Pension Liability	$ 121,926,600
State's Proportionate Share of the Net Pension Liability Associated with the District	66,519,637
Total	$ 188,446,237

The net pension liability was measured as of June 30, 2019. 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, 2019, the District's proportion was 0.1350% which is an increase of 0.0130% from its proportion measured as of June 30, 2018.

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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

For the year ended June 30, 2020, the District recognized pension expense of $23,012,572. In addition, the District recognized revenue and corresponding expense of $11,645,393 for support provided by the State. At June 30, 2020, 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	$ 13,221,886	$ -
Difference Between Expected and Actual Experience	307,800	3,435,750
Changes in Assumptions	15,421,050	-
Changes in Proportion	9,513,946	6,684,339
Net Differences Between Projected and Actual Earnings on Plan Investments	-	4,696,650
Total	$ 38,464,682	$ 14,816,739

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, 2021. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line 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, 2019 measurement date is seven years.

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

Year Ending June 30,	Amortization
2021	$ 2,194,449
2022	(1,060,403)
2023	3,295,341
2024	4,464,380
2025	361,561
2026	1,170,729
Total	$ 10,426,057

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updates to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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.

Asset Class	Assured Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	4.80%
Private Equity	13%	6.30%
Real Estate	13%	3.60%
Fixed Income	9%	1.30%
Risk Mitigating Strategies	4%	1.80%
Inflation Sensitive	12%	3.30%
Cash/Liquidity	2%	-0.40%

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California State Teachers' Retirement System (CalSTRS) (Continued)

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 mid-year. 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%)	$ 181,558,800
Current Discount Rate (7.10%)	121,926,600
1% Increase (8.10%)	72,480,150

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.

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.

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

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, 2020, 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%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on 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, 2020 are as presented above and the total District contributions were $10,910,312.

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $108,533,192. The net pension liability was measured as of June 30, 2019. 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, 2019, the District's proportion was 0.3724% which is a decrease of 0.0048% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $23,449,558. At June 30, 2020, 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	$ 10,910,312	$ -
Difference Between Expected and Actual Experience	7,883,866	-
Changes of Assumptions	5,166,517	-
Changes in Proportion	476,453	2,460,928
Net Differences Between Projected and Actual Earnings on Plan Investments	-	1,006,666
Total	$ 24,437,148	$ 3,467,594

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, 2021. The net difference between projected and actual earnings on plan investments is amortized over a five year period on a straight-line 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, 2019 measurement date is 4.1 years.

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

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

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

Year Ending June 30,	Amortization
2021	$ 8,619,795
2022	341,128
2023	711,771
2024	386,548
Total	$ 10,059,242

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, 2018, and rolling forward the total pension liability to June 30, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The financial reporting actuarial valuation as of June 30, 2018 used the methods and assumptions herein, applied to all prior periods included in the measurement.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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% 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 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.

NOTE 9 EMPLOYEE RETIREMENT PLANS (CONTINUED)

California Public Employees' Retirement System (CalPERS) (Continued)

Actuarial Methods and Assumptions (Continued)

Asset Class	Assured 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%)	$ 156,443,460
Current Discount Rate (7.15%)	108,533,192
1% Increase (8.15%)	68,788,316

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	376
Inactive Participants Entitled to but not yet Receiving Benefit Payments	-
Active Employees	1,019
Total	1,395

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, 2020, the District contributed $6,402,999 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, 2020
Total OPEB Liability	$ 108,363,840
Plan Fiduciary Net Position	129,192,912
District's Net OPEB Liability (Asset)	$ (20,829,072)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	119.22%

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Deferred Outflows and Inflows of Resources

The deferred inflows of resources resulted from the net differences between projected and actual earnings on the plan investments and is amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the OPEB plan for June 30, 2020 is five years. Other deferred inflows of resources related to OPEB are the difference between expected and actual experience, and changes in assumptions. These amounts are amortized over a five or seven year period on a straight-line basis.

At June 30, 2020, the District reported deferred inflows and outflows as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Earnings, Net	$ -	$ 589,265
Difference Between Expected and Actuarial Experience	-	10,078,863
Changes in Assumptions	-	3,027,095
Total	$ -	$ 13,695,223

At June 30, 2020, the deferred inflows and outflows will be amortized as shown herein:

Year Ending June 30,	Amortization
2021	$ (3,462,499)
2022	(3,462,500)
2023	(2,008,254)
2024	(1,340,218)
2025	(1,710,876)
2026	(1,710,876)
Total	$ (13,695,223)

Investments

The Retiree Health 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 Retiree Health 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, 2020, all Plan investments were in mutual funds. The Retiree Health Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Investments (Continued)

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.49%.

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, 2020 are presented herein.

		Fair Value Measurements Using		
Investment	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Fund - Fixed Income	$ 68,963,883	$ 71,454,453	$ -	$ -
Mutual Fund - Domestic Equity	34,786,492	39,751,193	-	-
Mutual Fund - International Equity	10,014,492	10,266,843	-	-
Mutual Fund - Real Estate	8,684,531	7,720,423	-	-
Total	$ 122,449,398	$ 129,192,912	$ -	$ -

Actuarial Methods and Assumptions

The District's net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability (asset) used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020.

The total OPEB asset was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.00%
Healthcare Trend Rate	6.00% decreasing to 4.00% in 2026

Mortality rates were based using RPH 2014 mortality table with generational improvements using scale MP2019 Headcount Weighted.

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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, 2020 (see the discussion of the Retiree Health Plan's investment policy) are shown herein.

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Fixed Income	52%	1.75%
US Equity	32%	4.25%
International Equity	9%	5.25%
Real Estate	7%	4.50%

The discount rate used to measure the total OPEB asset was 6.0%. 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 June 30, 2019	$ 114,382,855	$ 123,157,480	$ (8,774,625)
Changes for the Year:			
Service Cost	4,896,186	-	4,896,186
Interest	6,979,195	-	6,979,195
Difference Between Expected and Actual Return	(11,234,876)	-	(11,234,876)
Changes of Assumptions	(741,256)	-	(741,256)
Employer Contributions	-	6,402,999	(6,402,999)
Net Investment Income	-	5,550,697	(5,550,697)
Benefit Payments	(5,918,264)	(5,918,264)	-
Net Changes	(6,019,015)	6,035,432	(12,054,447)
Balances at June 30, 2020	$ 108,363,840	$ 129,192,912	$ (20,829,072)

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Asset) (Continued)

The following presents the District's net OPEB asset calculated using the discount rate of 6.0%, 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%) or 1-percentage-point higher (7.0%) than the current rate:

Discount Rate	Net OPEB Liability (Asset)
1% Decrease (5.0%)	$ (8,126,481)
Current Discount Rate (6.0%)	(20,829,072)
1% Increase (7.0%)	(31,528,577)

The following presents the District's net OPEB asset calculated using the current healthcare cost trend rate of 6.0% decreasing to 4.0%, 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% decreasing to 3.0%) or 1-percentage-point higher (7.0% decreasing to 5.0%) than the current rate:

Healthcare Trend Rate	Net OPEB Liability (Asset)
1% Decrease (5.0% Decreasing to 3.0%)	$ (34,202,863)
Current Healthcare Trend Rate (6.0% Decreasing to 4.0%)	(20,829,072)
1% Increase (7.0% Decreasing to 5.0%)	(4,420,641)

OPEB Expense

For the year ended June 30, 2020, the District recognized OPEB expense of $6,660,339.

NOTE 11 LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2020 is shown below:

	Balance July 01, 2019	Additions	Reductions	Balance June 30, 2020	Amount Due in One Year
Compensated Absences	$ 5,492,042	$ 1,672,443	$ 489,173	$ 6,675,312	$ 867,706
Claims Liability	571,546	546,932	506,646	611,832	-
Early Retirement Incentive	5,507,117	-	1,856,031	3,651,086	1,855,153
Proportionate Share of Medicare Premiums	156,973	621,337	-	778,310	-
Net Pension Liability	212,699,935	17,759,857	-	230,459,792	-
Total	$ 224,427,613	$ 20,600,569	$ 2,851,850	$ 242,176,332	$ 2,722,859

NOTE 11 LONG-TERM DEBT (CONTINUED)

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 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 AGREEMENT

The District participates in six 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), the Alameda County School Insurance Group (ACSIG) and Intelecom Intelligent Telecommunications, Inc. (INTELECOM). 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.

NOTE 12 JOINT POWERS AGREEMENT (CONTINUED)

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. The District has been a member since August 2003.

The District's dental and vision coverage is administered 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.

The District is part of INTELECOM, which is established to join community college districts together for the purpose of developing and providing quality instructional materials in an economical manner so that educational services and programs may be provided to college districts at a lower cost than if those services and programs were provided separately. INTELECOM acts as the designated agency for the Southern California Consortium for Community College Television, a California Joint Powers Authority comprising 15 California community college districts.

Condensed financial information for the year ended June 30, 2020 is as shown herein.

	SWACC 6/30/2019 (Audited)	SAFER 6/30/2019 (Audited)	PIPS 6/30/2019 (Audited)	SISC 9/30/2019 (Audited)	ACSIG 6/30/2019 (Audited)	INTELECOM 6/30/2019 (Audited)
Total Assets	$ 53,983,748	$ 43,494,593	$ 133,474,239	$ 744,080,723	$ 56,765,101	$ 1,451,213
Total Liabilities	36,138,632	52,232,601	99,564,236	217,105,846	24,378,586	1,995,930
Fund Balance	17,845,116	(8,738,008)	33,910,003	526,974,877	32,386,515	(544,717)
Total Revenues	22,422,372	65,978,382	311,931,685	2,493,302,675	157,713,750	1,266,032
Total Expenditures	21,846,144	77,777,714	306,044,422	2,411,333,172	148,122,967	1,197,034
Total Nonoperating Revenues (Expenses)	(746,347)	1,915,497	3,888,436	-	1,024,118	8,997

NOTE 13 FUNCTIONAL EXPENSES

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:

	Instruction Salaries and Benefits	Noninstructional Salaries and Benefits	Supplies, Materials, and Other Operating Expenses and Services	Financial Aid	Depreciation	Total
Instructional Activities	$ 102,585,517	$ 12,346,989	$ 2,056,444	$ -	$ -	$ 116,988,950
Academic Support	263,708	18,715,467	268,096	-	-	19,247,271
Student Services	-	36,962,483	821,785	-	-	37,784,268
Operation and Maintenance of Plant	-	12,682,161	3,298,843	-	-	15,981,004
Instructional Support Services	-	41,498,992	4,080,258	-	-	45,579,250
Community Services and Economic Development	525	4,221,246	358,522	-	-	4,580,293
Ancillary Services and Auxiliary Operations	-	7,252,373	452,805	-	-	7,705,178
Physical Property and Related Acquisitions	-	4,293,179	13,764,495	-	-	18,057,674
Transfers, Student Aid, and Other Outgo	-	-	31,425,535	35,414,361	-	66,839,896
Depreciation Expense	-	-	-	-	27,452,168	27,452,168
Total	$ 102,849,750	$ 137,972,890	$ 56,526,783	$ 35,414,361	$ 27,452,168	$ 360,215,952

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 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, 2020, 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 $611,832, 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	$ 571,546	$ 546,932	$ 506,646	$ 611,832

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, 2020, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $76.5 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, 2020 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 effective date was postponed to fiscal year 2020-21.

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 effective date was postponed to fiscal year 2021-22.

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 effective date was postponed to fiscal year 2020-21.

NOTE 16 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

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 effective date was postponed to fiscal year 2022-23.

Statement No. 92 - Omnibus 2020

The objectives of the statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics. Some requirements are effective upon issuance of the statement and for other requirements the effective date has been postponed to fiscal year 2022-23.

Statement No. 93 - Replacement of Interbank Offered Rates (IBOR)

This statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The statement effective date was postponed to fiscal year 2022-23.

Statement No. 94 - Public-Private & Public-Public Partnerships and Availability Payment Arrangements

This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement is effective for fiscal year 2023-24.

Statement No. 96 - Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The statement is effective for fiscal year 2023-24.

NOTE 16 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

Statement No. 97 - Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

The Statement (1) increases consistency and comparability related to the reporting of fiduciary component if a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigates costs associated with reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans. Some requirements are effective upon issuance of the statement and for other requirements the effective date is fiscal year 2021-22.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

State Teachers' Retirement Plan	2015	2016	2017	2018	2019	2020
District's Proportion of the Net Pension Liability (Assets)	0.1220%	0.1290%	0.1300%	0.1290%	0.1220%	0.1350%
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	$ 121,926,600
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	66,519,637
Total	$ 114,668,346	$ 132,665,072	$ 165,011,456	$ 189,876,174	$ 176,324,543	$ 188,446,237
District's Covered Payroll	$ 63,923,000	$ 59,388,000	$ 66,927,000	$ 75,351,000	$ 73,766,000	$ 75,683,000
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%	161.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.50%	76.50%	70.04%	69.46%	71.00%	73.00%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019	2020
District's Proportion of the Net Pension Liability (Assets)	0.3780%	0.3770%	0.3831%	0.3947%	0.3772%	0.3724%
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	$ 108,533,192
District's Covered Payroll	$ 42,707,000	$ 41,766,000	$ 45,786,000	$ 50,140,000	$ 49,764,000	$ 51,296,000
Total Nonoperating Revenues (Expenses) as a Percentage of its Covered Payroll	100.48%	133.06%	165.25%	187.92%	202.10%	211.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.40%	83.40%	73.90%	71.87%	71.00%	70.00%

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 accompanying Notes to Required Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2020

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019	2020
Contractually Required Contribution	$ 8,300,583	$ 7,181,247	$ 9,479,208	$ 10,603,030	$ 12,321,240	$ 13,221,886
Contributions in Relation to the Contractually Required Contribution	8,300,583	7,181,247	9,479,208	10,603,030	12,321,240	13,221,886
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 59,388,000	$ 66,927,000	$ 75,351,000	$ 73,766,000	$ 75,683,000	$ 77,321,000
Contributions as a Percentage of Covered Payroll	13.98%	10.73%	12.58%	14.37%	16.28%	17.10%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019	2020
Contractually Required Contribution	$ 4,916,269	$ 5,424,269	$ 6,963,468	$ 7,728,887	$ 9,265,030	$ 10,910,312
Contributions in Relation to the Contractually Required Contribution	4,916,269	5,424,269	6,963,468	7,728,887	9,265,030	10,910,312
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 41,766,000	$ 45,786,000	$ 50,140,000	$ 49,764,000	$ 51,296,000	$ 55,323,000
Contributions as a Percentage of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

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 accompanying Notes to Required Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2020

Total OPEB Liability	As of June 2017	As of December 2017	As of June 2019	As of June 2020
Service Cost	$ 4,353,903	$ 4,353,892	$ 4,753,578	$ 4,896,186
Interest	6,099,713	6,387,047	6,901,495	6,979,195
Changes in Benefit Terms	-	-	37,345	-
Difference Between Expected and Actual Experience	-	-	(748,283)	(11,234,876)
Changes in Assumptions	-	-	(3,986,221)	(741,256)
Benefit Payments	(4,239,872)	(5,257,031)	(5,692,789)	(5,918,264)
NET CHANGE IN TOTAL OPEB LIABILITY	6,213,744	5,483,908	1,265,125	(6,019,015)
Total OPEB Liability - Beginning	99,594,587	104,725,415	113,117,730	114,382,855
TOTAL OPEB LIABILITY - ENDING (a)	$ 105,808,331	$ 110,209,323	$ 114,382,855	$ 108,363,840
Plan Fiduciary Net Position				
Contributions - Employer	$ 11,116,750	$ 12,133,909	$ 6,745,882	$ 6,402,999
Net Investment Income	10,662,951	13,243,922	5,625,978	5,550,697
Benefit Payments	(4,239,872)	(5,257,031)	(5,692,789)	(5,918,264)
Administrative Expense	(327,398)	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	17,212,431	20,120,800	6,679,071	6,035,432
Plan Fiduciary Net Position - Beginning	92,851,453	96,106,489	116,478,409	123,157,480
PLAN FIDUCIARY NET POSITION - ENDING (b)	$ 110,063,884	$ 116,227,289	$ 123,157,480	$ 129,192,912
NET OPEB LIABILITY (ASSET) - ENDING (a) - (b)	$ (4,255,553)	$ (6,017,966)	$ (8,774,625)	$ (20,829,072)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	104.02%	105.46%	107.67%	119.22%
Covered Employee Payroll	$ 89,360,000	$ 91,216,000	$ 94,182,000	$ 102,438,000
NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	-4.76%	-6.60%	-9.30%	-20.30%

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.

See accompanying Notes to Required Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2020

OPEB Contributions	As of June 2017	As of December 2017	As of June 2019	As of June 2020
Actuarially Determined Contribution (ADC)	$ 4,594,742	$ 4,594,742	$ 4,979,864	$ 5,126,650
Contributions in Relation to the ADC	6,390,000	12,133,909	6,745,882	6,402,999
Contribution Deficiency (Excess)	$ (1,795,258)	$ (7,539,167)	$ (1,766,018)	$ (1,276,349)
District's Covered-Employee Payroll	$ 89,360,000	$ 91,216,000	$ 94,182,000	$ 102,438,000
Contributions as a Percentage of Covered-Employee Payroll	7.15%	13.30%	7.16%	6.25%

See accompanying Notes to Required Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS
YEAR ENDED JUNE 30, 2020

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	10.62%
2018	5.83%
2019	4.46%
2020	4.49%

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 accompanying Notes to Required Supplementary Information.

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.

Benefit changes – None

Changes of Assumptions:

2018-19
CalPERS Board adopted new mortality assumptions for the plan. Assumption for inflation rate was reduced from 2.75% to 2.50%. Assumption for individual salary increases and overall payroll growth was reduced from 3.00% to 2.75%.

2017-18
CalSTRS Board adopted new mortality assumptions and new mortality tables for the plan. Assumption for inflation rate was reduced from 3.00% to 2.75%. Assumption for payroll growth was reduced from 3.75% to 3.50%.

CalPERS applied a new discount rate decreasing the rate from 7.65% to 7.15%.

2015-16
CalPERS applied a new discount rate increasing the rate from 7.50% to 7.65%.

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:

2019-20
Mortality assumptions for the plan were changed from the MP2018 scale to the MP2019 Headcount Weighted scale. Assumption for inflation rate was reduced from 2.75% to 2.50%. Assumption for individual salary increases and overall payroll growth was reduced from 3.00% to 2.75%.

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

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 June 30, 2020.

Methods of assumptions used to determine contribution rates are:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.00%
Healthcare Trend Rate	6.00% decreasing to 4.00% in 2026

Mortality rates were based using RPH 2014 mortality table with generational improvements using scale MP2019 Headcount Weighted.

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

The Board of Trustees and the District Executive Cabinet for the fiscal year ended June 30, 2020 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 Rydell	Member	2022
Ms. Rose Esfandiari	Student Member	2020

DISTRICT ADMINISTRATORS

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

AUXILIARY ORGANIZATIONS IN GOOD STANDING

Auxiliary Name	Director's Name	Establishment and Master Agreement Date
Saddleback College Foundation	Elizabeth McCann	Organized as an auxiliary organization in 2003 and has a signed master agreement dated October 29, 2019
Irvine Valley College Foundation	Elissa Oransky	Organized as an auxiliary organization in 2003 and has a signed master agreement dated June 25, 2020
Foundation for South Orange County Community College District	Ann-Marie Gabel	Organized as an auxiliary organization in 2005 and has a signed master agreement dated October 29, 2019
ATEP Facilities Corporation	Ann-Marie Gabel	Organized as an auxiliary organization in 2018 and has a signed master agreement dated July 6, 2018

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Program Name	Federal Catalog Number	Pass-through Entity Identifying Number	Total Program Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Direct Program				
Federal Supplemental Educational Opportunity Grant	84.007	(1)	$ 451,802	$ -
Federal Work Study Program	84.033	(1)	389,060	-
Federal Pell Grant	84.063	(1)	22,330,596	-
Federal Direct Student Loans	84.268	(1)	1,567,742	-
Administrative Cost Allowance	84.063	(1)	44,549	-
Subtotal Student Financial Assistance Cluster			24,783,749	
Asian American & Native American Pacific Islander-Serving Institutions	84.031L	(1)	260,482	-
Childcare Access Means Parents in School	84.335A	(1)	64,928	-
COVID-19 - Higher Education Emergency Relief Funds CARES Act - Student Aid	84.425E	(1)	3,002,500	-
COVID-19 - Higher Education Emergency Relief Funds CARES Act - Institutional	84.425F	(1)	988,760	-
COVID-19 - Higher Education Emergency Relief Funds CARES Act - Minority Serving Institutions	84.425L	(1)	11,373	-
Subtotal Higher Education Emergency Relief Fund			4,002,633	-
Passed through the California Department of Education				
Perkins Title I-C	84.048	(1)	816,828	-
CTE Transitions - Perkins IV	84.048A	(1)	90,959	-
WIOA - Adult Education and Family Literacy Act	84.002A	(1)	217,785	-
Subtotal Passed through the California Department of Education			1,125,572	-
Total U.S. Department of Education			30,237,364	-
U.S. Department of Health and Human Services				
Passed through the California Department of Education				
Temporary Assistance for Needy Families	93.558	6870-111-0001	90,442	-
Total U.S. Department of Health and Human Services			90,442	-
National Science Foundation				
Direct Program				
National Science Foundation Includes Alliance: STEM Core Expansion	47.076	(1)	1,431,218	926,568
National Science Foundation Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076	(1)	151,587	83,350
Subtotal National Science Foundation Direct Program Cluster			1,582,805	1,009,918
Passed through the University of California, Irvine				
National Science Foundation UCI Pathways to Engineering Collaborative	47.076	(1)	54,571	-
National Science Foundation iUSE Hispanic Service Institution	47.076	(1)	1,590	-
Subtotal Passed through the University of California, Irvine			56,161	
Total National Science Foundation			1,638,966	1,009,918
U.S. Department of Treasury				
Passed through the California Department of Education				
COVID-19 Response	21.019	(1)	1,181,717	-
Total Federal Program Expenditures			$ 33,148,489	$ 1,009,918

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

Amounts Passed Through to Subrecipients			
National Science Foundation Includes Alliance: STEM Core Expansion:	47.076	(1)	
Growth Sector Company Inc.			$ 695,607
The Board of Trustee of the Leland Stanford Junior University			157,794
Community College of Baltimore City			70,422
San Jose Evergreen Community College District			2,745
			$ 926,568
National Science Foundation Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076	(1)	
Lake Washington Institute of Technology			$ 83,350

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE – GRANTS
YEAR ENDED JUNE 30, 2020

	Program Revenues						Total
Program Name	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:							
Adult Education Block Grant	$ 3,128,747	$ 2,932,502	$ -	$ 2,564,389	$ -	$ 3,496,860	$ 3,496,860
Board Financial Assistance Program							
- Student Financial Aid Administration	906,101					906,101	906,101
California College Promise	4,312,633	489,127		1,457,104		3,344,656	3,344,656
CalWORKs	490,933			12,590		478,343	478,343
Campus Safety and Sexual Assault		35,450		22,260		13,190	13,190
Cooperative Agencies Resources for							
Education (CARE)	143,446			2,557		140,889	140,889
Classified Professional Development		112,856		112,356		500	500
COVID-19 Response			33,576			33,576	33,576
Disabled Student Program and Services (DSPS)	3,241,844			123,239		3,118,605	3,118,605
Extended Opportunities Program and							
Services (EOPS)	1,698,967			20,992		1,677,975	1,677,975
Equal Employment Opportunity	50,000	114,813		90,576		74,237	74,237
Financial Aid Technology	91,483	253,929		169,905		175,507	175,507
Foster and Kinship Care Education (FKCE)	237,567		91,413			328,980	328,980
Guided Pathways	573,886	482,404		743,798		312,492	312,492
Hunger Free Campus	90,630	188,127		177,512		101,245	101,245
Mental Health Support		243,381				243,381	243,381
Nursing Program Support	263,834					263,834	263,834
Physical Plant and Instructional Equipment	321,510	3,765,222		543,511		3,543,221	3,543,221
Strong Workforce - Local	2,864,043	4,537,320		4,633,308		2,768,055	2,768,055
Student Equity and Achievement	10,075,019	4,621,648		4,685,024		10,011,643	10,011,643
Student Success Completion Grant	2,233,663			186,510		2,047,153	2,047,153
Veteran Resource Center	194,655	121,591		84,938		231,308	231,308
Other State Awards:							
CA Virtual Campus Online Education Initiative	346,441		141,436			487,877	487,877
CCC Mental Health Services			209,951			209,951	209,951
Child Development Training Consortium	20,436		11,234			31,670	31,670
Deputy Sector Navigator	255,133			61,088		194,045	194,045
Education Futures Project	29,161			-		29,161	29,161
Innovation and Effectiveness Plan	200,000	152,311		137,316		214,995	214,995
Real Estate Education Center	43,243		59,757			103,000	103,000
Strong Workforce - Regional	422,598		1,910,406			2,333,004	2,333,004
Veteran Credit Articulation Track		1,605,131		1,388,583		216,548	216,548
Veterans Resource Center Grant Program		1,709,949		1,242,146		467,803	467,803
Veterans Service Center			61,175			61,175	61,175
Zero Textbook Cost	2,000					2,000	2,000
Total State Awards	$ 32,237,973	$ 21,365,761	$ 2,518,948	$ 18,459,704	$ -	$ 37,662,978	$ 37,662,978

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
YEAR ENDED JUNE 30, 2020

Categories	Reported Data Factored	Audit Adjustments	Revised Data Factored
A. Summer Intersession (Summer 2019 only)			
1. Noncredit[1]	432.85	-	432.85
2. Credit	3,318.28	-	3,318.28
B. Summer Intersession (Summer 2020 - Prior to July 1, 2020)			
1. Noncredit[1]	-	-	-
2. Credit	17.80	-	17.80
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,366.60	-	12,366.60
(b) Daily Census Contact Hours	695.55	-	695.55
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	2,731.71	-	2,731.71
(b) Credit	988.32	-	988.32
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,812.76	-	2,812.76
(b) Daily Census Contact Hours	3,155.31	-	3,155.31
(c) Noncredit Independent Study/Distance Education Courses	10.61	-	10.61
D. Total FTES	26,529.79	-	26,529.79
Supplemental Information (Subset of Above Information)			
E. In-service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
(a) Noncredit[1]	1,214.80	-	1,214.80
(b) Credit	563.63	-	563.63
CCFS 320 Addendum			
CDCP Noncredit FTES	1,074.75	-	1,074.75
Centers FTES			
(a) Noncredit[1]	-	-	-
(b) Credit	-	-	-

1 Including Career Development and College Preparation (CDCP) FTES

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

The audit resulted in no adjustments to the fund balances reported on the June 30, 2020 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, 2020 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	$	76,701,545
Restricted Fund Balance		11,911,370
Capital Outlay Fund Balance		300,794,794
Self Insurance Fund Balance		3,070,837
Other Internal Service Funds		1,469,787
Pension Stabilization Trust Fund Balance		23,991,810
All Other Funds		246,930
Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311)	$	418,187,073

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2020

Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311)	$	418,187,073
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.		430,930,004
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.		62,901,830
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 $867,706 is already recorded in the General Fund.		(5,807,606)
The supplemental employee retirement plan is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(3,651,086)
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.		(231,238,102)
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 contributions.		20,829,072
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.		(31,979,556)
Total Net Position	$	660,171,629

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
YEAR ENDED JUNE 30, 2020

		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	37,070,900	-	37,070,900	37,070,900	-	37,070,900
Instructional Salaries - Other	1300	29,963,181	-	29,963,181	29,963,181	-	29,963,181
Total Instructional Salaries		67,034,081	-	67,034,081	67,034,081	-	67,034,081
Non-Instructional Salaries - Contract or Regular	1200	-	-	-	11,503,711	-	11,503,711
Non-Instructional Salaries - Other	1400	-	-	-	3,671,979	-	3,671,979
Total Non-Instructional Salaries		-	-	-	15,175,690	-	15,175,690
Total Academic Salaries		67,034,081	-	67,034,081	82,209,771	-	82,209,771
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100	-	-	-	34,242,611	-	34,242,611
Non-Instructional Salaries - Other	2300	-	-	-	1,269,729	-	1,269,729
Total Non-Instructional Salaries		-	-	-	35,512,340	-	35,512,340
Instructional Aides - Regular Status	2200	3,959,456	-	3,959,456	3,959,456	-	3,959,456
Instructional Aides - Other	2400	921,441	-	921,441	921,441	-	921,441
Total Instructional Aides		4,880,897	-	4,880,897	4,880,897	-	4,880,897
Total Classified Salaries		4,880,897	-	4,880,897	40,393,237	-	40,393,237
Employee Benefits	3000	31,780,675	-	31,780,675	61,784,897	-	61,784,897
Supplies and Materials	4000	-	-	-	1,321,962	-	1,321,962
Other Operating Expenses	5000	777,481	-	777,481	14,566,285	-	14,566,285
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		104,473,134	-	104,473,134	200,276,152	-	200,276,152
Exclusions							
Total Nonoperating Revenues (Expenses)							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	463,942	-	463,942	463,942	-	463,942
Student Health Services Above Amount Collected	6441	-	-	-	45,042	-	45,042
Student Transportation	6491	-	-	-	523,254	-	523,254
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740	-	-	-	1,392,089	-	1,392,089
Objects to Exclude							
Rents and Leases	5060	-	-	-	243,792	-	243,792
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	199,209	-	199,209
Employee Benefits	3000	-	-	-	75,544	-	75,544
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	474	-	474
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	4,066,650	-	4,066,650
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		463,942	-	463,942	7,009,996	-	7,009,996
Total for ECS 84362, 50% Law		104,009,192	-	104,009,192	193,266,156	-	193,266,156
Percent of CEE (Instructional Salary Cost/Total CEE)		53.82%	-	53.82%	100.00%	-	100.00%
50% of Current Expense of Education					96,633,078		96,633,078

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
YEAR ENDED JUNE 30, 2020

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 2,730,650
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 2,730,650	$ -	$ -	$ 2,730,650
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
Total Nonoperating Revenues (Expenses)		-	-	-	-
		-	-	-	-
		-	-	-	-
Total Expenditures for EPA*		$ 2,730,650	$ -	$ -	$ 2,730,650
Revenue less Expenditures					
*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.					

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2020

	2021 (Budget)	2020	2019	2018
Total Revenues	$ 369,778,820	$ 351,470,474	$ 330,394,392	$ 302,618,006
Total Expenditures	302,723,213	256,601,173	240,264,626	230,584,690
Total Other Sources/(Uses)	(97,361,156)	(93,591,938)	(73,494,294)	(66,992,972)
Change in Fund Balance	(30,305,549)	1,277,363	16,635,472	5,040,344
Ending Fund Balance	$ 58,307,366	$ 88,612,915	$ 87,335,552	$ 70,700,080
Available Reserve	$ 58,307,366	$ 42,428,383	$ 58,126,781	$ 45,281,055
Available Reserve %	19.26%	16.53%	24.19%	19.64%
Full-Time Equivalent Students	26,500	26,530	26,532	26,963
Total Long-Term Debt	$ 239,453,473	$ 242,176,332	$ 224,427,613	$ 222,217,846

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2021 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2020 amounts reserved.

The 2021 budget is the Plan and Budget adopted by the Board of Trustees on September 21, 2020.

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.

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 government for the year ended June 30, 2020. 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 minimus 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 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, 2020 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, 2020 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

Reconciliation of 50 Percent Law Calculation

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

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

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.

CliftonLarsonAllen LLP
CLAconnect.com

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2021.

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.

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
January 27, 2021

CliftonLarsonAllen LLP
CLAconnect.com

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, 2020. 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.

A member of Nexia International

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, 2020.

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 2020-001, 2020-002, and 2020-003. 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, 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 2020-001, 2020-002, and 2020-003, that we consider to be significant deficiencies.

Board of Trustees
South Orange County Community College District

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
January 27, 2021

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 *2019-20 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2020. 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 *2019-20 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.

Board of Trustees
South Orange County Community College District

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
411	SCFF Data Management Control Environment	Yes
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Activities Funded From Other Sources	Yes
424	Student Center Funding Formula Base Allocation: FTES	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	Not Applicable
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Not Applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Not Applicable
490	Proposition 1D and 51 State Bond Funded Projects	Yes
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, 2020.

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 *2019-2020 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
January 27, 2021

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported
3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? __x__ yes ______ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. 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
84.425E, 84.425F, and 84.425L	Higher Education Emergency Relief Funds CARES Act
21.019	COVID-19 Response

Dollar threshold used to distinguish between Type A and Type B programs: Type A - $994,454; Type B - $248,613

Auditee qualified as low-risk auditee? __x__ yes ______ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2020 – 001: Student Eligibility and Awarding of Title IV Programs

Federal agency: US Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Number: Various

Award Period: July 1, 2019 through June 30, 2020

Type of Finding: Significant Deficiency and Noncompliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.32, requires students to maintain satisfactory academic progress (SAP) in order to retain eligibility to receive Title IV assistance.

The Code of Federal Regulations, 34 CFR 690.62 states the Pell grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. The payment schedules take into account the cost of attendance, the student's EFC and the enrollment status of the student.

Condition: For 9 out of 58 students tested, SAP was not met and those students were awarded Title IV aid during fiscal year 2020. Furthermore, 2 out of 58 students tested were overawarded Pell grant funds. The condition was noted only for students enrolled in the Cosmetology program offered at Saddleback College.

Questioned costs: $47,476

Context and Cause: The enrollment data of the students attending the program was not properly updated to perform the required SAP calculation which resulted in the payments made to the ineligible students. The overpayment of Pell grants was due to the College not updating the enrollment status of the students participating in the Cosmetology program, to reflect the student's actual attendance until final grades were reported.

The College disbursed $172,057 of Title IV funds to the students attending the Cosmetology program, which accounted for approximately 1 percent of the total Title IV funds disbursed by the College during the year.

Effect: Payments were made to 9 students who were not eligible to receive Title IV funding, and 2 students were over-awarded Pell funds.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that Saddleback College implements a process that will facilitate the proper calculation of SAP and ensure all Title IV funds are awarded at proper amounts.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Views of Responsible Officials: Saddleback College agrees with this finding. Once Saddleback College was made aware of the issues encountered by the external auditors, the college conducted an internal audit of all the students receiving financial aid during the 2019-20 fiscal year and have concluded that 25 students, including the ones listed above, were erroneously overpaid totaling $84,857.74 due to the causes mentioned in the finding. As of December 15, 2020, Saddleback College amended the FISAP and returned all the funds to the Department of Education. The college also reached out to the affected students informing them of the overpayment and requested a refund of the overpayment.

Saddleback College has revised all policies and procedures related to the enrollment and administration of Title IV funds for the Cosmetology program students. Policies and procedures are in the process of being updated to ensure timely enrollment updates and grade postings; and that student level data is updated appropriately to ensure proper administration of Title IV funds for the Cosmetology program in future award years.

Saddleback College has refrained from awarding any Title IV funds to the Cosmetology program students in the 2020-21 fiscal year and will only do so once all policies and procedures are updated.

2020 – 002: Enrollment Reporting

Federal agency: US Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Number: Various

Award Period: July 1, 2019 through June 30, 2020

Type of Finding: Significant Deficiency and noncompliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 685.309(b), states schools must have some arrangement to report student enrollment data to National Student Loan Database Student (NSLDS) through an enrollment roster file. The school is required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date. Also, the Code of Federal Regulations, 34 CFR 682.610, states that institutions must report accurately the enrollment status of all students regardless if they receive aid from the institution or not. Changes to said status are required to be reported within 30 days of becoming aware of the status change, or with the next scheduled transmission of statuses if the scheduled transmission is within 60 days. Regulations require the status include an accurate effective date. There are two categories of enrollment information "Campus Level" and "Program Level" both of which need to be reported accurately.

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.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Condition: Our audit procedures resulted in the following conditions:

1) For 18 out of 45 samples tested, the students' enrollment status was not certified every 60 days.
2) For 1 out of 45 samples tested, the date of the change in enrollment status of the student did not agree to the College's record.
3) For 2 out of 45 students tested, the Classification of Instruction Code (CIP) did not match the Colleges' record.
4) For 11 out of 45 students tested, the change in the students' enrollment status was not reported to NSLDS within 60 days.
5) For 8 out of 45 students tested the program enrollment status per NSLDS did not match the Colleges' record.
6) For 2 out of 45 students tested, the student's enrollment status according to the transcript did not match the NSLDS record.
7) For 33 out the 45 students tested, the students' program start date according to the College's record did not agree to the date reported to NSLDS.
8) For 13 out of the 45 students tested, the students' program enrollment effective date did not match the NSLDS record.
9) For 5 out of 45 students tested, Saddleback College did not accurately report the enrollment status of the students on Leave of Absence (LOA).

Questioned costs: None

Context and Cause: The Colleges did not report the enrollment status of the students on a timely basis. For the students attending the Cosmetology program, LOA were not recorded in the College's Student Information System. Both of these factors lead to noncompliance with the applicable Title IV requirement.

Effect: The NSLDS database did not include accurate information. A student's enrollment status determines eligibility for in-school status, deferment, and grace periods. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs.

Repeat Finding: Similar condition was noted at Saddleback College in the prior year in Finding 2019-003.

Recommendation: We recommend that each college improves the existing procedures and controls to ensure timely reporting of student status changes to NSLDS as required by regulations.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Views of Responsible Officials: The office of Admissions and Records in collaboration with the Student Services Reporting Group confirmed that the enrollment file sent to the National Student Clearinghouse (NSC) and subsequently forwarded to the National Student Loan Data System (NSLDS) should be reported by the students "college of record." The student's college of record corresponds to the student's home college and the college office that processes their Financial Aid award if applicable. Currently, NSC enrollment files are sent based on the student's enrollment and not their home college. As a "consortium," South Orange County Community College District two colleges, Irvine Valley and Saddleback, only provide federal financial aid to a student from one college a term. The student's enrollment status discrepancies found in NSLDS enrollment history can be attributed to this oversight. Policies and procedures are being reviewed as it relates to Leave of Absence for students enrolled in the Cosmetology program.

Action Steps and Timeframe:

- Staff have attended training provided by National Clearinghouse training webinars to refresh on enrollment submission, error reports, correcting errors, and common audit issues to confirm our understanding and refine our processes. The training was held in September and October. Completed October 30, 2020.
- Will develop a process to review submissions of enrollment reporting anomalies the NSC within the allotted timeframe- Complete by November 13, 2020
- Will develop a process to review submissions of NSLDS anomalies within the allotted timeframe- Complete by November 13, 2020
- All enrolled units in the district will be reported by the student's "college of record." Scheduled to start October 2020

2020 – 003: Return of Funds on Behalf of the Students

Federal agency: US Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Number: Various

Award Period: July 1, 2019 through June 30, 2020

Type of Finding: Significant Deficiency and Noncompliance

Criteria or specific requirement: According to 34 CFR Section 668.173 (b), the institutional portion of unearned aid must be returned to the appropriate Title IV, HEA program or Federal Family Education Loan (“FFEL”) lender no later than 45 days after the date of the institution’s determination that the student withdrew.

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Condition: During our testing we noted Saddleback College did not return the earned portion of the Title IV programs to the students attending the College's Cosmetology program.

Questioned costs: $12,974

Context and Cause: The College's internal controls for the Cosmetology Program did not ensure compliance with the criteria mentioned above.

Effect: The cause identified resulted in non-compliance with the Title IV regulation.

.
Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that Saddleback College implements procedures and controls to ensure compliance with the criteria referenced above.

Views of Responsible Officials: Saddleback College agrees with this finding. All policies and procedures are currently being reviewed as it relates to the enrollment and administration of Title IV funds for Cosmetology program students. Policies and procedures will be updated to ensure timely enrollment updates, grade postings, and student level data is updated to ensure proper administration of Title IV funds for the Cosmetology program in future award years.

Section IV – Findings and Questioned Costs – State Awards

There were no findings and questioned costs related to state awards for the year ended June 30, 2020.

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SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020

Department of Education,

South Orange County Community College District respectfully submits the following corrective action plan for the year ended June 30, 2020.

Audit period: July 1, 2019 – June 30, 2020

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education

2020-001 Student Financial Aid Cluster – Student Eligibility and Awarding of Title IV Programs

Recommendation: Saddleback College implements a process that will facilitate the proper calculation of SAP and ensure all Title IV funds are awarded at proper amounts.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Once Saddleback College was made aware of the issues encountered by the external auditors, the college conducted an internal audit of all the students receiving financial aid during the 2019-20 fiscal year and have concluded that 25 students, including the ones listed above, were erroneously overpaid totaling $84,857.74 due to the causes mentioned in the finding. As of December 15, 2020, Saddleback College amended the FISAP and returned all the funds to the Department of Education. The college also reached out to the affected students informing them of the overpayment and requested a refund of the overpayment.

Saddleback College has revised all policies and procedures related to the enrollment and administration of Title IV funds for the Cosmetology program students. Policies and procedures are in the process of being updated to ensure timely enrollment updates and grade postings; and that student level data is updated appropriately to ensure proper administration of Title IV funds for the Cosmetology program in future award years.

Saddleback College has refrained from awarding any Title IV funds to the Cosmetology program students in the 2020-21 fiscal year and will only do so once all policies and procedures are updated.

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Name(s) of the contact person(s) responsible for corrective action: Amber Gallagher (Saddleback College, Director, Financial Aid)

Planned completion date for corrective action plan: June 30, 2021

Department of Education

2020-002 Student Financial Aid Cluster – Enrollment Reporting

Recommendation: Each college improves the existing procedures and controls to ensure timely reporting of student status changes to NSLDS as required by regulations.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The office of Admissions and Records in collaboration with the Student Services Reporting Group confirmed that the enrollment file sent to the National Student Clearinghouse (NSC) and subsequently forwarded to the National Student Loan Data System (NSLDS) should be reported by the students "college of record." The student's college of record corresponds to the student's home college and the college office that processes their Financial Aid award, if applicable. Currently, NSC enrollment files are sent based on the student's enrollment and not their home college. As a "consortium," South Orange County Community College District's two colleges, Irvine Valley and Saddleback, only provide federal financial aid to a student from one college per term. The student's enrollment status discrepancies found in NSLDS enrollment history can be attributed to this oversight. Policies and procedures are being reviewed as it relates to Leave of Absence for students enrolled in the Cosmetology program.

Action Steps and Timeframe:

- Staff have attended training provided by National Clearinghouse training webinars to refresh on enrollment submission, error reports, correcting errors, and common audit issues to confirm our understanding and refine our processes. The training was held in September and October. Completed October 30, 2020.
- Will develop a process to review submissions of enrollment reporting anomalies the NSC within the allotted timeframe- Complete by November 13, 2020
- Will develop a process to review submissions of NSLDS anomalies within the allotted timeframe- Complete by November 13, 2020
- All enrolled units in the district will be reported by the student's "college of record." Scheduled to start October 2020

Name(s) of the contact person(s) responsible for corrective action: Christian Alvarado (Saddleback College, Dean, Enrollment Services) and Corey Rodgers (Irvine Valley College, Dean, Enrollment Services)

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Planned completion date for corrective action plan: June 30, 2021

Department of Education

2020-003 Student Financial Aid Cluster – Return of Funds on Behalf of the Students

Recommendation: Saddleback College implements procedures and controls to ensure compliance with the criteria referenced 34 CFR Section 668.173 (b).

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: All policies and procedures are currently being reviewed as it relates to the enrollment and administration of Title IV funds for Cosmetology program students. Policies and procedures will be updated to ensure timely enrollment updates, grade postings, and student level data is updated to ensure proper administration of Title IV funds for the Cosmetology program in future award years.

Name(s) of the contact person(s) responsible for corrective action: Amber Gallagher (Saddleback College, Director, Financial Aid)

Planned completion date for corrective action plan: June 30, 2021

If the Department of Education has questions regarding this plan, please call Richard Kudlik, District Internal Auditor, at (949)582-4647.

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SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2020

Department of Education,

South Orange County Community College District respectfully submits the following summary schedule of prior year audit findings for the year ended June 30, 2020.

Audit period: July 1, 2018 – June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Department of Education

2019-001 Student Financial Aid Cluster – Federal Direct Student Loans

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. One college within the District, Irvine Valley College, did not perform the reconciliations on a monthly basis.

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

Department of Education

2019-002 Student Financial Aid Cluster – CFDA No. – Various

Recommendation: 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. It is recommended that Irvine Valley College implement controls to ensure compliance with the above mentioned criteria.

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

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Department of Education

2019-003 Student Financial Aid Cluster – CFDA No. – Various

Recommendation: 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 682.610). These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. It is recommended 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.

Current Status: See current year finding 2020-002.

Reason for Finding's Recurrence: The office of Admissions and Records in collaboration with the Student Services Reporting Group confirmed that the enrollment file sent to the National Student Clearinghouse (NSC) and subsequently forwarded to the National Student Loan Data System (NSLDS) should be reported by the students "college of record." The student's college of record corresponds to the student's home college and the college office that processes their Financial Aid award, if applicable. Currently, NSC enrollment files are sent based on the student's enrollment and not their home college. As a "consortium," South Orange County Community College District's two colleges, Irvine Valley and Saddleback, only provide federal financial aid to a student from one college per term. The student's enrollment status discrepancies found in NSLDS enrollment history can be attributed to this oversight.

Corrective Action: Action Steps and Timeframe:

- Staff have attended training provided by National Clearinghouse training webinars to refresh on enrollment submission, error reports, correcting errors, and common audit issues to confirm our understanding and refine our processes. The training was held in September and October. Completed October 30, 2020.
- Will develop a process to review submissions of enrollment reporting anomalies the NSC within the allotted timeframe- Complete by November 13, 2020
- Will develop a process to review submissions of NSLDS anomalies within the allotted timeframe- Complete by November 13, 2020
- All enrolled units in the district will be reported by the student's "college of record." Scheduled to start October 2020

Planned completion date for corrective action plan: June 30, 2021

If the Department of Education has questions regarding this plan, please call Richard Kudlik, District Internal Auditor, at (949)582-4647.