SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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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, 2021, 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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 16 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle. Our auditor's opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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.

Board of Trustees
South Orange County Community College District

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 December 13, 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
December 13, 2021

Introduction to the Basic Financial Statements

The South Orange County Community College District (District) served over 37,500 students in spring 2021 at 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 Statements 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 Statements 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, 2021. 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

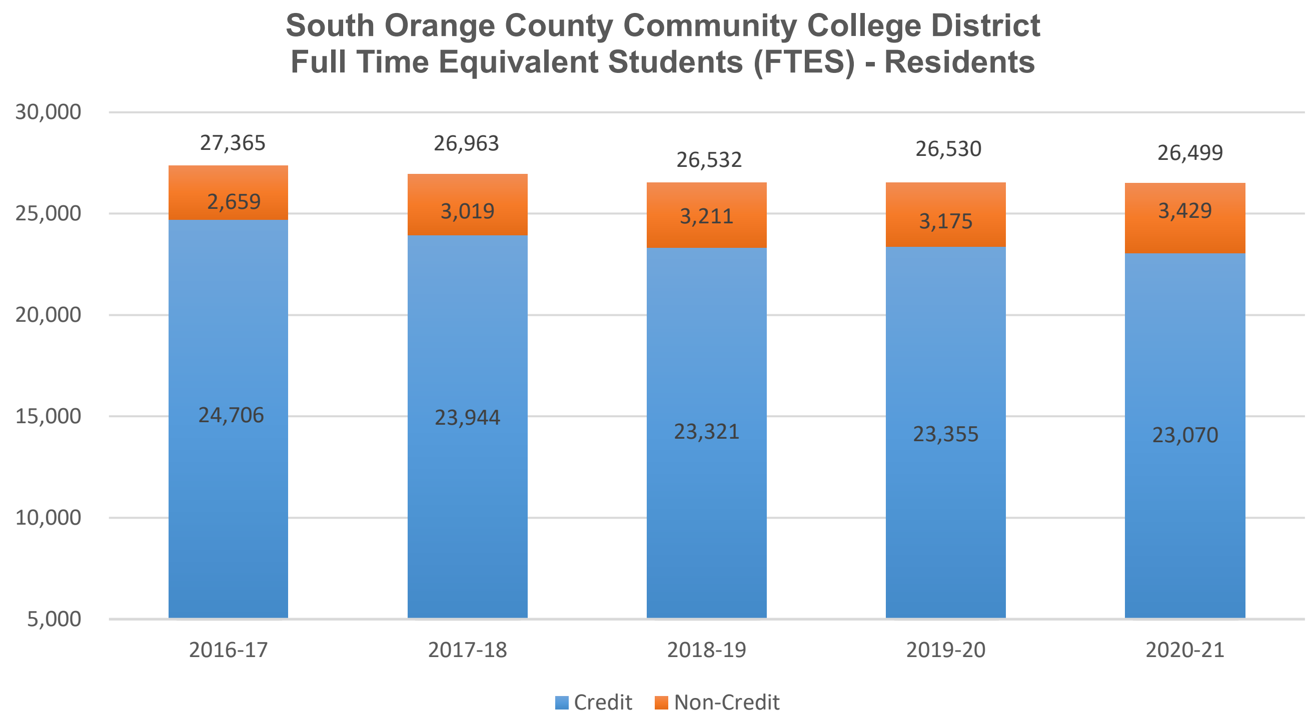
Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

Financial and Enrollment Highlights

The District ended the year with a strong fund balance. The ability to maintain a prudent reserve of 7.5 percent 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.

Despite the COVID-19 pandemic, the District was able to maintain relatively the same level of FTES between fiscal years 2019-20 and 2020-21. However, the District has experienced a 3.2 percent decline in FTES since fiscal year 2016-17 and are expecting a decline in fiscal year 2021-22 due to the current environment. A history of reported resident student enrollments is provided on the following page.

Financial and Enrollment Highlights (Continued)



Although our resident enrollment remained flat in fiscal year 2020-21, the District experienced a significant decline in the non-resident enrollments as a direct result of COVID-19. In fiscal year 2020-21, non-resident FTES totaled 1,236; whereas in fiscal year 2019-20, non-resident FTES was at 1,617 resulting in a decrease of 381 FTES (23.6%). This was a direct result of the COVID-19 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. As shown below, the District's financial position has improved over the previous fiscal year.

	2021	2020	$ Change	% Change
ASSETS				
Current Assets	$ 519,534,116	$ 488,541,132	$ 30,992,984	6.34%
Noncurrent Assets	517,673,620	451,759,076	65,914,544	14.59%
Total Assets	1,037,207,736	940,300,208	96,907,528	10.31%
DEFERRED OUTFLOWS OF RESOURCES	66,288,412	62,901,830	3,386,582	5.38%
LIABILITIES				
Current Liabilities	58,260,888	71,597,380	(13,336,492)	-18.63%
Noncurrent Liabilities	258,513,176	239,453,473	19,059,703	7.96%
Total Liabilities	316,774,064	311,050,853	5,723,211	1.84%
DEFERRED INFLOWS OF RESOURCES	41,069,241	31,979,556	9,089,685	28.42%
NET POSITION				
Net Investment in Capital Assets	475,097,669	419,518,513	55,579,156	13.25%
Restricted	47,428,508	50,320,214	(2,891,706)	-5.75%
Unrestricted	223,126,666	190,332,902	32,793,764	17.23%
Total Net Position	$ 745,652,843	$ 660,171,629	$ 85,481,214	12.95%

Assets

Total Assets increased approximately $96.9 million, a percentage increase of 10.3 percent. The major changes affecting total assets are listed below:

- Current assets increased approximately $31 million. This was due primarily to an increase in cash from property tax revenues and accounts receivable from the federal stimulus funds.

- Non-current assets increased $65.9 million over the prior year primarily due to increases in capital assets and construction in progress for projects such as the Irvine Valley College Soccer and Practice Fields, the Saddleback College Stadium, and the Saddleback College ATAS building. There was also an increase in the District's OPEB asset due to favorable market earnings on trust assets.

Liabilities

Total liabilities increased by approximately $5.7 million, a percentage increase of 1.8 percent. The major changes affecting total liabilities are listed below:

- Current liabilities decreased approximately $13.3 million. Accounts payable decreased $9 million for capital outlay projects and student refunds due. Accrued liabilities for salaries and benefits decreased by $1.3 million due to reduced state on-behalf retirement contributions. Unearned revenue decreased by $3 million as a result of lower student fees.

- Non-current liabilities increased by $19.1 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)

	2021	2020*	$ Change	% Change
OPERATING REVENUES				
Student Tuition and Fees	$ 40,857,674	$ 47,070,825	$ (6,213,151)	-13.20%
Less: Scholarship Discount and Allowance	(11,987,716)	(12,128,950)	141,234	-1.16%
Net Tuition and Fees	28,869,958	34,941,875	(6,071,917)	-17.38%
Grants and Contracts, Noncapital:				
Federal	5,656,526	5,633,543	22,983	0.41%
State	35,695,490	38,025,107	(2,329,617)	-6.13%
Local	2,811,501	2,035,148	776,353	38.15%
Subtotal	44,163,517	45,693,798	(1,530,281)	-3.35%
Total Operating Revenues	73,033,475	80,635,673	(7,602,198)	-9.43%
OPERATING EXPENSES				
Salaries	152,015,328	152,892,312	(876,984)	-0.57%
Benefits	75,896,806	87,930,328	(12,033,522)	-13.69%
Supplies, Materials, and Other Operating Expenses	30,522,608	51,668,744	(21,146,136)	-40.93%
Financial Aid	43,206,004	35,414,361	7,791,643	22.00%
Utilities	3,864,319	4,858,039	(993,720)	-20.46%
Depreciation	25,951,135	27,452,168	(1,501,033)	-5.47%
Total Operating Expenses	331,456,200	360,215,952	(28,759,752)	-7.98%
OPERATING LOSS	(258,422,725)	(279,580,279)	21,157,554	-7.57%
NONOPERATING REVENUES (EXPENSES)				
State Apportionment, Noncapital	7,794,560	7,586,697	207,863	2.74%
Local Property Taxes	245,042,120	234,285,367	10,756,753	4.59%
Federal Grants and Contracts, Noncapital	52,312,736	27,514,946	24,797,790	90.12%
State Taxes and Other Revenues	17,622,792	24,684,138	(7,061,346)	-28.61%
Investment Income (Loss) - Noncapital	4,537,106	6,933,653	(2,396,547)	-34.56%
Total Nonoperating Revenues (Expenses)	327,309,314	301,004,801	26,304,513	8.74%
INCOME BEFORE OTHER REVENUES AND LOSSES	68,886,589	21,424,522	47,462,067	221.53%
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES				
State Apportionments, Capital	795,000	3,342,999	(2,547,999)	-76.22%
Local Revenues, Grants, and Gifts, Capital	13,872,606	12,422,521	1,450,085	11.67%
Interest and Investment Income, Capital	1,142,008	2,527,751	(1,385,743)	-54.82%
Loss on Disposal of Equipment	(4,126)	(774,739)	770,613	-99.47%
Total Other Revenues, Expenses, Gains, and (Losses)	15,805,488	17,518,532	(1,713,044)	-9.78%
CHANGE IN NET POSITION	84,692,077	38,943,054	45,749,023	117.48%
Net Position, Beginning of Year as Previously Reported	660,171,629	621,228,575	38,943,054	6.27%
Cumulative Effect of Change in Accounting Principles (See Note 16)	789,137	-	789,137	100.00%
Net Position, Beginning of Year After Cumulative Effect	660,960,766	621,228,575	39,732,191	6.40%
NET POSITION - ENDING	$ 745,652,843	$ 660,171,629	$ 85,481,214	12.95%

* Prior year amounts have not been restated for the adoption of GASB No. 84. See Note 16. Federal Grants and Contracts, Noncapital amounts have been reclassed to conform to current year reporting.

Operating Revenues

Total Operating Revenues decreased by approximately $7.6 million, a decrease of 9.4 percent.

- Net tuition and fees experienced a decrease of $6.1 million, approximately 17.4 percent. Fee revenue decreased by $6.2 million and scholarship discounts and allowances decreased slightly by $141 thousand, primarily as a result of lower resident and non-resident enrollments related to the COVID-19 pandemic.

- Noncapital grants and contracts decreased $1.5 million, a decrease of 3.4 percent. Factors contributing to this include lower State funds of $2.3 million for capital outlay projects and higher local funds of $0.8 million as a result of leased property increases and medical insurance rebates.

Operating Expenses

Total Operating Expenses decreased by 7.98 percent, approximately $28.8 million. Items of significance affecting the changes include:

- Salaries and benefits decreased by approximately $12.9 million, a decrease of 5.4 percent. Salaries decreased by $877 thousand (0.6%) as a result of few staff in our community education and child development programs. Benefits decreased by $12 million (13.7%) due to changes in the state on-behalf retirement payments and the OPEB deferred inflows and outflows.

- Supplies, materials and other operating expenses decreased by $21.1 million, a decrease of 40.9 percent. The decrease is primarily from lower capital outlay related costs for projects and reduced costs from working in a remote environment.

- Financial aid increased by $7.8 million (22.0%) mainly due to additional federal grants, such as Pell and Higher Education Emergency Relief Funds (HEERF).

- Depreciation decreased by $1.5 million (5.5%) due to fewer purchases of equipment and furniture and some items being fully depreciated.

- Utility costs decreased by $1 million (20%) due to the limited on-site instruction over the last year.

Nonoperating Revenues (Expenses)

Nonoperating Revenues increased by $26.3 million (8.7%) primarily due to the following:

- The 4.6 percent increase of $10.7 million in local property tax reflects the moderate growth trend of the local property tax base.

- Noncapital Federal grants and contracts increased by $24.8 million (90.1%) primarily due to the receipt of HEERF funds for institutional support and student financial aid.

- State taxes and other revenues decreased by $7.1 million (28.6%) as a result of lower pension on-behalf payments.

Nonoperating Revenues (Expenses) (Continued)

- Investment income decreased by $2.4 million, a reduction of 34.6 percent, as a result of the reduced investment earnings rates in the county treasury and the Local Agency Investment Fund (LAIF).

Other Revenues, Expenses, Gains, and Losses

Other Revenues, Expenses, Gains, and Losses decreased by 9.8 percent, approximately $1.7 million.

- State apportionments for capital decreased $2.5 million (76.2%) due to the progress of the three state funded construction projects, the Saddleback College Gateway Building, the Saddleback College Science and Math Building, and the Irvine Valley College Fine Arts Building.

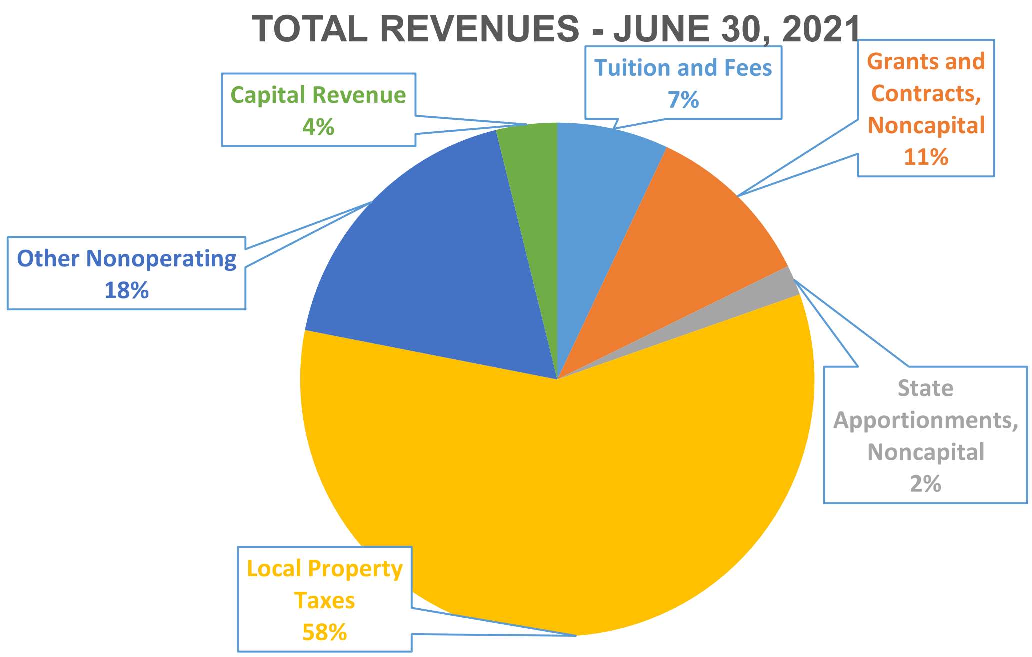
- Local revenues for capital increased by $1.5 million (11.7%) as a result of new rental income and increases in redevelopment property taxes.

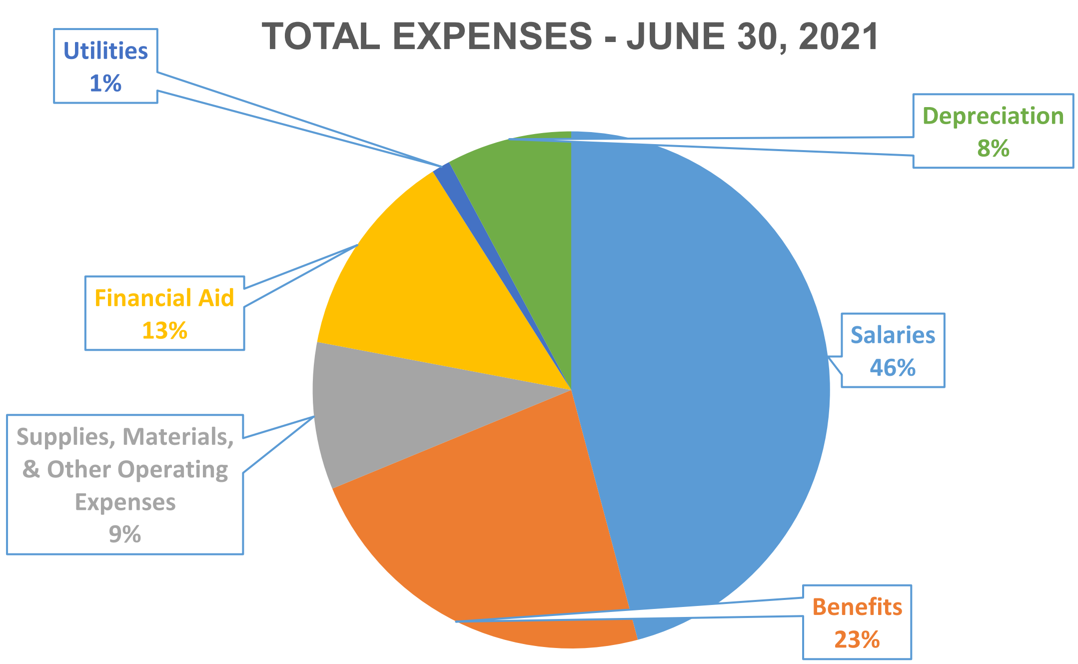
- Interest and investment income for capital decreased by $1.4 million, a reduction of 54.8 percent, as a result of the reduced investment earning rates in the county treasury.

- The loss on disposal of equipment decreased by $771 thousand (99.5%) due to an adjustment in the costs not capitalized (CIP) in the prior year.

The following two pie charts depict the breakdown and percentages of the major components in Total Revenue and Total Expenses as of June 30, 2021.

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





District's Fiduciary Responsibility

The Futuris Public Entity Investment Trust Retiree Benefit OPEB Trust (the OPEB Trust) is an irrevocable government trust for the purpose of funding postemployment health benefits. The District acts as the fiduciary of the OPEB Trust and the financial activity of the OPEB Trust has been presented in separate statements in the financial statements.

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.

	2021	2020*	$ Change	% Change
CASH PROVIDED (USED) BY				
Operating Activities	$ (240,808,620)	$ (247,259,610)	$ 6,450,990	-2.61%
Noncapital Financing Activities	320,598,753	303,400,414	17,198,339	5.67%
Capital and Related Financing Activities	(76,899,415)	(48,038,232)	(28,861,183)	60.08%
Investing Activities	6,277,547	15,552,470	(9,274,923)	-59.64%
Net Change in Cash and Cash Equivalents	9,168,265	23,655,042	(14,486,777)	-61.24%
CASH BALANCE - BEGINNING OF YEAR	414,673,484	390,325,911	24,347,573	6.24%
CASH BALANCE - END OF YEAR	$ 423,841,749	$ 413,980,953	$ 9,860,796	2.38%

* Prior year amounts have not been restated for the adoption of GASB No. 84. See Note 16.

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 decreased by $6.4 million (2.6%) primarily for payments to/on-behalf of employees and payments to suppliers.

Noncapital Financing Activities

Property taxes, HEERF, and financial aid are the main source of receipts for noncapital financial activities. Net cash provided by noncapital activities increased by $17.1 million (5.7%) and is consistent with the growth in the property tax base and large increase in federal financial aid.

Capital and Related Financing Activities

Net cash used by capital and related financing activities increased by $28.9 million (60%) due to higher expenditures for equipment and construction projects.

Investing Activities

Net cash provided by investing activities decreased by $9.3 million (59.6%) from the prior year due to lower investment return rates in the county treasury and LAIF.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2021, the District had approximately $475 million invested in net capital assets. Total capital assets of $760 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $285 million. In fiscal year 2020-21, there were net capital asset additions in the amount of $69.6 million, which includes costs for the Irvine Valley College Soccer and Practice Fields, the Saddleback College ATAS building, and the Saddleback College Stadium, and net depreciation expense of $25.4 million.

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

	2021	2020	Net Change
Land, Artwork, and Construction in Progress	$ 132,674,440	$ 146,052,678	$ (13,378,238)
Buildings, Site Improvements, and Equipment	627,601,102	544,636,712	82,964,390
Accumulated Depreciation	(285,177,873)	(259,759,386)	(25,418,487)
Total Capital Assets	$ 475,097,669	$ 430,930,004	$ 44,167,665

Debt

At June 30, 2021, the District had $261 million in debt, an increase of $19 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:

	2021	2020	Net Change
Compensated Absences	$ 7,644,532	$ 6,675,312	$ 969,220
Claims Liability	611,832	611,832	-
Early Retirement Incentive	1,795,619	3,651,086	(1,855,467)
Medicare Premiums Payment (MPP) Program	770,861	778,310	(7,449)
Net Pension Liability	250,355,646	230,459,792	19,895,854
Total Long-Term Liabilities	$ 261,178,490	$ 242,176,332	$ 19,002,158

Economic Outlook and Factors Affecting Next Year's Budget

The fiscal year 2021-22 state budget for community colleges included COLA of 5.07 percent and 0.50 percent for growth funding. The COLA includes backfill for the 2.31 percent COLA that was not funded for FY 2020-21 (compounded), the statutory COLA of 1.70 percent for FY 2021-22, and an additional 1.02 percent that will collectively increase the funding rates in the Student Centered Funding Formula (SCFF). The hold harmless provisions of the SCFF were extended through FY 2024-25.

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 2021-22 adopted budget assumes an increase in property tax revenue of 3.8 percent over fiscal year 2020-21 actual receipts. This assumption is based on prior years' history and conservative estimations provided by the county auditor/controller's office. Property tax receipts have been a stable revenue source with moderate growth in recent years. The District continues to experience sufficient revenue to maintain funding of the colleges and allow for future capital projects. Excess funds over the funding formula are used to pay for long-term debt, one-time expenditures, and capital outlay needs.

The most recent actuarial valuation study was completed for the District's other post-employment benefits (OPEB) liability in January 2021. Based on a discount rate of 6 percent, the actuarial accrued asset is approximately $42.6 million. The District has budgeted sufficient funds to cover the actuarially determined contribution for fiscal year 2021-22. The next actuarial valuation study is scheduled to be completed in January 2022.

The $2.3 billion State investment in the pension plans in FY 2020-21 reduced the anticipated STRS and PERS rates for fiscal year 2021-22 from 18.1 percent and 24.9 percent to 16.92 percent and 22.91 percent, respectively. Although, this investment lowered the anticipated rates, it did not eliminate rate increases over fiscal year 2020-21. The District created a Pension Stabilization Trust to pre-fund the increased costs and has previously made deposits totaling $44.7 million. Additional deposits will continue each year in order to maintain the fund and defray the increases for the colleges' and district service's budgets. In fiscal year 2021-22, the District budgeted a $6 million basic aid allocation.

The colleges are shifting to more on-campus instruction for the fall semester. Procedures are in place to maintain safety for the students, faculty, staff, and community members attending our sites. Due to the fluid nature of the pandemic, the colleges have remained nimble in planning for the fall 2021 semester and can shift classes back on-line if needed. The additional funding provided in the Coronavirus Aid, Relief, and Economic Security Act, the Coronavirus Response and Relief Supplemental Appropriations Act, and the American Rescue Plan Act, have helped out substantially in the short-term.

Discussions with prospective tenants for ATEP continue to take place, with increased interest the last couple of months. We recently entered into access and option agreements, including opening escrow, with two prospective tenants and are in discussions with two more.

The District continues to minimize expenditures and looks forward to finding ways to maximize the revenues once the pandemic has subsided. To the extent allowed, federal and state funds will be utilized to mitigate the increased costs and lost revenues associated with the COVID-19 crisis. The District and colleges will continue to pivot as needed to ensure we stay focused on achieving our goals while maintaining a safe learning and working environment.

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, 2021

	Primary Government	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 423,841,749	$ 346,528
Investments	53,808,961	4,580,173
Accounts Receivable, Net	40,070,084	142,969
Inventory	53,425	-
Prepaid Expenses	1,696,497	98,603
Due from Component Units	63,400	-
Total Current Assets	519,534,116	5,168,273
Noncurrent Assets:		
Contributions Receivable, Net of Discount	-	1,063,014
OPEB Asset	42,575,951	-
Investments, at Fair Value	-	11,433,125
Capital Assets, Not Being Depreciated	132,674,440	-
Capital Assets, Net of Accumulated Depreciation	342,423,229	-
Total Noncurrent Assets	517,673,620	12,496,139
Total Assets	1,037,207,736	17,664,412
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - OPEB	5,349,018	-
Deferred Outflows - Pension	60,939,394	-
Total Deferred Outflows of Resources	66,288,412	-
Total Assets and Deferred Outflows of Resources	$ 1,103,496,148	$ 17,664,412

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2021

	Primary Government	Component Units
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 15,301,433	$ 47,265
Accrued Liabilities	8,453,132	61,810
Unearned Revenue	31,841,009	-
Due to Primary Government	-	-
Due to Foundation	-	-
Current Portion of Long-Term Liabilities	2,665,314	-
Total Current Liabilities	58,260,888	109,075
Noncurrent Liabilities:		
Noncurrent Portion of Long-Term Liabilities	258,513,176	-
Total Noncurrent Liabilities	258,513,176	-
Total Liabilities	316,774,064	109,075
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - OPEB	31,342,456	-
Deferred Inflows - Pensions	9,726,785	-
Total Deferred Inflows of Resources	41,069,241	-
NET POSITION		
Net Investment in Capital Assets	475,097,669	-
Restricted for:		
Capital Projects	36,903,363	-
Other Special Purposes	10,525,642	6,597,761
Restricted - Nonexpendable	-	5,891,880
Unrestricted	223,126,169	5,065,696
Total Net Position	745,652,843	17,555,337
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,103,496,148	$ 17,664,412

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, 2021

	Primary Government	Component Units
OPERATING REVENUES		
Tuition and Fees (Gross)	$ 40,857,674	$ -
Less: Scholarship Discounts and Allowances	(11,987,716)	-
Net Tuition and Fees	28,869,958	-
Grants and Contracts, Noncapital:		
Federal	5,656,526	-
State	35,695,490	-
Local	2,811,501	3,492,935
Total Operating Revenues	73,033,475	3,492,935
OPERATING EXPENSES		
Salaries	152,015,328	1,683,051
Employee Benefits	75,896,806	136,633
Supplies, Materials, and Other Operating Expenses and Services	30,522,608	489,246
Financial Aid	43,206,004	856,656
Utilities	3,864,319	-
Depreciation	25,951,135	-
Total Operating Expenses	331,456,200	3,165,586
OPERATING INCOME (LOSS)	(258,422,725)	327,349
NONOPERATING REVENUES (EXPENSES)		
State Apportionments, Noncapital	7,794,560	-
Local Property Taxes	245,042,120	-
Federal Grants and Contracts, Noncapital	52,312,736	-
State Taxes and Other Revenue	17,622,792	-
Interest and Investment Income, Noncapital	4,537,106	207,636
Total Nonoperating Revenues (Expenses)	327,309,314	207,636
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, AND (LOSSES)	68,886,589	534,985
OTHER REVENUES, EXPENSES, GAINS, AND (LOSSES)		
State Apportionments, Capital	795,000	-
Loss on Disposal of Equipment	(4,126)	-
Realized and Unrealized Gain (Loss) on Investments	-	2,657,978
Interest and Investment Income, Capital	1,142,008	-
Local Revenues, Grants, and Gifts, Capital	13,872,606	-
Total Other Revenues, Expenses, Gains and (Losses)	15,805,488	2,657,978
CHANGES IN NET POSITION	84,692,077	3,192,963
Net Position, Beginning of Year as Previously Reported	660,171,629	14,362,374
Cumulative Effect of Change in Accounting Principles (See Note16)	789,137	-
Net Position, Beginning of Year After Cumulative Effect	660,960,766	14,362,374
NET POSITION - END OF YEAR	$ 745,652,843	$ 17,555,337

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	Primary Government	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$ 25,078,854	$ -
Federal Grants and Contracts	6,412,735	-
State Grants and Contracts	27,282,733	-
Local Grants and Contracts	2,811,501	2,013,325
Sales	88,233	94,546
Payments to Suppliers	(36,530,990)	(568,715)
Payments To/On-Behalf of Employees	(224,422,500)	(460,457)
Payments To/On-Behalf of Students	(43,301,157)	(856,656)
Other Miscellaneous Receipts	1,771,971	30,139
Net Cash Provided (Used) by Operating Activities	(240,808,620)	252,182
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Apportionments and Receipts	7,794,560	-
Property Taxes	245,253,177	-
Federal Grants and Contracts	35,247,287	-
State Taxes and Other Revenue	18,411,300	-
Amounts Held for Others	15,697	-
Local Receipts, Nonoperating	13,876,732	-
Net Cash Provided by Noncapital Financing Activities	320,598,753	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Apportionment for Capital Purposes	1,260,595	-
Local Revenue, Grants, and Gifts for Capital Purposes	4,041,437	-
Proceeds from Sale of Equipments	131,543	-
Net Purchases of Capital Assets	(80,477,523)	-
Principal Paid on Long-Term Debt	(1,855,467)	-
Net Cash Used by Capital and Related Financing Activities	(76,899,415)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	5,054,120	399,874
Proceeds from Sale of Investments	7,828,582	5,577,806
Purchase of Investments	(6,605,155)	(6,113,390)
Net Cash Provided (Used) by Investing Activities	6,277,547	(135,710)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,168,265	116,472
CASH BALANCE - BEGINNING OF YEAR	414,673,484	230,056
CASH BALANCE- END OF YEAR	$ 423,841,749	$ 346,528

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2021

	Primary Government	Component Units
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (258,422,725)	$ 327,349
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	25,951,135	-
Amortization of Discount - Present Value Contributions	-	155,065
Changes in Assets and Liabilities:		
Receivables, Net	(8,110,243)	(63,951)
Inventory	2,985	-
Prepaid Expense	1,742,149	(65,355)
Due from Component Units and Fiduciary Funds	28,584	-
Deferred Outflows of Pensions Plans and OPEB	(3,386,582)	-
OPEB Asset	(21,746,879)	-
Accounts Payable	(3,984,350)	18,126
Accrued Liabilities	(2,102,524)	(91,093)
Unearned Revenue	(2,127,126)	-
Trust Account Liabilities	-	(27,959)
Compensated Absences	969,219	-
Net Pension Liabilities	19,895,854	-
Supplemental Employee Retirement Plan	770,861	-
Medical Premium Payment Program	621,337	-
Deferred Inflows of Pension Plans and OPEB	9,089,685	-
Net Cash Provided (Used) by Operating Activities	$ (240,808,620)	$ 252,182

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
JUNE 30, 2021

	Retiree Health Benefit (OPEB) Trust
ASSETS	
Investments	$ 158,063,072
Accounts Receivable	151,467
Total Assets	$ 158,214,539
NET POSITION	
Restricted - Nonspendable	$ 158,214,539
Total Net Position	158,214,539
Total Liabilities and Net Position	$ 158,214,539

See accompanying Notes to Financial Statements.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS PLAN NET POSITION
YEAR ENDED JUNE 30, 2021

	Retiree Health Benefit (OPEB) Trust
ADDITIONS	
Interest Income	$ 29,338,561
Other Local Revenue	5,225,816
Total Additions	34,564,377
DEDUCTIONS	
Benefits	5,098,203
Other Operating Expenses and Services	485,901
Total Deductions	5,584,104
NET CHANGES IN NET POSITION	28,980,273
Net Position - Beginning of Year	129,234,266
NET POSITION - END OF YEAR	$ 158,214,539

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)

Foundation for South Orange County Community College District, Saddleback College Foundation, and Irvine Valley College Foundation (Collectively, the Foundations) (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.

Futuris Public Entity Investment Trust Retiree Health Benefit (OPEB) Trust (the OPEB Trust): The OPEB Trust is an irrevocable governmental trust pursuant to Section 115 of the Internal Revenue Code for the purpose of funding certain postemployment benefits other than pensions. The Retirement Board of Authority comprised of the Vice Chancellor of Business Services, Vice Chancellor of Human Resources, District Executive Director of Fiscal Services, Vice President for College Administrative Services, Saddleback College, and the Vice President for College Administrative Services, Irvine Valley College, provide oversight over OPEB 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 OPEB 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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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 (OPEB) Trust 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 U.S. 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 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 or at net asset value.

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, 2021 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 monthly basis 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 three 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 postemployment (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 student 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, pension expense and 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)

For purposes of measuring 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 OPEB Trust. For this purpose, the OPEB 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.

Medicare Premium Payment (MPP) Program

For purposes of measuring the District's liability related to the Medicare Premium Payment (MPP) Program, the fiduciary net position of the MPP Program and additions to/deductions from the MPP Program fiduciary net position have been determined on the same basis as they are reported by the MPP Program. There are no significant deferred outflows of resources or deferred inflows of resources related to the MPP Program or for MPP Program expenses. For this purpose, the MPP Program recognizes benefit payments when due and payable in accordance with the benefit terms. The MPP Program reports its investments 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. The related liability for the District's proportionate share of the MPP Program is reported in the financial statements. The plan is not material and additional disclosures are not included.

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 postemployment (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 in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District also includes capital projects and other special purposes such as stores inventory and prepaid expenditures. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

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 or for specific future purposes.

State Apportionments

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

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

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, 2021.

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, most federal and state grants and local 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, most 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 U.S. GAAP 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, 2021.

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, 2021, the District's bank balance of $10,356,904 was collateralized at 110% in accordance with applicable California state law.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021, total Cash in County is $412,768,102. 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, 2021, is measured at 100.18% 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 Orange County Treasury (the County) is authorized to deposit cash and invest excess funds by California Government Code Sections 53534, 53601, 53635, and 53648. The County is restricted to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, state Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated.

Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it 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, 2021.

- 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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The District maintains investments with the state of California Local Agency Investment Fund (LAIF) amounting to $28,148,881 as of June 30, 2021. LAIF pools these funds with other governmental agencies and invests in various investment vehicles. LAIF uses amortized cost and current value methods to value the portfolio. Regulatory oversight is provided by the state Pooled Money Investment Board and the Local Investment Advisory Board. LAIF is not subject to categorization to indicate the level of custodial credit risk assumed by the District at year-end.

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

Investments and investments with fiscal agent for the governmental funds at June 30, 2021 are presented below.

Investment	Maturities	Fair Value	Standard & Poor's Rating
Mutual Funds - Fixed Income	Not Applicable	$ 25,660,080	Not Rated
LAIF	Not Applicable	28,148,881	Not Rated
Total		$ 53,808,961	

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the state of California. The Local Investment Advisory Board has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the pooled treasury's portion in the pool. Withdrawals from LAIF are done on a dollar for dollar basis. The District also has investments held and managed by Benefit Trust for OPEB Trust and Pension Stability Trust.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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, 2021, are presented below:

		Fair Value Measurements Using		
Investment - Government-Wide	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Fund - Fixed Income	$ 20,987,222	$ 21,478,426	$ -	$ -
Mutual Fund - Domestic Equity	2,169,510	2,792,796	-	-
Mutual Fund - International Equity	727,532	913,897	-	-
Mutual Fund - Real Estate	398,198	474,961	-	-
Total	$ 24,282,462	$ 25,660,080	$ -	$ -

Certain investments that were measured at net asset value (NAV) per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net position. The value of the District's investment in the LAIF is measured using NAV per share or its equivalent.

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

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. In accordance with GASB, the District is exposed to concentration of credit risk whenever investment in any one issuer exceed 5%. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement. 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, 2021 consists of the following:

Federal and State	$ 31,796,568
Property Tax	4,618,373
Miscellaneous	3,655,143
Total Accounts Receivable	$ 40,070,084

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, 2021.

	Balance July 01, 2020	Additions	Retirements	Balance June 30, 2021
Capital Assets Not Being Depreciated:				
Land	$ 51,809,660	$ -	$ -	$ 51,809,660
Artwork	37,100	-	-	37,100
Construction in Progress	94,205,918	67,860,044	81,238,282	80,827,680
Total Capital Assets Not Being Depreciated	146,052,678	67,860,044	81,238,282	132,674,440
Capital Assets Being Depreciated:				
Site Improvements	113,230,008	7,860,796	668,317	120,422,487
Building and Building Improvements	355,799,160	70,099,020	-	425,898,180
Furniture, Equipment, Technology	75,607,544	5,672,891	-	81,280,435
Total Capital Assets Being Depreciated	544,636,712	83,632,707	668,317	627,601,102
Less: Accumulated Depreciation for:				
Site Improvements	(94,242,769)	(7,424,066)	(252,601)	(101,414,234)
Building and Building Improvements	(110,309,153)	(8,294,447)	(154,027)	(118,449,573)
Furniture, Equipment, Technology	(55,207,464)	(10,232,622)	(126,020)	(65,314,066)
Total Accumulated Depreciation	(259,759,386)	(25,951,135)	(532,648)	(285,177,873)
Depreciable Assets, Net	284,877,326	57,681,572	135,669	342,423,229
Governmental Activities Capital Assets, Net	$ 430,930,004	$ 125,541,616	$ 81,373,951	$ 475,097,669

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
2022	$ 54,889
2023	19,209
2024	14,011
2025	6,600
2026	6,600
Thereafter	158,400
Total Nonoperating Revenues (Expenses)	$ 259,709

Current year expenditures for operating leases is approximately $305,329. 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 3% 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
2022	$ 3,067,841
2023	3,159,876
2024	3,254,672
2025	3,352,312
2026	3,452,882
2027-2031	18,881,772
2032-2036	21,889,149
2037-2041	25,375,523
2042-2046	29,417,186
2047-2051	34,102,581
2052-2056	39,534,237
2057-2061	45,831,017
2062-2066	53,130,709
2067-2071	61,593,054
2072-2075	56,266,122
Total	$ 402,308,932

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, 2021, is $1,795,619.

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 $1.8 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, 2021, 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	$ 131,796,240	$ 37,760,750	$ 8,354,443	$ 27,660,604
CalPERS - Schools Pool Plan	118,559,406	23,178,644	1,372,342	24,499,974
Total	$ 250,355,646	$ 60,939,394	$ 9,726,785	$ 52,160,578

<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% 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, 2021, 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	16.15%	16.15%
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, 2021, are presented above and the total District contributions were $12,950,027.

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

At June 30, 2021, 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, 2021
District Proportionate Share of Net Pension Liability	$ 131,796,240
State's Proportionate Share of the Net Pension Liability Associated with the District	67,940,427
Total	$ 199,736,667

The net pension liability was measured as of June 30, 2020. 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, 2020, the District's proportion was 0.1360% which is an increase of 0.0010% from its proportion measured as of June 30, 2019.

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, 2021, the District recognized pension expense of $27,660,604. In addition, the District recognized revenue and corresponding expense of $6,883,250 for support provided by the state. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 12,950,027	$ -
Difference Between Expected and Actual Experience	232,560	3,716,880
Changes in Assumptions	12,852,000	-
Changes in Proportion	8,595,443	4,637,563
Net Differences Between Projected and Actual Earnings on Plan Investments	3,130,720	-
Total	$ 37,760,750	$ 8,354,443

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, 2022. 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, 2020, measurement date is seven years.

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

Year Ending June 30,	Amortization
2022	$ 913,080
2023	5,295,314
2024	6,473,208
2025	2,338,732
2026	1,302,040
2027	133,906
Total	$ 16,456,280

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)

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. 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, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 investment staff and investment consultants and adopted by the CalSTRS Board in January 2020. Best estimates of 20-year geometrically linked 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 in the following table:

Asset Class	Assured Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	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%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that 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 of 7.10% and assume that contributions, benefit payments, and administrative expense occur 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 the 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 1% lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% Decrease (6.10%)	$ 199,125,760
Current Discount Rate (7.10%)	131,796,240
1% Increase (8.10%)	76,206,240

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2020, CalSTRS completed an experience study for the period starting July 1, 2015 and ending June 30, 2018. The experience study was adopted by the CaSTRS Board in January 2020. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including termination rates and service rates.

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 nonduty 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 five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized herein.

Provisions and Benefits	Schools Pool Plan (CalPERS)	
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	20.70%	20.70%

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, 2021, are as presented above and the total District contributions were $11,652,983.

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, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $118,559,406. The net pension liability was measured as of June 30, 2020. 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, 2020, the District's proportion was 0.3864% which is a decrease of 0.0140% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of $24,499,974. At June 30, 2021, 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	$ 11,652,983	$ -
Difference Between Expected and Actual Experience	5,880,183	-
Changes of Assumptions	434,762	-
Changes in Proportion	2,742,686	1,372,342
Net Differences Between Projected and Actual Earnings on Plan Investments	2,468,030	-
Total	$ 23,178,644	$ 1,372,342

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, 2022. 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, 2020, 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
2022	$ 2,841,927
2023	3,195,278
2024	2,849,100
2025	1,267,014
Total	$ 10,153,319

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, 2019, and rolling forward the total pension liability to June 30, 2020. 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, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 1997 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.15%
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+ 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 1% lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% Decrease (6.15%)	$ 170,450,766
Current Discount Rate (7.15%)	118,559,406
1% Increase (8.15%)	75,492,181

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 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description and Eligibility

The District established an Other Postemployment Benefit Plan (the Plan) which is a single-employer defined benefit healthcare plan administered by the Futuris Public Entity Investment Trust (the OPEB Trust). The OPEB Trust serves as an irrevocable trust, ensuring the funds contributed into its Investment Trust are dedicated to serving the needs of member districts and their employees and retirees. 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 currently provides retiree and dependent health benefits to eligible faculty, classified staff, 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	378
Inactive Participants Entitled to but not yet Receiving Benefit Payments	-
Active Employees	1,006
Total	1,384

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, 2021, the District contributed $5,225,816 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's OPEB Plan, not the fund; it excludes the accounts receivable for investment income:

	Balance June 30, 2021
Total OPEB Liability (Asset)	$ 115,487,121
Plan Fiduciary Net Position	(158,063,072)
District's Net OPEB Liability (Asset)	$ (42,575,951)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	-136.87%

NOTE 10 POSTEMPLOYMENT 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, 2021, 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, 2021, the District reported deferred inflows and outflows as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Projected and Actual Earnings, Net	$ -	$ 16,679,410
Difference Between Expected and Actuarial Experience	-	12,539,087
Changes in Assumptions	5,349,018	2,123,959
Total	$ 5,349,018	$ 31,342,456

At June 30, 2021, the deferred inflows and outflows will be amortized as shown herein:

Year Ending June 30,	Amortization
2022	$ (7,497,191)
2023	(6,042,945)
2024	(5,374,909)
2025	(5,745,567)
2026	(1,521,850)
2027	189,024
Total	$ (25,993,438)

Investments

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

At June 30, 2021, all Plan investments were in mutual funds. The Plan held no investments in any one organization that represented 5% or more of fiduciary net position.

NOTE 10 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Investments (Continued)

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 22.24%.

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 Plan's investments' fair value measurements at June 30, 2021, are presented herein.

		Fair Value Measurements Using		
Investment	Costs	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Fund - Fixed Income	$ 76,112,416	$ 78,120,504	$ -	$ -
Mutual Fund - Domestic Equity	35,798,635	55,235,322	-	-
Mutual Fund - International Equity	10,360,262	14,387,484	-	-
Mutual Fund - Real Estate	8,700,864	10,319,762	-	-
Total	$ 130,972,177	$ 158,063,072	$ -	$ -

Actuarial Methods and Assumptions

The District's net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability (asset) used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021.

The total OPEB asset was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
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 POSTEMPLOYMENT 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, 2021, (see the discussion of the Plan's investment policy) are shown herein.

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Fixed Income	52%	1.75%
Domestic 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Changes in the Net OPEB Liability (Asset) for the Plan

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	$ 108,363,840	$ 129,192,912	$ (20,829,072)
Changes for the Year:			
Service Cost	4,938,531	-	4,938,531
Interest	6,627,680	-	6,627,680
Difference Between Expected and Actual Return	(4,917,341)	-	(4,917,341)
Changes of Assumptions	6,240,521	-	6,240,521
Employer Contributions	-	5,766,110	(5,766,110)
Net Investment Income	-	28,870,160	(28,870,160)
Benefit Payments	(5,766,110)	(5,766,110)	-
Net Changes	7,123,281	28,870,160	(21,746,879)
Balances at June 30, 2021	$ 115,487,121	$ 158,063,072	$ (42,575,951)

NOTE 10 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Changes in the Net OPEB Liability (Asset) for the Plan (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%)	$ (32,048,965)
Current Discount Rate (6.0%)	(42,575,951)
1% Increase (7.0%)	(56,993,274)

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%)	$ (58,863,897)
Current Healthcare Trend Rate (6.0% Decreasing to 4.0%)	(42,575,951)
1% Increase (7.0% Decreasing to 5.0%)	(29,338,589)

OPEB Expense

For the year ended June 30, 2021, the District recognized OPEB expense of $12,298,215.

NOTE 11 LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2021, is shown below:

	Balance July 01, 2020	Additions	Reductions	Balance June 30, 2021	Amount Due in One Year
Compensated Absences	$ 6,675,312	$ 1,518,126	$ 548,906	$ 7,644,532	$ 869,695
Claims Liability	611,832	206,816	206,816	611,832	-
Early Retirement Incentive	3,651,086	-	1,855,467	1,795,619	1,795,619
Medicare Premium Payment (MPP) Program	778,310	-	7,449	770,861	-
Net Pension Liability	230,459,792	19,895,854	-	250,355,646	-
Total	$ 242,176,332	$ 21,620,796	$ 2,618,638	$ 261,178,490	$ 2,665,314

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 0.207%. 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 38 individual member districts for a total of 57 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 is a JPA 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, 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, 2021, is as shown herein.

	SWACC 6/30/2021 (Audited)	SAFER 6/30/2021 (Audited)	PIPS 6/30/2021 (Audited)	SISC 9/30/2020 (Audited)	ACSIG 6/30/2021 (Audited)	INTELECOM 6/30/2021 (Audited)
Total Assets	$ 45,415,626	$ 43,779,353	$ 191,377,661	$ 894,318,838	$70,366,992	$ 1,637,981
Total Liabilities	28,139,663	41,873,705	129,353,377	210,116,678	19,788,276	2,265,579
Fund Balance	17,275,963	1,905,648	62,024,284	684,202,160	50,578,716	(627,598)
Total Revenues	28,971,710	101,643,978	323,229,641	2,639,716,772	161,037,626	1,405,082
Total Expenditures	25,488,450	101,673,081	309,066,485	2,482,489,489	155,356,494	1,381,500
Total Nonoperating Revenues (Expenses)	(646,187)	279,152	5,788,763	-	186,706	-

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:

	Instructional Salaries and Benefits	Noninstructional Salaries and Benefits	Supplies, Materials, and Other Operating Expenses and Services	Financial Aid	Depreciation	Total
Instructional Activities	$ 104,421,535	$ 5,540,489	$ 5,920,566	$ -	$ -	$ 115,882,590
Academic Support	1,473,699	17,565,905	793,554	-	-	19,833,158
Student Services	-	33,895,839	2,166,591	-	-	36,062,430
Operation and Maintenance of Plant	-	11,879,604	6,210,368	-	-	18,089,972
Instructional Support Services	-	44,631,161	11,392,594	-	-	56,023,755
Community Services and Economic Development	20,129	2,567,073	259,962	-	-	2,847,164
Ancillary Services and Auxiliary Operations	-	3,371,091	874,628	-	-	4,245,719
Physical Property and Related Acquisitions	-	2,545,609	6,768,664	-	-	9,314,273
Transfers, Student Aid, and Other Outgo	-	-	-	43,206,004	-	43,206,004
Depreciation Expense	-	-	-	-	25,951,135	25,951,135
Total	$ 105,915,363	$ 121,996,771	$ 34,386,927	$ 43,206,004	$ 25,951,135	$ 331,456,200

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 (See Note 12) 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, 2021, 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	$ 611,832	$ 206,816	$ 206,816	$ 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, 2021, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $43.6 million. Projects will be funded through state funds and general funds.

NOTE 16 CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES

During fiscal year ended June 30, 2021, the South Orange County Community College District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. As a result, the beginning net position of the basic financial statement has an increase of $789,137 in the government financials to recognize the beginning net position of fiduciary activities.

Net Position, Beginning of Year as Previously Reported	$ 660,171,629
Cumulative Effect of Change in Accounting Principles	789,137
Net Position, Beginning of Year After Cumulative Effect	$ 660,960,766

Certain reclassifications of amounts previously reported have been made to the Management Discussion and Analysis and Statement of Cash Flows to maintain consistency between periods presented.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2021, 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. 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. 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.

NOTE 17 GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE (CONTINUED)

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 2022-23.

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 2022-23.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the Net Pension Liability (Assets)	0.1220%	0.1290%	0.1300%	0.1290%	0.1220%	0.1350%	0.1360%
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	$ 131,796,240
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	67,940,427
Total	$ 114,668,346	$ 132,665,072	$ 165,011,456	$ 189,876,174	$ 176,324,543	$ 188,446,237	$ 199,736,667
District's Covered Payroll	$ 63,923,000	$ 59,388,000	$ 66,927,000	$ 75,351,000	$ 73,766,000	$ 75,683,000	$ 77,321,000
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%	170.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.50%	76.50%	70.04%	69.46%	71.00%	73.00%	72.00%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019	2020	2021
District's Proportion of the Net Pension Liability (Assets)	0.3780%	0.3770%	0.3831%	0.3947%	0.3772%	0.3724%	0.3864%
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	$ 118,559,406
District's Covered Payroll	$ 42,707,000	$ 41,766,000	$ 45,786,000	$ 50,140,000	$ 49,764,000	$ 51,296,000	$ 55,323,000
Total Nonoperating Revenues (Expenses) as a Percentage of its Covered Payroll	100.48%	133.06%	165.25%	187.92%	202.10%	211.58%	214.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.40%	83.40%	73.90%	71.87%	71.00%	70.00%	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, 2021

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contribution	$ 8,300,583	$ 7,181,247	$ 9,479,208	$ 10,603,030	$ 12,321,240	$ 13,221,886	$ 12,950,027
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	12,950,027
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	$ 80,227,000
Contributions as a Percentage of Covered Payroll	13.98%	10.73%	12.58%	14.37%	16.28%	17.10%	16.15%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018	2019	2020	2021
Contractually Required Contribution	$ 4,916,269	$ 5,424,269	$ 6,963,468	$ 7,728,887	$ 9,265,030	$ 10,910,312	$ 11,652,983
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	11,652,983
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	$ 56,531,000
Contributions as a Percentage of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%

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, 2021

Total OPEB Liability	As of June 2017	As of December 2017	As of June 2019	As of June 2020	As of June 2021
Service Cost	$ 4,353,903	$ 4,353,892	$ 4,753,578	$ 4,896,186	$ 4,938,531
Interest	6,099,713	6,387,047	6,901,495	6,979,195	6,627,680
Changes in Benefit Terms	-	-	37,345	-	-
Difference Between Expected and Actual Experience	-	-	(748,283)	(11,234,876)	(4,917,341)
Changes in Assumptions	-	-	(3,986,221)	(741,256)	6,240,521
Benefit Payments	(4,239,872)	(5,257,031)	(5,692,789)	(5,918,264)	(5,766,110)
NET CHANGE IN TOTAL OPEB LIABILITY	6,213,744	5,483,908	1,265,125	(6,019,015)	7,123,281
Total OPEB Liability - Beginning	99,594,587	104,725,415	113,117,730	114,382,855	108,363,840
TOTAL OPEB LIABILITY - ENDING (a)	$ 105,808,331	$ 110,209,323	$ 114,382,855	$ 108,363,840	$ 115,487,121
Plan Fiduciary Net Position					
Contributions - Employer	$ 11,116,750	$ 12,133,909	$ 6,745,882	$ 6,402,999	$ 5,766,110
Net Investment Income	10,662,951	13,243,922	5,625,978	5,550,697	28,870,160
Benefit Payments	(4,239,872)	(5,257,031)	(5,692,789)	(5,918,264)	(5,766,110)
Administrative Expense	(327,398)	-	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	17,212,431	20,120,800	6,679,071	6,035,432	28,870,160
Plan Fiduciary Net Position - Beginning	92,851,453	96,106,489	116,478,409	123,157,480	129,192,912
PLAN FIDUCIARY NET POSITION - ENDING (b)	$ 110,063,884	$ 116,227,289	$ 123,157,480	$ 129,192,912	$ 158,063,072
NET OPEB LIABILITY (ASSET) - ENDING (a) - (b)	$ (4,255,553)	$ (6,017,966)	$ (8,774,625)	$ (20,829,072)	$ (42,575,951)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	104.02%	105.46%	107.67%	119.22%	136.87%
Covered Employee Payroll	$ 89,360,000	$ 91,216,000	$ 94,182,000	$ 102,438,000	$ 104,827,000
NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	-4.76%	-6.60%	-9.30%	-20.30%	-40.60%

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, 2021

OPEB Contributions	As of June 2017	As of December 2017	As of June 2019	As of June 2020	As of June 2021
Actuarially Determined Contribution (ADC)	$ 4,594,742	$ 4,594,742	$ 4,979,864	$ 5,126,650	$ 591,557
Contributions in Relation to the ADC	6,390,000	12,133,909	6,745,882	6,402,999	5,766,110
Contribution Deficiency (Excess)	$ (1,795,258)	$ (7,539,167)	$ (1,766,018)	$ (1,276,349)	$ (5,174,553)
District's Covered-Employee Payroll	$ 89,360,000	$ 91,216,000	$ 94,182,000	$ 102,438,000	$ 104,827,000
Contributions as a Percentage of Covered-Employee Payroll	7.15%	13.30%	7.16%	6.25%	5.50%

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, 2021

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	10.62%
2018	5.83%
2019	4.46%
2020	4.49%
2021	22.24%

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:

2019-20
CalSTRS Board adopted a new experience study which updated assumptions for termination rates and service rates.

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

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Schedule of Changes in the Net OPEB Liability and Related Ratios (Continued)

Changes of Assumptions:

2020-21
Mortality assumptions for the plan were changed from SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2019 to the following:

- General: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020
- Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2020
- Surviving spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

The impact of this change is an increase in liabilities for the District.

Assumption for health care trend rates have been reset to an initial rate of 6.0% decreasing by 0.5% annually to an ultimate rate of 4.0%.

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%.

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, 2021, were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Ms. Marcia Milchiker	President	2022
Mr. Timothy Jemal	Vice President	2024
Dr. Terri Whitt Rydell	Clerk	2022
Ms. Carolyn Inmon	Member	2024
Dr. Barbara J. Jay	Member	2024
Mr. T.J. Prendergast, III	Member	2022
Dr. James R. Wright	Member	2024
Ms. Setarra Matin	Student Member	2022

DISTRICT ADMINISTRATORS

Dr. Kathleen F. Burke	Chancellor
Dr. Elliot Stern	President, Saddleback College
Dr. John Hernandez	President, Irvine Valley College
Ms. Ann-Marie Gabel, CPA	Vice Chancellor, Business Services
Dr. Robert S. Bramucci	Vice Chancellor, Technology and Learning Services
Dr. Cindy Vyskocil	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 22, 2020.
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 19, 2020.
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, 2021

Program Name	Assistance Listing 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)	$ 786,198	$ -
Federal Work Study Program	84.033	(1)	44,738	-
Federal Pell Grant	84.063	(1)	22,299,956	-
Federal Direct Student Loans	84.268	(1)	1,287,983	-
Administrative Cost Allowance	84.063	(1)	34,317	-
Subtotal Student Financial Assistance Cluster			24,453,192	
Asian American & Native American Pacific Islander-Serving Institutions	84.031L	(1)	62,321	-
Childcare Access Means Parents in School	84.335A	(1)	51,755	-
Developing Hispanic Serving Institutions - Ensuring Equity in Access and Achievement	84.031S	(1)	35,688	-
COVID-19 Higher Education Emergency Relief Funds (HEERF) / Coronavirus Aid, Relief and Economic Security Act (CARES Act)				
COVID-19 - HEERF CARES Act - Student Aid	84.425E	(1)	7,433,810	-
COVID-19 - HEERF CARES Act - Institutional	84.425F	(1)	21,511,116	-
COVID-19 - HEERF CARES Act - Minority Serving Institutions	84.425L	(1)	941,641	-
Subtotal COVID-19 - Higher Education Emergency Relief Funds (HEERF)			29,886,567	-
Passed through the California Department of Education				
Perkins Title I-C	84.048	(1)	959,906	-
WIOA - Adult Education and Family Literacy Act	84.002A	(1)	380,375	-
Subtotal Passed through the California Department of Education			1,340,281	-
Total U.S. Department of Education			55,829,803	-
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	88,084	-
Total U.S. Department of Health and Human Services			88,084	-
Research and Development Cluster:				
National Science Foundation				
Direct Program				
National Science Foundation Includes Alliance: STEM Core Expansion	47.076	(1)	1,661,838	1,006,062
National Science Foundation Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076	(1)	142,494	109,381
Subtotal National Science Foundation Direct Program Cluster			1,804,332	1,115,443
Passed through the University of California, Irvine				
National Science Foundation UCI Pathways to Engineering Collaborative	47.076	(1)	115,830	-
Subtotal Passed through the University of California, Irvine			115,830	-
Total National Science Foundation			1,920,162	1,115,443
Total Research and Development Cluster			1,920,162	1,115,443
U.S. Department of Treasury				
Passed through the California Community Colleges Chancellor's Office				
COVID-19 - Coronavirus Relief Fund - COVID-19 Response Block Grant	21.019	(1)	115,188	-
Passed through the County of Orange				
COVID-19 - County of Orange - COVID-19 Child Care Relief Program	21.019	(1)	11,025	-
Total U.S. Department of Treasury			126,213	-
U.S. Department of Defense				
Passed through National University				
Department of Defense Cyber Scholarship Grant	12.902	H98230-20-1-0366	5,000	-
Total Federal Program Expenditures			$ 57,969,262	$ 1,115,443

(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.			$ 683,742
The Board of Trustees of the Leland Stanford Junior University			146,882
Community College of Baltimore City			142,506
San Jose Evergreen Community College District			32,932
			1,006,062
National Science Foundation Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076	(1)	
Lake Washington Institute of Technology			109,381
Total Amounts Passed Through to Subrecipients			$ 1,115,443

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE – GRANTS
YEAR ENDED JUNE 30, 2021

	Program Revenues					Total
Program Name	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Total	Program Expenditures
State Categorical Aid Programs:						
Adult Education Block Grant	$ 3,128,744	$ 2,564,151	$ -	$ 2,889,718	$ 2,803,177	$ 2,803,177
Board Financial Assistance Program						
- Student Financial Aid Administration	908,636	-	-	-	908,636	908,636
California College Promise	4,115,212	1,457,104	-	1,906,576	3,665,740	3,665,740
CalWORKs	474,388	12,590	-	24,310	462,668	462,668
Campus Safety and Sexual Assault	-	22,260	-	15,062	7,198	7,198
Cooperative Agencies Resources for						
Education (CARE)	146,347	2,557	-	-	148,904	148,904
Classified Professional Development	-	112,356	-	105,856	6,500	6,500
COVID-19 Response Block Grant	1,558,392	-	-	423,444	1,134,948	1,134,948
Disaster Relief Emergency Student FA	220,240	-	-	124,435	95,805	95,805
Disabled Student Program and Services (DSPS)	3,315,761	234,547	-	675,518	2,874,790	2,874,790
Emergency FA to Low Income CC Students	1,575,198	-	-	652,458	922,740	922,740
Extended Opportunities Program and						
Services (EOPS)	1,798,829	20,992	-	-	1,819,821	1,819,821
Equal Employment Opportunity	50,000	90,576	-	130,720	9,856	9,856
Financial Aid Technology	92,907	169,906	-	70,879	191,934	191,934
Foster and Kinship Care Education (FKCE)	312,577	-	136,599	-	449,176	449,176
Guided Pathways	229,555	1,304,042	-	1,008,778	524,820	524,820
Hunger Free Campus	-	230,519	-	30,301	200,218	200,218
Nursing Education	263,834	-	-	-	263,834	263,834
Physical Plant and Instructional Equipment	-	543,511	-	128,475	415,036	415,036
Strong Workforce - Local	2,848,891	4,633,309	-	4,622,981	2,859,219	2,859,219
Student Equity and Achievement	903,924	4,685,024	4,821,634	-	10,410,582	10,410,582
Student Success Completion Grant	2,371,907	186,510	-	172,684	2,385,733	2,385,733
Veteran Resource Center	294,977	84,938	-	218,875	161,040	161,040
Other State Awards:						
CA Virtual Campus Online Education Initiative	12,123	-	-	-	12,123	12,123
Cal OES - Hazard Mitigation	-	-	113,468	-	113,468	113,468
CCC Mental Health Services	200,000	-	-	36,691	163,309	163,309
Child Development Training Consortium	29,900	-	6,523	-	36,423	36,423
Deputy Sector Navigator	40,000	61,088	-	-	101,088	101,088
ECU Regional Director	200,000	-	-	50,178	149,822	149,822
Innovation and Effectiveness Plan	-	137,316	-	37,415	99,901	99,901
Real Estate Education Center	59,441	-	43,559	-	103,000	103,000
Strong Workforce - Regional	1,632,298	-	188,229	-	1,820,526	1,820,526
Veteran Credit Articulation Track	-	1,388,583	-	861,130	527,453	527,453
Veterans Resource Center	-	1,242,146	-	756,106	486,040	486,040
Veterans Service Center	189,574	-	92,995	-	282,569	282,569
Total State Awards	$ 26,973,654	$ 19,184,025	$ 5,403,006	$ 14,942,589	$ 36,618,098	$ 36,618,098

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, 2021

Categories	Reported Data Factored	Audit Adjustments	District Adjustments	Revised Data Factored
A. Summer Intersession (Summer 2020 only)				
1. Noncredit[1]	503.28	-	135.14	638.42
2. Credit	3,853.93	-	1.28	3,855.21
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)				
1. Noncredit[1]	0.75	-	-	0.75
2. Credit	7.13	-	0.55	7.68
C. Primary Terms (Exclusive of Summer Intersession)			-	
1. Census Procedure Courses			-	
(a) Weekly Census Contact Hours	7,690.67	-	-	7,690.67
(b) Daily Census Contact Hours	309.93	-	-	309.93
2. Actual Hours of Attendance Procedure Courses			-	
(a) Noncredit[1]	1,191.26	-	-	1,191.26
(b) Credit	491.52	-	15.92	507.44
3. Independent Study/Work Experience			-	
(a) Weekly Census Contact Hours	6,869.33	-	(0.10)	6,869.23
(b) Daily Census Contact Hours	3,830.14	-	(0.11)	3,830.03
(c) Noncredit Independent Study/Distance Education Courses	1,231.68	-	367.26	1,598.94
D. Total FTES	25,979.62	-	519.94	26,499.56
Supplemental Information (Subset of Above Information)				
E. In-service Training Courses (FTES)	-	-	-	-
H. Basic Skills Courses and Immigrant Education				
(a) Noncredit[1]	681.15	-	73.52	754.67
(b) Credit	387.92	-	1.32	389.24
CCFS 320 Addendum				
CDCP Noncredit FTES	1,295.00	-	-	1,295.00
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, 2021

The audit resulted in no adjustments to the fund balances reported on the June 30, 2021, 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, 2021, 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	$ 84,978,526
Restricted Fund Balance	9,460,735
Capital Outlay Fund Balance	335,513,357
Self Insurance Fund Balance	3,078,081
Other Internal Service Funds	1,485,312
Pension Stabilization Trust Fund Balance	23,416,668
Associated Students Government and Student Representation Fee Fund Balance	1,427,103
All Other Funds	2,612,907
Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311)	$ 461,972,689

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, 2021

Total Fund Balances as Reported on the Annual Financial and Budget Report (CCFS-311)	$ 461,972,689
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 position.	475,097,669
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.	66,288,412
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 $1,354,021 is already recorded in the Unrestricted General Fund.	(6,290,511)
The supplemental employee retirement plan is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(1,795,619)
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.	(250,355,646)
The liability associated with the Medicare Premium Payment (MPP) program of the California State Teachers' Retirement Plan (the STRP), is recognized as a liability, which reduced the total net pension reported.	(770,861)
Amounts reserved for other postemployment 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.	42,575,951
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.	(41,069,241)
Total Net Position	$ 745,652,843

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF 50 PERCENT LAW CALCULATION
YEAR ENDED JUNE 30, 2021

		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	$ 38,046,750	$ -	$ 38,046,750	$ 38,046,750	$ -	$ 38,046,750
Instructional Salaries - Other	1300	29,780,932	-	29,780,932	29,780,932	-	29,780,932
Total Instructional Salaries		67,827,682	-	67,827,682	67,827,682	-	67,827,682
Noninstructional Salaries - Contract or Regular	1200	-	-	-	12,011,708	-	12,011,708
Noninstructional Salaries - Other	1400	-	-	-	3,844,448	-	3,844,448
Total Noninstructional Salaries		-	-	-	15,856,156	-	15,856,156
Total Academic Salaries		67,827,682	-	67,827,682	83,683,838	-	83,683,838
Classified Salaries							
Noninstructional Salaries - Regular Status	2100	-	-	-	35,877,089	-	35,877,089
Noninstructional Salaries - Other	2300	-	-	-	721,754	-	721,754
Total Noninstructional Salaries		-	-	-	36,598,843	-	36,598,843
Instructional Aides - Regular Status	2200	4,074,372	-	4,074,372	4,074,372	-	4,074,372
Instructional Aides - Other	2400	797,599	-	797,599	797,599	-	797,599
Total Instructional Aides		4,871,971	-	4,871,971	4,871,971	-	4,871,971
Total Classified Salaries		4,871,971	-	4,871,971	41,470,814	-	41,470,814
Employee Benefits	3000	28,237,752	-	28,237,752	58,627,911	-	58,627,911
Supplies and Materials	4000		-	-	863,173	-	863,173
Other Operating Expenses	5000	509,402	-	509,402	10,347,583	-	10,347,583
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		101,446,807	-	101,446,807	194,993,319	-	194,993,319
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	-	-	-	1,178	-	1,178
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits & Retirement Incentives	6740	-	-	-	1,391,526	-	1,391,526
Objects to Exclude							
Rents and Leases	5060	-	-	-	187,669	-	187,669
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Noninstructional, Supplies & Materials	4400	-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	4,058,521	-	4,058,521
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		463,942	-	463,942	6,102,836	-	6,102,836
Total for ECS 84362, 50% Law		100,982,865	-	100,982,865	188,890,483	-	188,890,483
Percent of CEE (Instructional Salary Cost/Total CEE)		53.46%	-	53.46%	100.00%	-	100.00%
50% of Current Expense of Education					94,445,242		94,445,242

See accompanying Notes to Supplementary Information.

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT
YEAR ENDED JUNE 30, 2021

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 2,657,530
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 2,657,530	$ -	$ -	$ 2,657,530
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
Total Nonoperating Revenues (Expenses)		-	-	-	-
		-	-	-	-
		-	-	-	-
Total Expenditures for EPA*		$ 2,657,530	$ -	$ -	$ 2,657,530
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, 2021

	2022 (Budget)	2021	2020	2019
Total Revenues	$ 398,429,492	$ 368,896,026	$ 351,470,474	$ 330,394,392
Total Expenditures	314,225,342	250,046,356	256,601,173	240,264,626
Total Other Sources/(Uses)	(95,509,605)	(113,023,324)	(93,591,938)	(73,494,294)
Change in Fund Balance	(11,305,455)	5,826,346	1,277,363	16,635,472
Ending Fund Balance	$ 83,133,806	$ 94,439,261	$ 88,612,915	$ 87,335,552
Available Reserve	$ 83,133,806	$ 39,268,125	$ 42,428,383	$ 58,126,781
Available Reserve %	26.46%	15.70%	16.53%	24.19%
Full-Time Equivalent Students	26,530	26,499	26,530	26,532
Total Long-Term Debt	$ 258,513,176	$ 261,178,490	$ 242,176,332	$ 224,427,613

IMPORTANT NOTES:

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2022 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2021 amounts reserved.

The 2022 budget is the Plan and Budget adopted by the Board of Trustees on August 23, 2021.

The California Community College Chancellor's Office has provided guidelines that recommend districts adopt policies to maintain sufficient unrestricted reserves with a suggested minimum of two months of general fund operating expenditures or revenues consistent with Budgeting Best Practices published by the Government Finance Officers Association. 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.

See accompanying Notes to Supplementary Information.

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, 2021. 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 for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. The District uses an indirect cost rate, approved by the U.S. Department of Health and Human Services, as allowed under the Uniform Guidance. 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, 2021, 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, 2021, 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.

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.

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2021. The discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
December 13, 2021

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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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 2021-001, 2021-002, and 2021-003. 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 2021-001, 2021-002, and 2021-003, that we consider to be significant deficiencies.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Glendora, California
December 13, 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 *2020-21 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2021. 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 *2020-21 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
412	SCFF Supplemental Allocation Metrics	Yes
413	SCFF Success Allocation Metrics	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
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
499	COVID-19 Response Block Grant Expenditures	Yes[1]

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, 2021.

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 *2020-21 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
December 13, 2021

[1] COVID-19 Block Grant state funds from one-time Proposition 98 funds were tested in accordance with the *2020-21 Contracted District Audit Manual*. Federal expenditures were not tested in 2020-21 as the Federal Coronavirus Relief Fund (CFR) is not a major program under OMB's Single Audit Guidance. Federal CFR expenditures were tested in conjunction with the 2019-20 audit.

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

Assistance Listing 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	COVID-19 - Higher Education Emergency Relief Funds (HEERF) CARES Act

Dollar threshold used to distinguish between Type A and Type B programs: Type A - $1,739,078; Type B - $434,769

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

2021 – 001: Common Origination and Disbursement (COD) Reporting

Federal Agency: US Department of Education

Federal Program Title: Student Financial Aid Cluster

Assistance Listing Number: 84.268

Award Period: July 1, 2020 through June 30, 2021

Type of Finding: Significant Deficiency and Noncompliance

Criteria or Specific Requirement: The Department of Education requires the Colleges to report and ensure that the disbursement dates reported to the Common Origination and Disbursement (COD) system are consistent with the dates the disbursements are credited to the students' account for Pell (34 CFR 690.83(b)(2) and Direct Loan (34 CFR 685.309) payments to a student.

Questioned costs: None

Condition: During our testing, we noted 2 out of 20 Direct Loan Disbursements tested for Irvine Valley College and 2 out of 20 tested for Saddleback College, which were a statistically valid sample, were not accurately reported with the disbursement dates to the COD.

Context and Cause: The Irvine Valley College disbursed $399,334 and the Saddleback College disbursed $888,649 in Federal Direct Loan awards during the year. Both Colleges internal control processes did not ensure accurate Direct Loan disbursements reporting to COD.

Effect: Student interest accrues based on the disbursement date reported to COD, thus the interest calculation could be skewed due to the discrepancy in disbursement dates reported.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that both Irvine Valley College and Saddleback College evaluate their procedures and policies around reporting Direct Loan disbursements to COD to ensure that student information is reported accurately and timely.

Views of Responsible Officials: At Saddleback College, the incorrect disbursement date for the Direct Loan resulted from a student’s account being placed on hold for Satisfactory Academic Progress after the loan was originated, but prior to disbursement. For both Saddleback College and Irvine Valley College, the incorrect disbursement date for the Direct Loan was not updated accurately due to the file not being uploaded to COD as a ‘Maintenance and Update file’. Going forward, Saddleback College and Irvine Valley College will have a Senior Financial Aid Specialist confirm the Direct Loan disbursement dates are accurately reported to COD on a monthly basis. This will prevent any incorrect dates that are reported to COD during the batch disbursement upload process, and ensure the interest is accurately calculated on Direct Loans.

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

2021 – 002: Enrollment Reporting

Federal Agency: US Department of Education

Federal Program Title: Student Financial Aid Cluster

Assistance Listing Number: Various

Award Period: July 1, 2020 through June 30, 2021

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. Regulations require the status include an accurate effective date.

In addition, regulations require that an institution return the enrollment rosters within 15 days from receipt of the rosters and make necessary corrections and resubmit to NSLDS within 10 days.

Furthermore, 2 CFR 200.303 requires non-Federal 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 by Colleges:

Irvine Valley College:

Thirty students tested identified the following conditions for 25 students:

1) Enrollment status was not certified every 60 days – 1 student
2) Change in enrollment status was not reported to NSLDS on a timely basis within the 60 days requirement – 1 student
3) Program begin date did not match the College's Record – 3 students
4) Program enrollment status reported to NSLDS did not match the College's record – 1 student
5) The student's enrollment status did not match the College's Record – 2 students
6) The enrollment effective date reported to NSLDS did not match the College's record – 3 students
7) The campus enrollment date did not match the effective date with the program enrollment effective date reported to NSLDS – 22 students

Eighty-eight records tested from a statistically valid sample identified the following for 1 record:

8) The College did not correct the errors of the rosters and resubmit to NSLDS within the 10 days requirement

Saddleback College:

Thirty students tested identified the following conditions for 25 students:

1) The enrollment effective date reported to NSLDS did not match the College's record – 4 students
2) The campus enrollment date did not match the effective date with the program enrollment effective date reported to NSLDS – 25 students

Seventy-six records tested identified the following for 1 record:

3) The College did not correct the errors of the rosters and resubmit to NSLDS within the 10 days requirement

Questioned Costs: None

Context and Cause: The Colleges did not report the enrollment status of the students on a timely basis nor do they have internal controls in place for review and monitoring.

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 conditions were noted in Finding 2020-002.

Recommendation: We recommend that each College review their existing procedures and controls and identify necessary changes needed 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: At Irvine Valley College (IVC) a schedule has been created to ensure the certification of students within the required 60-day window. For both IVC and Saddleback College, the offices of Admissions and Records, in collaboration with District IT, identified an error in how enrollment effective dates were calculated and reported. The logic for calculating and reporting student enrollment status dates was corrected in July 2021. The offices of Admissions and Records have also scheduled and implemented processes for timely reporting of NSLDS error reports once received from the National Student Clearinghouse, including but not limited to: Scheduled and calendared response within 6 days. In addition, access to the NSLDS portal has been granted to the college registrars in order to expedite processing of any exceptions identified.

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

2021 – 003: Return of Funds on Behalf of the Students

Federal Agency: US Department of Education

Federal Program Title: Student Financial Aid Cluster

Assistance Listing Number: Various

Award Period: July 1, 2020 through June 30, 2021

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.

In addition, post-withdrawal disbursements must be made from available grant funds before available loan funds (34 CFR 668.22(a)(6)). Post-withdrawal disbursements of grant funds may be credited to the student's account, without the student's authorization, for current-year outstanding charges for tuition, fees, and room and board (if contracted with the institution) on the student's account, up to the amount of those outstanding charges. For current-year outstanding charges other than tuition, fees, and room and board (if contracted with the institution), the institution must have the student's authorization to credit the student's account with grant funds. Any grant funds 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 (34 CFR 668.22(a)(6)(ii)(B)(1)).

Title IV funds may be expended only towards the education of the students who can be proven to have been in attendance at the institution. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, an institution must be able to document "attendance at any class." To qualify as a last date of attendance for Return of Title IV purposes, an institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question. An institution that is required to take attendance or requires that attendance be taken on only one specified day to meet a census reporting requirement, is not considered to take attendance (34 CFR 668.22(b)(3)).

Title IV funds may be expended only towards the education of the students who can be proven to have been in attendance at the institution. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, an institution must be able to document "attendance at any class."

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

Condition: Our audit procedures resulted in the following conditions:

1) During our testing, we noted for 2 out of 20 Irvine Valley College students, who had received Federal Aid and had withdrawn from classes, the College did not disburse the post-withdrawal disbursement funds within the 45-day requirement.

2) During our testing, we noted for 1 out of 20 Irvine Valley College students and 2 out of 20 Saddleback College students, who had received Federal Aid and had withdrawn from a distance education class and the College was not able to provide support of the student's attendance and participation support.

Questioned Costs: None

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

Effect: The cause identified resulted in non-compliance with the Title IV regulation.
.
Repeat Finding: Similar conditions were noted in Saddleback College in 2020-003. There were no similar findings for Irvine Valley College in the prior year.

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

Views of Responsible Officials: At Irvine Valley College (IVC), the delay for the Post-Withdrawal Disbursement (PWD) was caused by an email notification being missed from the IVC R2T4 processor by the Financial Aid Director and Senior Financial Aid Specialists. To prevent this matter going forward, a Global Comment for PWD will be entered in PowerFAIDS by the R2T4 processor in addition to the email notification that is sent out. This Global Comment will flag the student's account that a PWD is required to be completed in a timely manner (prior to 45 days).

Saddleback College and IVC recognize that documenting attendance for distance education courses is a faculty professional development issue - around the timely clearing of rosters. The Vice President of Instruction at each college has discussed the issue with their respective deans, department chairs, and governance groups. The deans and department chairs will reinforce the need for faculty to drop students who do not participate during new faculty onboarding sessions, school meetings, department meetings, and professional development week sessions. Deans will send notices to the faculty in their units to remind them to drop students who are not participating in the course.

Saddleback College and IVC are investigating an automated solution to clear rosters of students who have not attended distance learning classes based on the student's activity in the learning management system, with the goal of recording the last date of attendance based on the student's activity for financial aid purposes.

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, 2021.

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SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021

Department of Education,

South Orange County Community College District respectfully submits the following corrective action plan for the year ended June 30, 2021.

Audit period: July 1, 2020 – June 30, 2021

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

2021 – 001 Common Origination and Disbursement (COD) Reporting

Recommendation: We recommend that both Irvine Valley College and Saddleback College evaluate their procedures and policies around reporting Direct Loan disbursements to COD to ensure that student information is reported accurately and timely.

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

Action taken in response to finding: The incorrect disbursement date for the Direct Loan was not updated accurately due to the file not being uploaded to COD as a 'Maintenance and Update file'. Going forward, Saddleback College and Irvine Valley College will have a Senior Financial Aid Specialist confirm the Direct Loan disbursement dates are accurately reported to COD on a monthly basis. This will prevent any incorrect dates that are reported to COD during the batch disbursement upload process, and ensure the interest is accurately calculated on Direct Loans.

Name(s) of the contact person(s) responsible for corrective action: Anthony Becerra (Saddleback College, Director, Financial Aid) and Korey Lindley (Irvine Valley College, Director, Financial Aid)

Planned completion date for corrective action plan: June 30, 2022

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Department of Education

2021 – 002 Enrollment Reporting

Recommendation: We recommend that each College review their existing procedures and controls and identify necessary changes needed 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: At Irvine Valley College (IVC) a schedule has been created to ensure the certification of students within the required 60-day window. For both IVC and Saddleback College, the offices of Admissions and Records, in collaboration with District IT, identified an error in how enrollment effective dates were calculated and reported. The logic for calculating and reporting student enrollment status dates was corrected in July 2021. The offices of Admissions and Records have also scheduled and implemented processes for timely reporting of NSLDS error reports once received from the National Student Clearinghouse, including but not limited to: Scheduled and calendared response within 6 days. In addition, access to the NSLDS portal has been granted to the college registrars in order to expedite processing of any exceptions identified.

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)

Planned completion date for corrective action plan: June 30, 2022

Department of Education

2021 – 003 Return of Funds on Behalf of the Students

Recommendation: We recommend that each College implement procedures and controls to ensure compliance with the following criteria:

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.

In addition, post-withdrawal disbursements must be made from available grant funds before available loan funds (34 CFR 668.22(a)(6)). Post-withdrawal disbursements of grant funds may be credited to the student's account, without the student's authorization, for current-year outstanding charges for tuition, fees, and room and board (if contracted with the institution) on the student's account, up to the amount of those outstanding charges. For current-year outstanding charges other than tuition, fees, and room and board (if contracted with the institution), the institution must have the student's authorization to credit the student's account with grant funds. Any grant funds 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 (34 CFR 668.22(a)(6)(ii)(B)(1)).

Title IV funds may be expended only towards the education of the students who can be proven to have been in attendance at the institution. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, an institution must be able to document "attendance at any class." To qualify as a last date of attendance for Return of Title IV purposes, an institution must demonstrate that a student participated in class or was otherwise engaged in an academically related activity, such as by contributing to an online discussion or initiating contact with a faculty member to ask a course-related question. An institution that is required to take attendance or requires that attendance be taken on only one specified day to meet a census reporting requirement, is not considered to take attendance (34 CFR 668.22(b)(3)).

Title IV funds may be expended only towards the education of the students who can be proven to have been in attendance at the institution. In a distance education context, documenting that a student has logged into an online distance education platform or system is not sufficient, by itself, to demonstrate attendance by the student. To avoid returning all funds for a student that did not begin attendance, an institution must be able to document "attendance at any class."

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

Action taken in response to finding: The delay for the Post-Withdrawal Disbursement (PWD) was caused by an email notification being missed from the Irvine Valley College (IVC) R2T4 processor by the Financial Aid Director and Senior Financial Aid Specialists. To prevent this matter going forward, a Global Comment for PWD will be entered in PowerFAIDS by the R2T4 processor in addition to the email notification that is sent out. This Global Comment will flag the student's account that a PWD is required to be completed in a timely manner (prior to 45 days).

Saddleback College and IVC recognize that documenting attendance for distance education courses is a faculty professional development issue - around the timely clearing of rosters. The Vice President of Instruction at each college has discussed the issue with the deans, department chairs, and governance groups. The deans and department chairs will reinforce the need for faculty to drop students who do not participate during new faculty onboarding sessions, school meetings, department meetings, and professional development week sessions. Deans will send notices to the faculty in their units to remind them to drop students who are not participating in the course.

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Saddleback College and IVC are investigating an automated solution to clear rosters of students who have not attended distance learning classes based on the student's activity in the learning management system, with the goal of recording the last date of attendance based on the student's activity for financial aid purposes.

Name(s) of the contact person(s) responsible for corrective action: Anthony Becerra (Saddleback College, Director, Financial Aid), Korey Lindley (Irvine Valley College, Director, Financial Aid), Christian Alvarado (Saddleback College, Dean, Enrollment Services), Corey Rodgers (Irvine Valley College, Dean, Enrollment Services), Tram Vo-Kumamoto (Saddleback College, Vice President of Instruction) and Christopher McDonald (Irvine Valley College, Vice President of Instruction)

Planned completion date for corrective action plan: June 30, 2022

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, 2021

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, 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.

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 have been 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.

Current Status: Saddleback College has refrained from awarding any Title IV funds to Cosmetology program students in the 2020-21 fiscal year and thus far in fiscal year 2021-22 as the only Title IV eligible institution with whom the college contracted has terminated their agreement. As such, the college currently does not have any Title IV eligible institutions providing Cosmetology program courses.

The College was also part of a program review related to its Cosmetology program initiated by the Department of Education going back to fiscal year 2017-18. The college has submitted its response to the findings and full file review and is awaiting response from the Department of Education.

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.

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 in September and October 2020 to refresh on enrollment submission, error reports, correcting errors, and common audit issues to confirm our understanding and refine our processes.
- A process to review submissions of enrollment reporting anomalies the NSC within the allotted timeframe was developed and implemented in November 2020.
- A process to review submissions of NSLDS anomalies within the allotted timeframe was implemented in November 2020.
- All enrolled units in the district will be reported by the student's "college of record" starting in October 2020.

Current Status: While corrective measures have been put into place, there were still areas where the two colleges' NSLDS reporting was lacking. There continue to be current year findings in this area that are being addressed through programming and exception processing. It is the goal of the colleges to adequately implement the necessary changes to prevent future findings related to NSLDS reporting. The colleges are committed to maintaining compliance.

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).

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.

Current Status: Through a program review initiated by the Department of Education, revised policies and procedures have been developed and implemented related to the administration of Title IV aid for students enrolled in the Cosmetology program.

Further, Saddleback College has refrained from awarding any Title IV funds to Cosmetology program students in the 2020-21 fiscal year and thus far in fiscal year 2021-22 as the only Title IV eligible institution with whom the college contracted has terminated their agreement. As such, the college currently does not have any Title IV eligible institutions providing Cosmetology program courses.

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