Financial Statements
June 30, 2022

South Orange County Community College District

Schedule of Findings and Questioned Costs

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and the remaining fund information of South Orange County Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the remaining fund information of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ending June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17 and other required supplementary schedules as listed in the table of contents on pages 63 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of content are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of financial trends and analysis of the general fund, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022 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.

Eide Bailly LLP

Rancho Cucamonga, California
November 23, 2022

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SADDLEBACK COLLEGE • IRVINE VALLEY COLLEGE • ADVANCED TECHNOLOGY & EDUCATION PARK

Introduction to the Basic Financial Statements

The South Orange County Community College District (District) served over 32,400 students in Spring 2022 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 3,000 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, 2022. 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

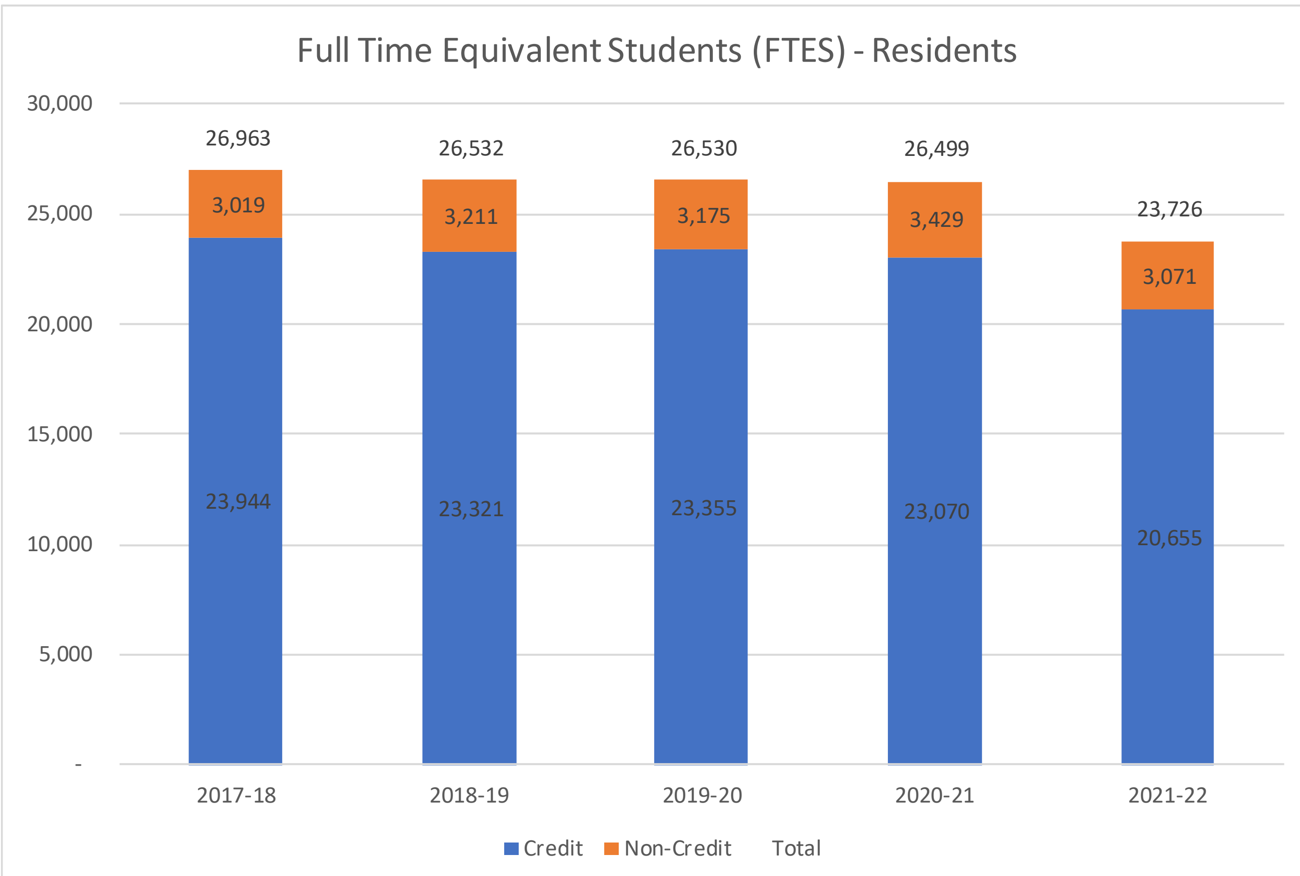
Each of these statements will be reviewed and significant events discussed. The previous year's financial information is also provided for comparison.

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.

Financial and Enrollment Highlights (Continued)

Due in part to the COVID-19 pandemic, the District has experienced a 12 percent decline in Full Time Equivalent Students (FTES) since fiscal year 2017-18 going from 26,963 FTES to 23,726 in 2021-22. However, due to the Emergency Conditions Allowance (ECA) provided by the State, the District continues to be funded at the 2019-20 level of 26,530 FTES. We are not anticipating any additional decline in fiscal year 2022-23 as our students adapt to the new environment. A history of reported resident FTES is provided below.



Furthermore, in addition to the 12 percent decline in resident FTES shown above, non-resident FTES declined by 14.8 percent in 2021-22 (going from 1,236 FTES in 2020-21 to 1,053 FTES).

Statement of Net Position

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

	2022	2021, as restated	Change	Variance
Assets				
Current assets	$ 564,295,196	$ 519,534,116	$ 44,761,080	8.62%
Noncurrent assets	672,645,639	681,202,967	(8,557,328)	-1.26%
Total Assets	1,236,940,835	1,200,737,083	36,203,752	3.02%
Deferred Outflows of Resources	81,395,274	66,288,412	15,106,862	22.79%
Liabilities				
Current Liabilities	68,705,173	58,607,094	10,098,079	17.23%
Noncurrent Liabilities	157,001,902	260,146,135	(103,144,233)	-39.65%
Total Liabilities	225,707,075	318,753,229	(93,046,154)	-29.19%
Deferred Inflows of Resources	259,827,198	202,619,423	57,207,775	28.23%
Net Position				
Net investment in capital assets	507,832,760	475,097,669	32,735,091	6.89%
Restricted	35,187,803	47,429,005	(12,241,202)	-25.81%
Unrestricted	289,781,273	223,126,169	66,655,104	29.87%
Total Net Position	$ 832,801,836	$ 745,652,843	$ 87,148,993	11.69%

Assets

Total assets increased approximately $36.2 million, a percentage increase of 3.0%. The major changes affecting total assets are listed below:

- Current assets increased approximately $44.8 million. This was due primarily to an increase in cash from property tax revenues.

- Non-current assets decreased approximately $8.5 million over the prior year primarily due to conversion of non-depreciable construction in progress amounts for the Saddleback College ATAS building to a depreciable asset once the building opened and applying depreciation to the asset; along with recognition of lease agreements; and write-off of obsolete equipment no longer in use.

Liabilities

Total liabilities decreased by approximately $93.0 million, a percentage decrease of 29.2%. The major changes affecting total liabilities are listed below:

- Current liabilities increased approximately $10.1 million (17.2%). Accounts payable decreased $3 million primarily as a result of the payoff of old student refunds due. Unearned revenue increased by $13 million as a result of an additional State categorical funding including the Physical Plant and Instructional Equipment program.

- Non-current liabilities decreased by $103.1 million (39.7%) as a result of a decrease in the aggregate net pension liability.

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 11 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.

	2022	2021	Change	Variance
Operating Revenues				
Tuition and fees, net	$ 28,509,420	$ 28,869,958	$ (360,538)	-1.25%
Grants and contracts, noncapital	66,138,103	77,076,518	(10,938,415)	-14.19%
Total Operating Revenues	94,647,523	105,946,476	(11,298,953)	-10.66%
Operating Expenses				
Salaries and benefits	217,081,062	227,912,134	(10,831,072)	-4.75%
Supplies, services, equipment, and maintenance	57,432,417	34,386,927	23,045,490	67.02%
Student financial aid	52,975,876	43,206,004	9,769,872	22.61%
Depreciation and amortization	29,607,134	25,951,135	3,655,999	14.09%
Total Operating Expenses	357,096,489	331,456,200	25,640,289	7.74%
Operating Loss	(262,448,966)	(225,509,724)	(36,939,242)	16.38%
Nonoperating Revenues (Expenses)				
State apportionments, noncapital	2,652,979	2,660,192	(7,213)	-0.27%
Local property taxes	255,463,256	245,042,120	10,421,136	4.25%
Federal and State financial aid grants	43,112,863	34,795,289	8,317,574	23.90%
State taxes and other revenues	10,341,440	7,361,606	2,979,834	40.48%
Net investment income	(3,866,079)	5,679,114	(9,545,193)	-168.08%
Other nonoperating revenues	17,792,482	13,872,606	3,919,876	28.26%
Total Nonoperating Revenues (Expenses)	325,496,941	309,410,927	16,086,014	5.20%
Other Revenues and Losses				
State/local capital income and gains/losses on disposal of capital assets	24,101,018	790,874	23,310,144	2947.39%
Change in Net Position	$ 87,148,993	$ 84,692,077	$ 2,456,916	2.90%

Operating Revenues

Total operating revenues decreased by approximately $11.3 million, an increase of 10.7%.

- Net tuition and fees experienced a decrease of $306.5 thousand (1.3%). Fee revenue decreased by $1.5 million and scholarship discounts and allowances decreased by $1.2 million, primarily as a result of lower resident and nonresident enrollments related to the COVID-19 pandemic.

- Noncapital grants and contracts decreased $10.9 million (14.2%). Factors contributing to this include a decrease in the Institutional Support portion of the HEERF funding of $13.1 million. This decline is offset by increases in State categorical funding, mainly the Strong Workforce program and the Adult Education Block Grant.

Operating Expenses

Total operating expenses increased by 7.7%, approximately $25.6 million. Items of significance affecting the changes include:

- Salaries and benefits decreased by approximately $10.8 million, a decrease of 4.8% due to changes in the state on-behalf retirement payments and the OPEB deferred inflows and outflows.

- Supplies, materials and other operating expenses increased by $23.0 million, an increase of 67.0%. The increase is primarily from higher capital outlay related costs for projects and increased costs from the gradual return to on-campus work and instruction.

- Financial aid increased by $9.8 million (22.6%) mainly due to additional federal grants, such as Pell and Higher Education Emergency Relief Funds (HEERF).

- Depreciation and amortization expense increased by $3.7 million (14.1%), in part due to inclusion of amortization of leased assets.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) increased by $16.1 million (5.2%) primarily due to the following:

- A 4.3% increase of $10.4 million in local property tax reflects the moderate growth trend of the local property tax base.

- Noncapital federal and state grants and contracts increased by $8.3 million (23.9%) primarily due to the receipt of HEERF funds for student financial aid and the Emergency Financial Assistance to Low-Income Students funds for student financial aid received from the State.

- State taxes and other revenues increased by $3.0 million (40.5%) as a result of an increase in lottery revenue.

- Investment income decreased by $9.5 million (168.1%), as a result of the reduced investment earnings rates in the County Treasury and the Local Agency Investment Fund (LAIF).

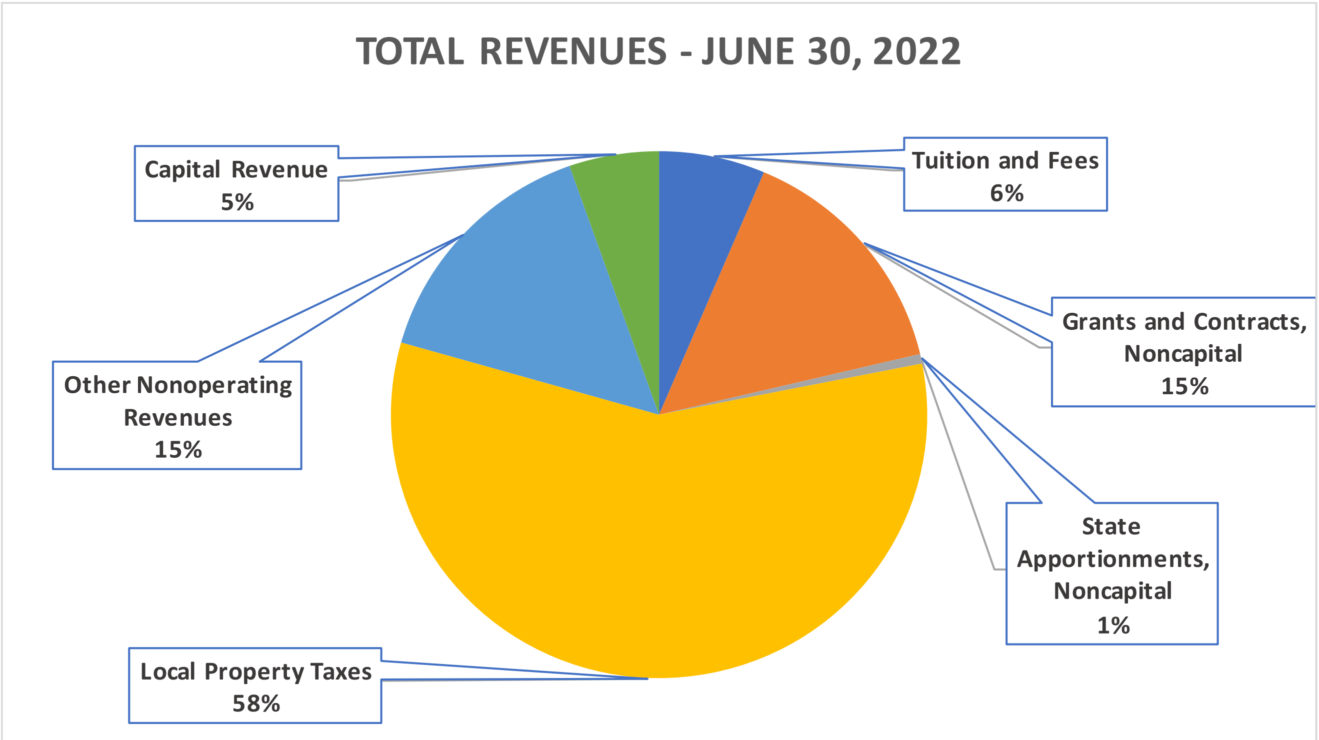
Other Revenues and Losses

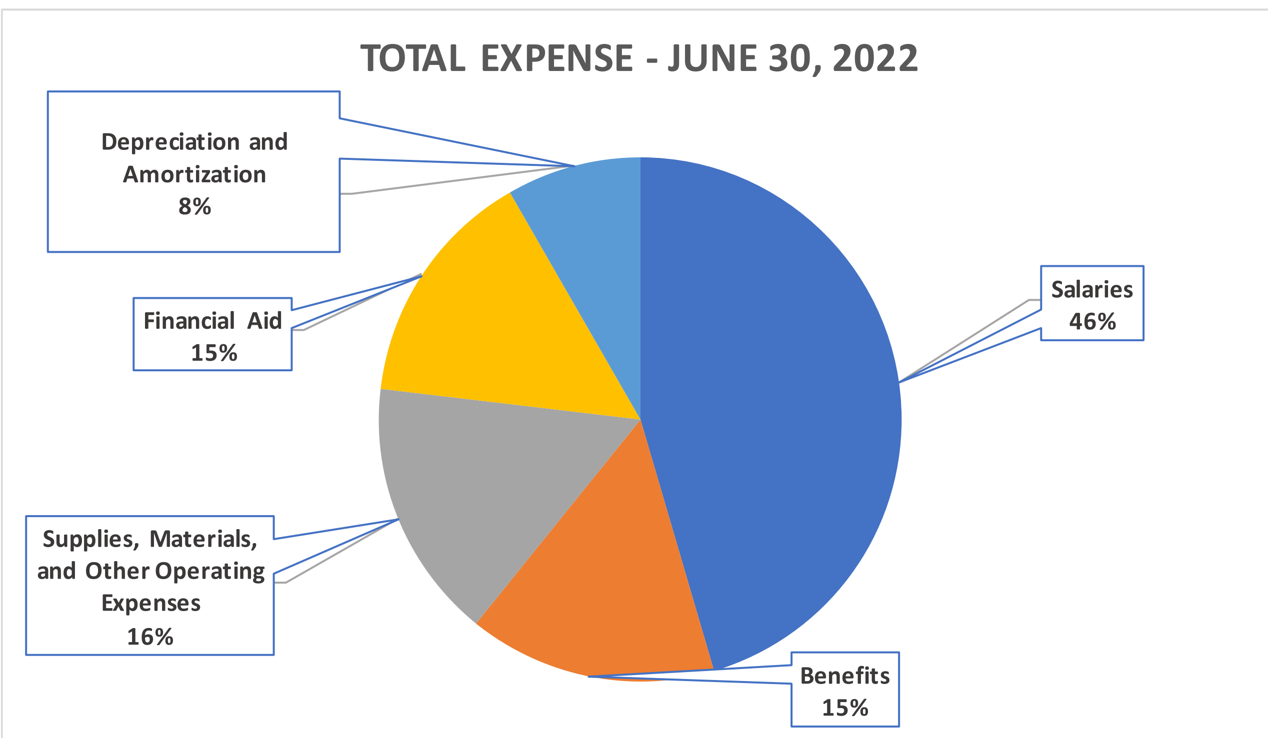
- Other revenues and losses increased by approximately $23.3 million.

- State apportionments for capital increased $23.6 million 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.

- The loss on disposal of equipment increased by $196 thousand due to assets disposed of in the current 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, 2022.


TOTAL REVENUES - JUNE 30, 2022
Capital Revenue 5%
Tuition and Fees 6%
Grants and Contracts, Noncapital 15%
Other Nonoperating Revenues 15%
State Apportionments, Noncapital 1%
Local Property Taxes 58%


TOTAL EXPENSE - JUNE 30, 2022
Depreciation and Amortization 8%
Financial Aid 15%
Salaries 46%
Supplies, Materials, and Other Operating Expenses 16%
Benefits 15%

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries and Benefits	Supplies, Services, Equipment, and Maintenance	Student Financial Aid	Depreciation and Amortization	Total
Instructional activities	$ 102,796,865	$ 3,872,010	$ -	$ -	$ 106,668,875
Academic support	18,462,085	337,502	-	-	18,799,587
Student services	32,694,403	1,303,697	-	-	33,998,100
Plant operations and maintenance	10,849,027	4,241,819	-	-	15,090,846
Instructional support services	39,748,644	12,816,802	-	-	52,565,446
Community services and economic development	2,187,864	296,405	-	-	2,484,269
Ancillary services and auxiliary operations	7,852,558	1,363,275	-	-	9,215,833
Student aid	-	66,253	52,975,876	-	53,042,129
Physical property and related acquisitions	2,489,616	33,134,654	-	-	35,624,270
Unallocated depreciation and amortization	-	-	-	29,607,134	29,607,134
Total	$ 217,081,062	$ 57,432,417	$ 52,975,876	$ 29,607,134	$ 357,096,489

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.

	2022	2021	Change	Variance
Net Cash Flows from				
Operating activities	$(220,825,940)	$(240,808,620)	$ 19,982,680	-8.30%
Noncapital financing activities	328,614,125	320,598,753	8,015,372	2.50%
Capital financing activities	(50,629,414)	(76,899,415)	26,270,001	-34.16%
Investing activities	2,158,634	6,277,547	(4,118,913)	-65.61%
Net Increase in Cash	59,317,405	9,168,265	50,149,140	546.99%
Cash and Cash Equivalents, Beginning of Year	423,841,749	414,673,484	9,168,265	2.21%
Cash and Cash Equivalents, End of Year	$ 483,159,154	$ 423,841,749	$ 59,317,405	14.00%

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 $20.0 million (8.3%) primarily for payments to/on-behalf of employees and payments to suppliers.

Noncapital Financing Activities
Property taxes and financial aid are the main source of receipts for noncapital financial activities. Net cash provided by noncapital activities increased by $8.0 million (2.5%) 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 decreased by $26.3 million (34.2%) due to expenditures for equipment and construction projects offset by State funding received for the projects.

Investing Activities
Net cash provided by investing activities decreased by $4.1 million (65.6%) from the prior year due to lower investment return rates in the County Treasury and LAIF.

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.

Capital and Right-to-use Leased Assets

As of June 30, 2022, the District had approximately $509.5 million invested in net capital and right-to-use leased assets. Total capital assets of $812.3 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, other office equipment, and right-to-use leased assets. These assets have accumulated depreciation/amortization of $302.8 million. In fiscal year 2021-22, there were net capital asset additions in the amount of $62.2 million, which includes costs for the Saddleback College ATAS building, Irvine Valley College Arts Village, and the Saddleback College Gateway building , and net depreciation/amortization expense of $29.6 million.

Note 7 to the financial statements provides additional information on capital and right-to-use leased assets. A comparison of capital and right-to-use leased assets, net of depreciation and amortization, is summarized below:

	2022	2021, as restated	Net Change
Land, artwork, and construction in progress	$ 117,119,605	$ 132,674,440	$ (15,554,835)
Buildings and improvements, net	378,384,649	326,456,860	51,927,789
Equipment, net	12,363,558	15,966,369	(3,602,811)
Right-to-use leased assets, net	1,597,907	1,979,165	(381,258)
Total	$ 509,465,719	$ 477,076,834	$ 32,388,885

Long-Term Liabilities

At June 30, 2022, the District had $157.0 million in long-term liabilities, a decrease of $103.1 million. The decrease is primarily related to the change in the aggregate net pension liability. Notes 8, 9, and 11 provide additional information on long-term liabilities. A comparison is summarized below:

	2022	2021, as restated	Net Change
Long-Term Liabilities			
Compensated absences and load banking	$ 7,479,520	$ 7,644,532	$ (165,012)
Claims liability	653,225	611,832	41,393
Supplemental early retirement plan	-	1,795,619	(1,795,619)
Lease liability	1,632,959	1,979,165	(346,206)
Net OPEB liability	3,754,478	770,861	2,983,617
Aggregate net pension liability	144,419,651	250,355,646	(105,935,995)
Total Long-Term Liabilities	157,939,833	263,157,655	(105,217,822)
Less Current Portion	937,931	3,011,520	(2,073,589)
Long-Term Portion	$ 157,001,902	$ 260,146,135	$(103,144,233)

Economic Outlook and Factors Affecting Next Year's Budget

The fiscal year 2022 23 state budget for community colleges included a 6.56 percent cost of living adjustment in addition to increases to the base funding rates and basic allocation. The budget also includes a change to the SCFF at the end of the hold harmless period (2024-25) whereby the total computational revenue a district receives in 2024-25 becomes the floor for future funding. This new floor will not be automatically increased by COLA unless specifically provided for within future statutes, but it provides districts with predictability and stability moving forward.

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 2022-23 adopted budget assumes an increase in property tax revenue of 4.0 percent over fiscal year 2021-22 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 postemployment benefits (OPEB) liability in January 2022. Based on a discount rate of 6 percent, the actuarial accrued liability is approximately $2.9 million. The District has budgeted sufficient funds to cover the actuarially determined contribution for fiscal year 2022-23. The next actuarial valuation study is scheduled to be completed in January 2023.

The state pension plans are currently underfunded and employer rates for PERS are anticipated to continue to increase over the next several years. The STRS rates are currently set at the statutory maximum of 19.1 percent. The District created a Pension Stabilization Trust to pre-fund the increased costs and has previously made deposits totaling $50.7 million. Additional deposits will continue each year in order to maintain the fund and defray the increases for the colleges' and district services' budgets. In fiscal year 2022-23, the District budgeted a $7 million basic aid allocation.

The colleges continue to increase 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. 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. We have entered into access and option agreements, including opening escrow, with prospective tenants and are in discussions with other entities.

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 SCFF has stabilized and the extended hold harmless provision will provide much needed stability in the operating budgets through fiscal year 2024-25. Overall, the District is committed to serving our students and helping them achieve their goals. 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.

Contacting the District's Financial Management

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.

	Primary Government	Component Units
Assets		
Deposits and investments	$ 529,027,536	$ 14,173,603
Accounts receivable	32,450,258	1,571,180
Due from component units	73,703	-
Due from primary government	-	145,061
Prepaid expenses	2,696,661	99,181
Inventories	47,038	-
Interest receivable on leases	1,720,574	-
Lease receivables	161,459,346	-
Capital and right-to-use leased assets		
Nondepreciable capital assets	117,119,605	-
Depreciable capital assets, net of accumulated depreciation	390,748,207	-
Right-to-use leased assets, net of accumulated amortization	1,597,907	-
Total Capital and Right-to-use Leased Assets, Net	509,465,719	-
Total Assets	1,236,940,835	15,989,025
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	34,485,934	-
Deferred outflows of resources related to pensions	46,909,340	-
Total Deferred Outflows of Resources	81,395,274	-
Liabilities		
Accounts payable	22,666,730	68,222
Due to fiduciary fund	910,674	-
Due to component units	145,061	-
Due to primary government	-	73,703
Unearned revenue	44,044,777	-
Long-term liabilities		
Long-term liabilities other than OPEB and pensions, due within one year	937,931	-
Long-term liabilities other than OPEB and pensions, due in more than one year	8,827,773	-
Aggregate net other postemployment benefit (OPEB) liability	3,754,478	-
Aggregate net pension liability	144,419,651	-
Total Liabilities	225,707,075	141,925
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	12,783,502	-
Deferred inflows of resources related to pensions	88,650,769	-
Deferred inflows of resources related to leases	158,392,927	-
Total Deferred Inflows of Resources	259,827,198	-
Net Position		
Net investment in capital assets	507,832,760	-
Restricted for		
Capital projects	8,453,396	-
Educational programs	11,437,242	-
Other activities	15,297,165	11,335,857
Unrestricted	289,781,273	4,511,243
Total Net Position	$ 832,801,836	$ 15,847,100

South Orange County Community College District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	Primary Government	Component Units
Operating Revenues		
Tuition and fees	$ 39,334,627	$ -
Less: Scholarship discounts and allowances	(10,825,207)	-
Net Tuition and Fees	28,509,420	-
Grants and contracts, noncapital		
Federal	13,122,721	-
State	48,474,943	-
Local	4,540,439	4,051,070
Total Grants and Contracts, Noncapital	66,138,103	4,051,070
Total Operating Revenues	94,647,523	4,051,070
Operating Expenses		
Salaries	162,268,943	307,142
Employee benefits	54,812,119	138,343
Supplies, materials, and other operating expenses and services	34,808,490	2,328,842
Student financial aid	52,975,876	860,333
Equipment, maintenance, and repairs	22,623,927	39,658
Depreciation and amortization	29,607,134	-
Total Operating Expenses	357,096,489	3,674,318
Operating Income (Loss)	(262,448,966)	376,752
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	2,652,979	-
Local property taxes, levied for general purposes	255,463,256	-
Federal and State financial aid grants	43,112,863	-
State taxes and other revenues	10,341,440	-
Investment income/(loss)	(3,806,704)	(2,084,989)
Interest expense on capital related debt	(59,375)	-
Other nonoperating revenue	17,792,482	-
Total Nonoperating Revenues (Expenses)	325,496,941	(2,084,989)
Income Before Other Revenues and Losses	63,047,975	(1,708,237)
Other Revenues and Losses		
State revenues, capital	24,300,959	-
Loss on disposal of capital assets	(199,941)	-
Total Other Revenues and Losses	24,101,018	-
Change In Net Position	87,148,993	(1,708,237)
Net Position, Beginning of Year	745,652,843	17,555,337
Net Position, End of Year	$ 832,801,836	$ 15,847,100

	Primary Government	Component Units
Operating Activities		
Tuition and fees	$ 28,427,836	$ -
Federal, state, and local grants and contracts, noncapital	99,241,867	2,040,846
Payments to or on behalf of employees	(232,863,920)	(447,955)
Payments to vendors for supplies and services	(62,655,847)	(846,144)
Payments to students for scholarships and grants	(52,975,876)	(847,482)
Net Cash Used In Operating Activities	(220,825,940)	(100,735)
Noncapital Financing Activities		
State apportionments	2,652,979	-
Federal and state financial aid grants	43,112,863	-
Property taxes - nondebt related	254,525,419	-
State taxes and other apportionments	8,742,185	-
Other nonoperating	19,580,679	-
Net Cash Provided By Noncapital Financing Activities	328,614,125	-
Capital Financing Activities		
Purchase of capital assets	(59,253,046)	-
State revenue, capital	9,029,213	-
Principal paid on capital debt	(346,206)	-
Interest paid on capital debt	(59,375)	-
Net Cash Used In Capital Financing Activities	(50,629,414)	-
Investing Activities		
Proceeds from sales and maturities of investments	611,744	4,250,819
Purchase of investments	-	(4,407,819)
Interest received from investments	1,546,890	237,150
Net Cash Provided By Investing Activities	2,158,634	80,150
Change In Cash and Cash Equivalents	59,317,405	(20,585)
Cash and Cash Equivalents, Beginning of Year	423,841,749	346,528
Cash and Cash Equivalents, End of Year	$ 483,159,154	$ 325,943

	Primary Government	Component Units
Reconciliation of Net Operating Income (Loss) to Net Cash Used In Operating Activities		
Operating Income (Loss)	$ (262,448,966)	$ 376,752
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Depreciation and amortization expense	29,607,134	-
Amortization of discount on promises to give	-	(25,806)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Accounts receivable	23,895,134	(338,892)
Due from component units	(10,303)	-
Due from primary government	-	(145,061)
Inventories	6,387	-
Prepaid expenses	(1,000,164)	(578)
Lease receivables	90,836	-
Net OPEB asset	42,575,951	-
Deferred outflows of resources related to OPEB	(29,136,916)	-
Deferred outflows of resources related to pensions	14,030,054	-
Accounts payable	(4,030,749)	22,547
Due to fiduciary fund	910,674	-
Due to component units	145,061	-
Due to primary government	-	10,303
Unearned revenue	12,203,768	-
Compensated absences and load banking	(165,012)	-
Supplemental early retirement plan	(1,795,619)	-
Claims liability	41,393	-
Net OPEB liability	2,983,617	-
Aggregate net pension liability	(105,935,995)	-
Deferred inflows of resources related to OPEB	(18,558,954)	-
Deferred inflows of resources related to pensions	78,923,984	-
Deferred inflows of resources related to leases	(3,157,255)	-
Total Adjustments	41,623,026	(477,487)
Net Cash Used In Operating Activities	$ (220,825,940)	$ (100,735)
Cash and Cash Equivalents Consist of the Following:		
Cash in banks	$ 11,355,199	$ 325,943
Cash with fiscal agent	1,073,954	-
Cash in county treasury	470,730,001	-
Total Cash and Cash Equivalents	$ 483,159,154	$ 325,943

	Retiree OPEB Trust
Assets	
Investments	$ 128,941,176
Due from other funds	910,674
Total Assets	$ 129,851,850
Net Position	
Restricted for postemployment benefits other than pensions	$ 129,851,850

	Retiree OPEB Trust
Additions	
District contributions	$ 5,781,644
Interest and investment income	9,056,842
Total Additions	14,838,486
Deductions	
Benefit payments	4,864,470
Administrative expenses	506,935
Net realized and unrealized losses	37,829,770
Total Deductions	43,201,175
Change in Net Position	(28,362,689)
Net Position - Beginning of Year	158,214,539
Net Position - End of Year	$ 129,851,850

Note 1 - Organization

The South Orange County Community College District (the District) is a comprehensive, public, two-year institution offering higher education in the County of Orange in the State of California and is governed by an elected Board of Trustees. The District is comprised of two college campuses, Saddleback College and Irvine Valley College, and one educational area, the Advanced Technology and Education Park (ATEP). While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under *Internal Revenue Code* Section 115 and is, therefore, exempt from Federal taxes.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has considered all potential component units in determining how to define the reporting entity using criteria set forth in accounting principles generally accepted in the United States of America. The basic criteria for including a component unit are (1) the economic resources held or received by the other entity are entirely or almost entirely for the direct benefit of the District, (2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources held or received by the other entity, and (3) the other entity's resources to which the District is entitled or has the ability to otherwise access are significant to the District. If any of these criteria are not met, the final criterion for including a component unit is whether the other entity is closely related to, or financially integrated with, the District.

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 Directors for each Foundation are appointed independent of any District Board of Trustee's elections. The Board of Directors are responsible for their own accounting and finance related activities; however, the District's governing board has fiscal responsibility over the Foundations. The financial activities of the Foundations, excluding the Foundation for South Orange County Community College District, have been included in these financial statements as discretely presented component units; 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.

The Advanced Technology & Education Park (ATEP) Facilities Corporation

The ATEP Facilities Corporation (the 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 year ended June 30, 2022.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, including State apportionments, property taxes, Federal and State grants, entitlements, and donations, are classified as nonoperating revenue. Federal and State financial aid grants received to provide direct grants to students are classified as nonoperating revenues because the District does not generally receive any direct benefit from the grants. Eligibility requirements may include time and/or purpose requirements. Property tax revenues are recognized on an accrual basis. State apportionment revenue is earned based upon criteria set forth from the Community College Chancellor's Office and includes reporting of full-time equivalent students (FTES). The corresponding apportionment revenue is recognized in the period the FTES are generated.

Expenses are recorded on an accrual basis as they are incurred, when goods are received, or services are rendered.

Deposits and Investments

The District's deposits are comprised of cash and cash equivalents, which 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 equivalents also include cash with the County treasury for purposes of the Statement of Cash Flows.

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury and State Local Agency Investment Fund (LAIF) are measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in these investment pools are not required to be categorized within the fair value hierarchy.

Accounts Receivable

Accounts receivable include amounts due from Federal, State, and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District does not record an allowance for uncollectible accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectible, a direct write-off is recorded.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are stated at cost at the date of acquisition or fair value at the date of gift. The District's capitalization policy includes all items with a unit cost of $5,000 or more (for equipment) and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements that cost more than $150,000, significantly increase the value, or extend the useful life of the structure, are capitalized. Routine repair and maintenance costs are charged to operating expenses in the year in which the expense is incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Costs for construction in progress are capitalized when incurred.

The following estimated useful lives are used to compute depreciation:

Buildings	50 years
Buildings and land improvements	10 years
Equipment and vehicles	8 years
Technology	3 years

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for OPEB and pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for lease, OPEB, and pension related items.

Leases

The District recognizes a lease liability, for such things as copiers and rented office space, and intangible right-to-use leased assets in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The right-to-use leased assets are initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the right-to-use leased assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The District recognizes a lease receivable for ground leases and a deferred inflow of resources in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The aggregate net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan (the District's Plan) and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and MPP. For this purpose, the District Plan and MPP recognize 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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Compensated Absences and Load Banking

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year-end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $35,187,803 of restricted net position, and the fiduciary funds financial statements report $129,851,850 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

> **Operating revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as tuition and fees, net of scholarship discounts and allowances, non-capital Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.
>
> **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

> **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.
>
> **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

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 are referred to as basic aid funding. However, the District does receive state apportionment funding for the state Education Protection Account (EPA) and the full-time faculty hiring allocation.

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, 2022.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community College Board of Governors are included within the scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government and State of California. Financial aid provided to the student in the form of cash is reported as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Position. Federal financial assistance programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates, and those differences could be material.

Interfund Activity

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Operating transfers between funds of the District are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Adoption of New Standard

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard 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 standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Note 6, Note 7, and Note 8.

New Accounting Pronouncements

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this 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. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 3 - Deposits and Investments

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury – In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in the external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California *Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 11,258,614	$ -
Cash in revolving	96,585	-
Cash with fiscal agent	1,073,954	-
Cash in county treasury	470,730,001	-
Investments	45,868,382	128,941,176
Total Deposits and Investments	$ 529,027,536	$ 128,941,176

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's policy is to comply with California *Government Code*, which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Educational Investment Pool, LAIF, and mutual funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	$ 146,552,307	No maturity	Not rated
LAIF	28,257,251	311	Not rated
Orange County Educational Investment Pool	470,730,001	287	AAAm
Total	$ 645,539,559		

Custodial Credit Risk

Deposits

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 follows California *Government Code* to reduce exposure to custodial credit risk. The California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of approximately $11.2 million was collateralized at 110% in accordance with applicable California state law.

Investments

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 or collateral securities that are in possession of an outside party. As of June 30, 2022, the District's investment balance of approximately $146.0 million was exposed to custodial credit risk because it exceeded Securities Investor Protection Corporation (SIPC) insurance of $500,000. The District follows California *Government Code* in regards to limiting the amount of securities that can be held by counterparties.

Note 4 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2022:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	$ 146,552,307	$ 146,552,307	$ -	$ -

All assets have been valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2022 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 5,311,867
State Government	
Categorical aid	3,454,070
State construction claims	15,271,746
Lottery	1,599,255
Local Sources	
Property taxes	5,556,210
Interest	254,667
Other local sources	1,002,443
Total	$ 32,450,258

Note 6 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivables	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
Idyllwillow Lease	$ 158,153,421	$ -	$ -	$ 158,153,421
T-Mobile Lease	930,381	-	(12,867)	917,514
County of Orange Lease	2,466,380	-	(77,969)	2,388,411
Total	$ 161,550,182	$ -	$ (90,836)	$ 161,459,346

At June 30, 2022, the District recorded $161,459,346 in lease receivables, $1,720,574 in interest receivable, and $158,392,927 of deferred inflows of resources for leases. The District used interest rates of between 3% and 5%, based on the District's estimated incremental borrowing rate over the same time periods.

Idyllwillow Lease

The District leases a 23-acre portion of its land, improved with a 400-unit apartment complex built in 1987, located adjacent to Saddleback College. The lease term extends until September 30, 2075. Annual lease payments are due May 15, and increase annually based on the consumer price index for urban consumers for the Los Angeles-Anaheim-Riverside area, with a minimum increase of 3% and a maximum increase of 6%. During the fiscal year, the District recognized $2,928,767 in lease revenue and $4,744,603 in interest revenue related to these agreements.

T-Mobile Lease

The District leases a portion of its facilities for cellular antenna and equipment sites. The lease is noncancelable for a period of five years, with four additional automatic renewal periods of five years. Monthly lease payments are due on the first day of each month, and increase annually by 3%. At termination, lessees must remove all equipment and restore the site to its original state. During the fiscal year, the District recognized $38,766 in lease revenue and $27,911 in interest revenue related to these agreements.

County of Orange Lease

The District leases a portion of its land located in Tustin, California to the County of Orange. The lease term extends until April 29, 2034. Annual lease payments are due May 17, and increase annually by 5%. During the fiscal year, the District recognized $189,722 in lease revenue and $123,319 in interest revenue related to these agreements.

Note 7 - Capital and Right-to-use Leased Assets

Capital and right-to-use leased asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
Capital Assets Not Being Depreciated				
Land	$ 51,809,660	$ -	$ -	$ 51,809,660
Artwork	37,100	-	-	37,100
Construction in progress	80,827,680	58,587,955	(74,142,790)	65,272,845
Total Capital Assets Not Being Depreciated	132,674,440	58,587,955	(74,142,790)	117,119,605
Capital Assets Being Depreciated				
Land improvements	120,422,487	14,634,311	-	135,056,798
Buildings and improvements	425,898,180	55,988,943	-	481,887,123
Furniture and equipment	81,280,435	7,127,541	(12,179,597)	76,228,379
Total Capital Assets Being Depreciated	627,601,102	77,750,795	(12,179,597)	693,172,300
Total Capital Assets	760,275,542	136,338,750	(86,322,387)	810,291,905
Less Accumulated Depreciation				
Land improvements	(101,414,234)	(5,651,631)	-	(107,065,865)
Buildings and improvements	(118,449,573)	(13,043,834)	-	(131,493,407)
Furniture and equipment	(65,314,066)	(10,530,411)	11,979,656	(63,864,821)
Total Accumulated Depreciation	(285,177,873)	(29,225,876)	11,979,656	(302,424,093)
Net Capital Assets	475,097,669	107,112,874	(74,342,731)	507,867,812
Right-to-use Leased Assets Being Amortized				
Buildings and improvements	988,519	-	-	988,519
Equipment	990,646	-	-	990,646
Total Right-to-use Leased Assets Being Amortized	1,979,165	-	-	1,979,165
Less Accumulated Amortization				
Buildings and improvements	-	(197,704)	-	(197,704)
Equipment	-	(183,554)	-	(183,554)
Total Accumulated Amortization	-	(381,258)	-	(381,258)
Net Right-to-use Leased Assets	1,979,165	(381,258)	-	1,597,907
Total Capital and Right-to-use Leased Assets, Net	$ 477,076,834	$ 106,731,616	$ (74,342,731)	$ 509,465,719

Note 8 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year ended June 30, 2022 consisted of the following:

	Balance, July 1, 2021, as Restated	Additions	Deductions	Balance, June 30, 2022	Due in One Year
Compensated absences and load banking	$ 7,644,532	$ 723,315	$ (888,327)	$ 7,479,520	$ 556,959
Supplemental early retirement plan	1,795,619	-	(1,795,619)	-	-
Lease liability	1,979,165	-	(346,206)	1,632,959	380,972
Claim liabilities	611,832	149,704	(108,311)	653,225	-
Total	$ 12,031,148	$ 873,019	$ (3,138,463)	$ 9,765,704	$ 937,931

Description of Long-Term Liabilities

The compensated absences and load banking liabilities, and the supplemental early retirement plan will be paid by the fund for which the employee worked. Payments for the lease liability will be made by the fund for which the sites and equipment were intended for. The claim liabilities will be paid by the Internal Service Fund.

Supplemental Early Retirement Plan (SERP)

In November 2016, the District adopted a one-time SERP for classified, faculty, and management employees. The District had 116 employees that enrolled in the SERP. As of June 30, 2022, the liability for the SERP was paid in full.

Lease Liability

The District has entered into agreements to lease various facilities and equipment. The District's liability for lease agreements is summarized below:

Leases	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022
Building lease	$ 988,519	$ -	$ (173,979)	$ 814,540
Equipment leases	990,646	-	(172,227)	818,419
Total	$ 1,979,165	$ -	$ (346,206)	$ 1,632,959

The District has entered into agreements to lease office space for 126 months, beginning December 2015. The lease terminates June 2026. Under the terms of the lease, the District makes monthly payments, which increase based on a set schedule in the lease agreement, which amounted to total principal and interest costs of $203,635 for the year ending June 30, 2022. At June 30, 2022, the District has recognized a right-to-use leased asset of $988,519 and a lease liability of $814,540 related to this agreement. During the fiscal year, the District recorded $197,704 in amortization expense and $29,656 in interest expense for the leased office space. The District used a discount rate of 3% based on the estimated incremental borrowing rate for financing over a similar time period.

The District has entered into various agreements to lease copiers and equipment for periods of two to six years. Under the terms of the leases, the District makes payments ranging from $1,442 to $137,624 annually, which amounted to total principal and interest costs of $201,946 for the year ending June 30, 2022. At June 30, 2022, the District has recognized right-to-use leased assets of $990,646 and a lease liability of $818,419 related to these agreements. During the fiscal year, the District recorded $183,554 in amortization expense and $29,719 in interest expense for the leased copiers and equipment. The District used a discount rate of 3% based on the estimated incremental borrowing rate for financing over a similar time period.

The District's liability on lease agreements with option to purchase is summarized below:

Fiscal Year	Principal	Interest	Total
2023	$ 380,972	$ 48,988	$ 429,960
2024	394,659	37,559	432,218
2025	408,943	25,720	434,663
2026	427,889	13,451	441,340
2027	19,096	616	19,712
2028	1,400	42	1,442
Total	$ 1,632,959	$ 126,376	$ 1,759,335

Claims Liability

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 joint power authorities (JPAs) to provide excess insurance coverage above the self-insured retention level for workers' compensation and property and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

As of June 30, 2022, present value of the claims liability was $653,225.

Note 9 - Net Other Postemployment Benefits (OPEB) Liability

For the year ended June 30, 2022, the District reported a net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 2,907,120	$ 34,485,934	$ 12,783,502	$ (2,212,799)
Medicare Premium Payment (MPP) Program	847,358	-	-	76,497
Total	$ 3,754,478	$ 34,485,934	$ 12,783,502	$ (2,136,302)

The details of each of the plans are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their dependents.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the South Orange County Community College District Retirement Board of Authority, which consists of appointed Plan members.

Plan Membership

At June 30, 2022, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	361
Active employees	1,001
Total	1,362

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the South Orange County Community College District Retirement Board of Authority as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and employee bargaining units. Voluntary contributions are based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined feasible by District management and the District's governing board. For the measurement period ending June 30, 2022, the District contributed $5,781,644 to the Plan, of which $4,864,470 was used for current premiums and $917,174 was used to fund the OPEB Trust.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Domestic equity	32%
International equity	9%
Fixed income	52%
Real estate	7%

Rate of Return

For the year ended June 30, 2022, the annual money-weighed rate of return on investments, net of investment expense, was -18.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $2,907,120 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	$ 132,758,970
Plan fiduciary net position	(129,851,850)
Net OPEB Liability	$ 2,907,120
Plan fiduciary net position as a percentage of the total OPEB liability	97.81%

Actuarial Assumptions

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	6.00%
Healthcare cost trend rates	6.50% for 2022, decreasing to 4.50% in 2026

The discount rate was based on the long-term expected return on plan assets assuming 100% funding through the Trust.

Mortality rates were based on the Society of Actuaries (SOA) Pub-2010 Teachers Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021 for certificated employees, the SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021 for classified employees, and the SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actual experience study as of that date.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.50%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	4.25%
International equity	5.25%
Fixed income	1.75%
Real estate	4.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance, June 30, 2021	$ 115,487,121	$ 158,063,072	$ (42,575,951)
Service cost	4,203,077	-	4,203,077
Interest	7,066,753	-	7,066,753
Difference between expected and actual experience	(1,727,498)	-	(1,727,498)
Contributions - employer	-	5,781,644	(5,781,644)
Expected investment income	-	9,483,784	(9,483,784)
Differences between projected and actual earnings on OPEB plan investments	-	(38,105,245)	38,105,245
Changes of assumptions	12,593,987	-	12,593,987
Benefit payments	(4,864,470)	(4,864,470)	-
Administrative expense	-	(506,935)	506,935
Net Change in Total OPEB Liability	17,271,849	(28,211,222)	45,483,071
Balance, June 30, 2022	$ 132,758,970	$ 129,851,850	$ 2,907,120

Changes of economic assumptions reflect a change in the healthcare cost trend rates from 6.00% decreasing to 4.00%, to 6.50% decreasing to 4.50% since the previous valuation. There were no changes in benefit terms since the previous valuation.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability (Asset)
1% decrease (5.00%)	$ 16,236,740
Current discount rate (6.00%)	2,907,120
1% increase (7.00%)	(14,321,380)

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

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

Healthcare Cost Trend Rates	Net OPEB Liability (Asset)
1% decrease (5.50% decreasing to 3.50%)	$ (16,628,414)
Current healthcare cost trend rates (6.50% decreasing to 4.50%)	2,907,120
1% increase (7.50% decreasing to 5.50%)	19,587,246

Deferred Outflows/Inflows of Resources Related to OPEB

At, June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,562,683
Changes of assumptions	15,252,361	1,220,819
Net difference between projected and actual earnings on OPEB plan investments	19,233,573	-
Total	$ 34,485,934	$ 12,783,502

The deferred outflows/(inflows) of resources related to the net difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period, beginning in fiscal year ended June 30, 2022, and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 4,146,940
2024	3,868,078
2025	3,497,419
2026	7,721,136
Total	$ 19,233,573

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (916,393)
2024	30,506
2025	30,506
2026	30,506
2027	1,741,380
Thereafter	1,552,354
Total	$ 2,468,859

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012 are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $847,358 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.2124% and 0.2070%, respectively, resulting in a net increase in the proportionate share of 0.0054%.

For the year ended June 30, 2022, the District recognized OPEB expense of $76,497.

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2020, 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.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 934,020
Current discount rate (2.16%)	847,358
1% increase (3.16%)	773,312

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rate, as well as what the net pension liability would be if it were calculated using a Medicare costs trend rate that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	$ 770,572
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	847,358
1% increase (5.5% Part A and 6.4% Part B)	935,389

Note 10 - Risk Management

Property and Liability Insurance Coverages

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

SWACC provides liability and property insurance up to $1,000,000 and $250,000, respectively, for its member colleges. SWACC's membership consists of two 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-$500,000,000, respectively. The Board elects from its members a President, Vice President, Secretary, Treasurer, five representatives, and nine alternates. The Board controls the operations of SAFER, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays an annual contribution based upon that calculated by SAFER's Board of Directors and shares surpluses and deficits proportionately to its participation in SAFER.

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

SISC 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.

Note 11 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 64,316,703	$ 29,104,870	$ 57,720,806	$ 4,394,561
CalPERS	80,102,948	17,804,470	30,929,963	9,377,925
Total	$ 144,419,651	$ 46,909,340	$ 88,650,769	$ 13,772,486

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP	
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	16.92%	16.92%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the District's total contributions were $13,851,855.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 64,316,703
State's proportionate share of net pension liability associated with the District	32,361,670
Total	$ 96,678,373

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.1413% and 0.1360%, respectively, resulting in a net increase in the proportionate share of 0.0053%

For the year ended June 30, 2022, the District recognized pension expense of $4,394,561. In addition, the District recognized pension expense and revenue of $1,107,215 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 13,851,855	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,978,905	-
Differences between projected and actual earnings on pension plan investments	-	50,876,168
Differences between expected and actual experience in the measurement of the total pension liability	161,117	6,844,638
Changes of assumptions	9,112,993	-
Total	$ 29,104,870	$ 57,720,806

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period, beginning in fiscal year ended June 30, 2022, and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (12,919,495)
2024	(11,817,117)
2025	(12,110,379)
2026	(14,029,177)
Total	$ (50,876,168)

The deferred outflows/(inflows) of resources related to the change in proportion and difference between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 3,923,169
2024	4,164,843
2025	47,177
2026	66,963
2027	439,719
Thereafter	(233,494)
Total	$ 8,408,377

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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 general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 130,925,788
Current discount rate (7.10%)	64,316,703
1% increase (8.10%)	9,032,435

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS School Employee Pool provisions and benefits in effect at June 30, 2022, are summarized as follows:

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	55	62
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	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the total District contributions were $12,902,588.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $80,102,948. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.3939% and 0.3864%, respectively, resulting in a net increase in the proportionate share of 0.0075%.

For the year ended June 30, 2022, the District recognized pension expense of $9,377,925. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,902,588	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,510,604	-
Differences between projected and actual earnings on pension plan investments	-	30,741,127
Differences between expected and actual experience in the measurement of the total pension liability	2,391,278	188,836
Total	$ 17,804,470	$ 30,929,963

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period, beginning in fiscal year ended June 30, 2022, and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (7,709,848)
2024	(7,089,896)
2025	(7,391,680)
2026	(8,549,703)
Total	$ (30,741,127)

The deferred outflows/(inflows) of resources related to the change in proportion and difference between contributions made and District's proportionate share of contributions and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 2,670,238
2024	1,460,672
2025	537,184
2026	44,952
Total	$ 4,713,046

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP-2016.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 135,064,817
Current discount rate (7.15%)	80,102,948
1% increase (8.15%)	34,472,803

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2022, which amounted to $9,089,317 (10.828%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2022. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

Construction Commitments

As of June 30, 2022, the District had approximately $82.1 million in commitments with respect to unfinished capital projects. The projects are funded through a combination of capital project apportionments from the California Community College Chancellor's Office and local funds.

Note 13 - Adoption of New Standard

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard 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 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of the adoption of the new standard, the opening balances of certain assets, liabilities, and deferred inflows of resources were restated as follows:

Primary Government	
Net Position - Beginning	$ 745,652,843
Lease receivables	161,550,182
Right-to-use leased assets, net of amortization	1,979,165
Lease liabilities	(1,979,165)
Deferred inflows of resources related to leases	(161,550,182)
Net Position - Beginning	$ 745,652,843

Required Supplementary Information
June 30, 2022

South Orange County Community College District

	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of December 2017	As of June 30, 2017
Total OPEB Liability						
Service cost	$ 4,203,077	$ 4,938,531	$ 4,896,186	$ 4,753,578	$ 4,353,892	$ 4,353,903
Interest	7,066,753	6,627,680	6,979,195	6,901,495	6,387,047	6,099,713
Changes of benefit terms	-	-	-	37,345	-	-
Difference between expected and actual experience	(1,727,498)	(4,917,341)	(11,234,876)	(748,283)	-	-
Changes of assumptions	12,593,987	6,240,521	(741,256)	(3,986,221)	-	-
Benefit payments	(4,864,470)	(5,766,110)	(5,918,264)	(5,692,789)	(5,257,031)	(4,239,872)
Net Change in Total OPEB Liability	17,271,849	7,123,281	(6,019,015)	1,265,125	5,483,908	6,213,744
Total OPEB Liability - Beginning	115,487,121	108,363,840	114,382,855	113,117,730	104,725,415	99,594,587
Total OPEB Liability - Ending (a)	$ 132,758,970	$ 115,487,121	$ 108,363,840	$ 114,382,855	$ 110,209,323	$ 105,808,331
Plan Fiduciary Net Position						
Contributions - employer	$ 5,781,644	$ 5,766,110	$ 6,402,999	$ 6,745,882	$ 12,133,909	$ 11,116,750
Expected investment income	9,483,784	28,870,160	5,550,697	5,625,978	13,243,922	10,662,951
Differences between projected and actual earnings on OPEB plan investments	(38,105,245)	-	-	-	-	-
Benefit payments	(4,864,470)	(5,766,110)	(5,918,264)	(5,692,789)	(5,257,031)	(4,239,872)
Administrative expense	(506,935)	-	-	-	-	(327,398)
Net Change in Plan Fiduciary Net Position	(28,211,222)	28,870,160	6,035,432	6,679,071	20,120,800	17,212,431
Plan Fiduciary Net Position - Beginning	158,063,072	129,192,912	123,157,480	116,478,409	96,106,489	92,851,453
Plan Fiduciary Net Position - Ending (b)	$ 129,851,850	$ 158,063,072	$ 129,192,912	$ 123,157,480	$ 116,227,289	$ 110,063,884
Net OPEB Liability (Asset) - Ending (a) - (b)	$ 2,907,120	$ (42,575,951)	$ (20,829,072)	$ (8,774,625)	$ (6,017,966)	$ (4,255,553)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	97.81%	136.87%	119.22%	107.67%	105.46%	104.02%
Covered Employee Payroll	$ 106,650,039	$ 104,826,960	$ 102,437,795	$ 94,182,000	$ 91,216,000	$ 89,360,000
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	2.73%	-40.62%	-20.33%	-9.32%	-6.60%	-4.76%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	December 2017	June 30, 2017

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

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 2,284,955	$ 591,557	$ 5,126,650	$ 4,979,864	$ 4,594,742	$ 4,594,742
Contribution in relation to the actuarially determined contribution	5,781,644	5,766,110	6,402,999	6,745,882	12,133,909	6,390,000
Contribution deficiency (excess)	$ (3,496,689)	$ (5,174,553)	$ (1,276,349)	$ (1,766,018)	$ (7,539,167)	$ (1,795,258)
Covered payroll	$ 106,650,039	$ 104,826,960	$ 102,437,795	$ 94,182,000	$ 91,216,000	$ 89,360,000
Contributions as a percentage of covered payroll	5.42%	5.50%	6.25%	7.16%	13.30%	7.15%

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

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-18.29%	22.24%	4.49%	4.46%	5.83%	10.62%

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

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.2124%	0.2070%	0.0440%	0.0440%	0.0440%
Proportionate share of the net OPEB liability	$ 847,358	$ 770,861	$ 778,310	$ 156,973	$ 185,111
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

	2022	2021	2020	2019
CalSTRS				
Proportion of the net pension liability	0.1413%	0.1360%	0.1350%	0.1220%
Proportionate share of the net pension liability	$ 64,316,703	$ 131,796,240	$ 121,926,600	$ 112,126,540
State's proportionate share of the net pension liability associated with the District	32,361,670	67,940,427	66,519,637	64,198,003
Total	$ 96,678,373	$ 199,736,667	$ 188,446,237	$ 176,324,543
Covered payroll	$ 80,227,000	$ 77,321,000	$ 75,683,000	$ 73,766,000
Proportionate share of the net pension liability as a percentage of its covered payroll	80.17%	170.45%	161.10%	152.00%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS				
Proportion of the net pension liability	0.3939%	0.3864%	0.3724%	0.3772%
Proportionate share of the net pension liability	$ 80,102,948	$ 118,559,406	$ 108,533,192	$ 100,573,395
Covered payroll	$ 56,531,000	$ 55,323,000	$ 51,296,000	$ 49,764,000
Proportionate share of the net pension liability as a percentage of its covered payroll	141.70%	214.30%	211.58%	202.10%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.1290%	0.1300%	0.1290%	0.1220%
Proportionate share of the net pension liability	$ 119,299,200	$ 105,145,300	$ 86,772,244	$ 71,293,140
State's proportionate share of the net pension liability associated with the District	70,576,974	59,866,156	45,892,828	43,375,206
Total	$ 189,876,174	$ 165,011,456	$ 132,665,072	$ 114,668,346
Covered payroll	$ 75,351,000	$ 66,927,000	$ 59,388,000	$ 63,923,000
Proportionate share of the net pension liability as a percentage of its covered payroll	158.32%	157.10%	146.11%	111.53%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS				
Proportion of the net pension liability	0.3947%	0.3831%	0.3770%	0.3780%
Proportionate share of the net pension liability	$ 94,225,307	$ 75,662,487	$ 55,573,249	$ 42,912,204
Covered payroll	$ 50,140,000	$ 45,786,000	$ 41,766,000	$ 42,707,000
Proportionate share of the net pension liability as a percentage of its covered payroll	187.92%	165.25%	133.06%	100.48%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2022	2021	2020	2019
CalSTRS				
Contractually required contribution	$ 13,851,855	$ 12,950,027	$ 13,221,886	$ 12,321,240
Contributions in relation to the contractually required contribution	(13,851,855)	(12,950,027)	(13,221,886)	(12,321,240)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 81,866,755	$ 80,227,000	$ 77,321,000	$ 75,683,000
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%
CalPERS				
Contractually required contribution	$ 12,902,588	$ 11,652,983	$ 10,910,312	$ 9,265,030
Contributions in relation to the contractually required contribution	(12,902,588)	(11,652,983)	(10,910,312)	(9,265,030)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 56,318,586	$ 56,531,000	$ 55,323,000	$ 51,296,000
Contributions as a percentage of covered payroll	22.91%	20.70%	19.72%	18.06%

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

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 10,603,030	$ 9,479,208	$ 7,181,247	$ 8,300,583
Contributions in relation to the contractually required contribution	(10,603,030)	(9,479,208)	(7,181,247)	(8,300,583)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 73,766,000	$ 75,351,000	$ 66,927,000	$ 59,388,000
Contributions as a percentage of covered payroll	14.37%	12.58%	10.73%	13.98%
CalPERS				
Contractually required contribution	$ 7,728,887	$ 6,963,468	$ 5,424,269	$ 4,916,269
Contributions in relation to the contractually required contribution	(7,728,887)	(6,963,468)	(5,424,269)	(4,916,269)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 49,764,000	$ 50,140,000	$ 45,786,000	$ 41,766,000
Contributions as a percentage of covered payroll	15.53%	13.89%	11.85%	11.77%

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

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability/(Asset) and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability/(asset), including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability/(asset). In the future, as data becomes available, ten years of information will be presented.

- ***Changes in Benefit Terms* -** There were no changes in the benefit terms since the previous valuation.
- ***Changes of Assumptions* -** The healthcare cost trend rates reflect a change from 6.00% decreasing to 4.00%, to 6.50% decreasing to 4.50% since the previous valuation.

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP program and the Plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes in Assumptions* - The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- ***Changes in Benefit Terms* -** There were no changes in benefit terms since the previous valuations for either CalSTRS or CalPERS.
- ***Changes of Assumptions* -** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of District Contributions for Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2022

South Orange County Community College District

The South Orange County Community College District was established in 1967 and serves approximately 382 square miles within Orange County. The District currently operates two community colleges, Saddleback College and Irvine Valley College. The Advanced Technology & Education Park (ATEP), opened in 2007 and offers courses from the two colleges with a focus on workforce development and career technical skills. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States. There were no changes in the boundaries of the District during the current year.

Board of Trustees as of June 30, 2022

Member	Office	Term Expires
Ms. Marcia Milchiker	President	2022
Mr. Timothy Jemal	Vice President	2024
Ms. 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. Rachel Abalos	Student Trustee	2023

*Position vacant as of July 1, 2022 due to retirement.

Administration as of June 30, 2022

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. Christopher S. McDonald	Vice Chancellor, Educational and Technology Services
Dr. Cindy Vyskocil	Vice Chancellor, Human Resources

**Dr. Julianna Barnes became the new Chancellor effective August 1, 2022.

Auxiliary Organizations in Good Standing

Auxiliary Name	Director's Name	Establishment and Master Agreement
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.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$22,016,141	$ -
Federal Pell Grant Program Administrative Allowance	84.063		57,424	-
Federal Direct Student Loans	84.268		1,414,600	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		499,518	-
Federal Work-Study Program	84.033		300,897	-
Subtotal Student Financial Assistance Cluster			24,288,580	-
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		15,397,996	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		9,007,791	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		320,818	-
Subtotal			24,726,605	-
Childcare Access Means Parents in School	84.335A		161,028	-
Developing Hispanic Serving Institutions - Ensuring Equity in Access and Achievement	84.031S		97,531	-
Passed through California State University Fullerton Auxiliary Services Corporation				
Project RAISER (Regional Alliance in STEM Education Refined)	84.031C	P031C210118	8,444	-
Subtotal			105,975	-
Passed through California Department of Education				
Adult Education and Family Literacy Act	84.002A	14508/13978	327,460	-
Passed through University of California, Davis				
Online Instructor Professional Development and Student Outcomes in Community Colleges	84.305A	R305A210455	16,633	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	21-C01-890	1,022,886	-
Total U.S. Department of Education			50,649,167	-
U.S. Department of Agriculture				
Passed through Orange County Department of Education				
Forest Service Schools and Roads Cluster				
Forest Reserve	10.665	[1]	3,724	-
Subtotal Forest Service Schools and Roads Cluster			3,724	-
U.S. Department of the Treasury				
Passed through California Community Colleges Chancellor's Office				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	1,575,188	-

[1] Pass-Through Entity Identifying Number not available.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
National Science Foundation (NSF)				
Research and Development Cluster				
NSF includes Alliance: STEM Core Expansion	47.076		$ 1,254,453	$ 702,184
Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076		88,380	22,279
Passed through University of California (UC), Irvine				
UC Irvine Pathways to Engineering Collaborative	47.076	DUE-1742627	202,420	-
Improving Transition of Community College Students into University STEM Programs through Cross-Enrollment	47.076	DUE-1928554	1,222	-
Subtotal Research and Development Cluster			1,546,475	724,463
U.S. Department of Health and Human Services				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families (TANF)	93.558	[1]	85,763	-
Title IV - Foster Care and Kinship Care Education	93.658	[1]	183,705	-
Total U.S. Department of Health and Human Services			269,468	-
U.S. Department of Homeland Security				
Passed through the California Governor's Office of Emergency Services				
Hazard Mitigation Grant Program	97.039	FEMA-4382-DR-CA	19,615	-
Total Federal Financial Assistance			$54,063,637	$ 724,463

[1] Pass-Through Entity Identifying Number not available.

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
State Categorical Aid Programs					
Adult Education Block Grant	$ 6,034,637	$ -	$ 1,398,875	$ 4,635,762	$ 4,635,762
Board Financial Assistance Program - SFA Administration	912,627	-	-	912,627	912,627
California College Promise	5,573,612	-	1,801,416	3,772,196	3,772,196
CalWORKs	496,422	-	72,539	423,883	423,883
Campus Safety and Sexual Assault	15,062	-	12,956	2,106	2,106
Cooperative Agencies Resources for Education (CARE)	169,679	-	374	169,305	169,305
Classified Professional Development	105,856	-	93,456	12,400	12,400
COVID-19 Response Block Grant	423,444	-	-	423,444	423,444
Disaster Relief Emergency Student FA	124,435	-	120,308	4,127	4,127
Disabled Student Program and Services (DSPS)	4,083,327	-	851,528	3,231,799	3,231,799
Extended Opportunities Program and Services (EOPS)	2,094,470	-	88,143	2,006,327	2,006,327
Equal Employment Opportunity	180,720	-	165,076	15,644	15,644
Financial Aid Technology	163,532	-	33,919	129,613	129,613
Foster and Kinship Care Education (FKCE)	289,889	-	-	289,889	289,889
Guided Pathways	1,238,333	-	81,869	1,156,464	1,156,464
Hunger Free Campus	30,301	-	2,749	27,552	27,552
Nursing Education	263,834	-	-	263,834	263,834
Physical Plant and Instructional Equipment	13,614,669	-	13,194,001	420,668	420,668
Strong Workforce - Local	7,957,823	-	4,270,737	3,687,086	3,687,086
Student Equity and Achievement	14,926,665	-	5,192,572	9,734,093	9,734,093
Student Success Completion Grant	2,918,811	-	318,124	2,600,687	2,600,687
Veteran Resource Center	413,530	-	298,981	114,549	114,549
Dreamer Resource Liaisons	359,791	-	218,271	141,520	141,520
CalFresh Outreach	45,478	-	26,650	18,828	18,828
Student Retention and Outreach	2,230,556	-	1,624,464	606,092	606,092
Integrated Basic Needs Center	561,936	-	470,068	91,868	91,868
Food and Housing Insecurity	555,793	-	515,918	39,875	39,875
Culturally Competent Faculty PD	100,870	-	61,944	38,926	38,926
Equal Employment Opportunity Best Practices	208,333	-	208,333	-	-
LGBTQ+	250,913	-	250,913	-	-
CCAP Instructional Materials	72,263	-	72,263	-	-
Mental Health Support	696,785	-	696,756	29	29

See Note to Supplementary Information

Program	Program Revenues: Cash Received	Program Revenues: Accounts Receivable	Program Revenues: Unearned Revenue	Program Revenues: Total Revenue	Program Expenditures
Other State Awards					
CaliforniansForAll	$ -	$ 22,648	$ -	$ 22,648	$ 22,648
CalVaxGrant	-	779	-	779	779
CCC Mental Health Services	336,691	-	-	336,691	336,691
Child Development Training Consortium	29,900	7,958	-	37,858	37,858
ECU Regional Director	100,178	-	-	100,178	100,178
EWD Employer Engagement	-	22,042	-	22,042	22,042
Innovation and Effectiveness Plan	37,415	-	2,934	34,481	34,481
Rethink CCCREEC	55,080	47,920	-	103,000	103,000
Strong Workforce - Regional	362,426	3,313,276	-	3,675,702	3,675,702
UCR Learning Labs	-	39,447	-	39,447	39,447
Veteran Credit Articulation Track	861,130	-	489,964	371,166	371,166
Veterans Resource Center	756,106	-	366,080	390,026	390,026
Veterans Service Center	56,256	-	-	56,256	56,256
Total State Programs	$ 69,709,578	$ 3,454,070	$ 33,002,181	$ 40,161,467	$ 40,161,467

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2021 only)			
1. Noncredit*	662.86	-	662.86
2. Credit	3,402.13	-	3,402.13
B. Summer Intersession (Summer 2022 - Prior to July 1, 2022)			
1. Noncredit*	-	-	-
2. Credit	19.04	-	19.04
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,803.62	-	5,803.62
(b) Daily Census Contact Hours	295.74	-	295.74
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	1,818.83	-	1,818.83
(b) Credit	656.50	-	656.50
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	6,824.89	-	6,824.89
(b) Daily Census Procedure Courses	3,652.85	-	3,652.85
(c) Noncredit Independent Study/Distance Education Courses	589.53	-	589.53
D. Total FTES	23,725.99	-	23,725.99
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	879.86	-	879.86
2. Credit	292.09	-	292.09
CCFS-320 Addendum			
CDCP Noncredit FTES	1,208.84	-	1,208.84

*Including Career Development and College Preparation (CDCP) FTES.

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 38,726,128	$ -	$ 38,726,128	$ 38,726,128	$ -	$ 38,726,128
Other	1300	30,475,950	-	30,475,950	30,475,950	-	30,475,950
Total Instructional Salaries		69,202,078	-	69,202,078	69,202,078	-	69,202,078
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,693,241	-	12,693,241
Other	1400	-	-	-	5,362,657	-	5,362,657
Total Noninstructional Salaries		-	-	-	18,055,898	-	18,055,898
Total Academic Salaries		69,202,078	-	69,202,078	87,257,976	-	87,257,976
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	37,763,871	-	37,763,871
Other	2300	-	-	-	1,494,557	-	1,494,557
Total Noninstructional Salaries		-	-	-	39,258,428	-	39,258,428
Instructional Aides							
Regular Status	2200	4,267,672	-	4,267,672	4,267,672	-	4,267,672
Other	2400	1,006,879	-	1,006,879	1,006,879	-	1,006,879
Total Instructional Aides		5,274,551	-	5,274,551	5,274,551	-	5,274,551
Total Classified Salaries		5,274,551	-	5,274,551	44,532,979	-	44,532,979
Employee Benefits	3000	30,284,978	-	30,284,978	60,938,911	-	60,938,911
Supplies and Material	4000	-	-	-	1,200,851	-	1,200,851
Other Operating Expenses	5000	590,876	-	590,876	13,318,966	-	13,318,966
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		105,352,483	-	105,352,483	207,249,683	-	207,249,683

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 463,942	$ -	$ 463,942	$ 463,942	$ -	$ 463,942
Student Health Services Above Amount Collected	6441	-	-	-	9,731	-	9,731
Student Transportation	6491	-	-	-	473,936	-	473,936
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,391,526	-	1,391,526
Objects to Exclude							
Rents and Leases	5060	-	-	-	192,713	-	192,713
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 5,455,165	$ -	$ 5,455,165
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		463,942	-	463,942	7,987,013	-	7,987,013
Total for ECS 84362, 50 Percent Law		$104,888,541	$ -	$104,888,541	$199,262,670	$ -	$199,262,670
Percent of CEE (Instructional Salary Cost/ Total CEE)		52.64%		52.64%	100.00%		100.00%
50% of Current Expense of Education					$ 99,631,335		$ 99,631,335

Activity Classification	Object Code			Unrestricted
EPA Revenue:	8630			$ 2,652,979
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 2,652,979	$ -	$ -	$ 2,652,979
Total Expenditures for EPA		$ 2,652,979	$ -	$ -	$ 2,652,979
Revenues Less Expenditures					$ -

See Note to Supplementary Information

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 110,661,353	
Special Revenue Funds	19,397,924	
Capital Project Funds	368,925,057	
Internal Service Funds	2,774,685	
Fiduciary Funds	129,851,850	
Total Fund Balance - All District Funds		$ 631,610,869
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(129,851,850)
The District's investment in the Orange County Educational Investment Pool is reported at fair market value in the Statement of Net Position.		(7,328,835)
Lease receivables, interest receivable on leases, and deferred inflows of resources related to leases are reported in the Statement of Net Position, but were not reported in District's CCFS-311 report.		
Lease receivables	161,459,346	
Interest receivable on leases	1,720,574	
Deferred inflows of resources related to leases	(158,392,927)	
Total		4,786,993
Capital and right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	810,291,905	
Accumulated depreciation is	(302,424,093)	
The cost of right-to-use leased assets is	1,979,165	
Accumulated amortization is	(381,258)	
Total Capital and Right-to-use Leased Assets, Net		509,465,719
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to OPEB	34,485,934	
Deferred outflows of resources related to pensions	46,909,340	
Total Deferred Outflows of Resources		81,395,274

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Leases	$ (1,632,959)	
Compensated absences and load banking, less current portion already recorded in the funds	(6,034,975)	
Net OPEB liability	(3,754,478)	
Aggregate net pension liability	(144,419,651)	
Total Long-Term Liabilities		$(155,842,063)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds.		
Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to OPEB	(12,783,502)	
Deferred inflows of resources related to pensions	(88,650,769)	
Total Deferred Inflows of Resources		(101,434,271)
Total Net Position		$ 832,801,836

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2022.

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, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate
The District has not elected to use the 10% de minimis cost rate. The District has a negotiated indirect cost rate of 36.5%.

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the state grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis for making apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

ECS 84362 requires the District to expend a minimum of 50% of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes the expenditures of EPA proceeds.

Reconciliation of the Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Other Information
June 30, 2022

South Orange County Community College District

	2023 (Budget) Amount	2022 Amount	2021 Amount	2020 Amount
General Fund				
Revenues	$ 404,894,065	$ 374,965,641	$ 368,896,026	$ 351,470,474
Expenditures	326,041,846	264,652,520	250,046,356	256,601,173
Net Other Sources and Uses	(108,633,352)	(94,091,029)	(113,023,324)	(93,591,938)
Increase (Decrease) in Fund Balance	$ (29,781,133)	$ 16,222,092	$ 5,826,346	$ 1,277,363
Ending Fund Balance	$ 80,880,220	$ 110,661,353	$ 94,439,261	$ 88,612,915
Available Reserve	$ 37,965,749	$ 43,484,945	$ 39,268,125	$ 42,428,383
Available Reserve Percentage	11.64%	16.43%	15.70%	16.53%
Full-Time Equivalent Students	26,530	23,726	26,499	26,530
Total Long-Term Liabilities, including Retiree Benefit Liability	N/A	$ 157,939,833	$ 318,753,229	$ 242,176,332

Important Notes

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2023 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2023 amounts reserved.

The 2023 budget is the Plan and Budget adopted by the Board of Trustees on August 29, 2022.

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. The amounts shown as Available Reserve are the unrestricted reserves after setting aside reserves suggested by the Chancellor's Office and Board policy.

Long-term debt is reported for the District as a whole and includes debt related to all funds. Long-term debt for the year ending June 30, 2020 has not been restated for the implementation of GASB 87.

Note 1 - Purpose of Schedule

Schedule of Financial Trends and Analysis of the General Fund (Unaudited)

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 Reports
June 30, 2022

South Orange County Community College District

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 aggregate discretely presented component units, and the remaining fund information of South Orange County Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2022.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ending June 30, 2022. Our opinions are not modified with respect to this matter.

Report on 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
November 23, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program; 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

Opinion on Each Major Federal Program

We have audited South Orange County Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. 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.

In our opinion, the District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Eide Bailly LLP

Rancho Cucamonga, California
November 23, 2022

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited South Orange County Community College District's (the District) compliance with the types of compliance requirements described in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2022.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted in the table below that were audited for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

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 state laws and regulations applicable to the following:

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 499	COVID-19 Response Block Grant Expenditures

The District reports no Apprenticeship Related and Supplemental Instruction (RSI) Funds programs for Funding; therefore, the compliance requirements within this section were not applicable.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2021-2022 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
November 23, 2022

Schedule of Findings and Questioned Costs
June 30, 2022

South Orange County Community College District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs:	$1,621,909
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

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

None reported.

The following finding represents a significant deficiency and instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2022-001 Special Tests and Provisions

Program Name: Student Financial Assistance Cluster
Federal Financial Assistance Listing Number: 84.007, 84.033, 84.063, and 84.268
Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded

Criteria or Specific Requirements
OMB Compliance Supplement, 34 CFR section 668.22(e)(f): The amount of Title IV assistance earned by the student is calculated by dividing the number of days completed by the student within the period of enrollment by the total number of days in the enrollment period. The enrollment period includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in the period of enrollment and the number of calendar days completed in that period.

34 CFR section 668.22(j)(2): For an institution that is not required to take attendance, the institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the period of enrollment, the academic year in which the student withdrew or the educational program from which the student withdrew.

Condition
Significant Deficiency – We noted the following noncompliance for Saddleback College:

1. Four of the 30 Return to Title IV calculations tested were not performed within thirty days of the end of the period of enrollment.
2. Three of the 30 Return to Title IV calculations tested were not calculated accurately due to manual errors in utilizing the incorrect number of days completed by the student and the incorrect number of days in the enrollment period.

Questioned Costs
None.

Context
There were 233 Return to Title IV calculations completed for Saddleback College during the year ending June 30, 2022.

Effect
Without proper monitoring of student withdrawals, the District is at risk of noncompliance with the above referenced criteria. Additionally, utilizing the incorrect information in performing the Return to Title IV calculations may result in the institution not returning the required funds in a timely manner.

Cause
The District’s policies and procedures were not properly adhered to.

Repeat Finding
No.

Recommendation
The District should strengthen internal controls to ensure that they are identifying students who withdraw without notification in a timely manner. Additionally, the District should also establish controls for further review of the Return to Title IV calculations to ensure that the data utilized in preparing the calculation is accurate.

Views of Responsible Officials and Corrective Action Plan
For the first deficiency noted, the Saddleback College Financial Aid department failed to review the manually generated report that identifies students who withdraw without providing notification to the institution within 30 days of the end of the term. Prospectively, Saddleback College Financial Aid will run and review this report periodically throughout the term. Initially after the freeze date, a second time after the grade posting deadline date for each term, and a third time within 30 days of the end of each term. Scheduled review dates will also be included on the annual R2T4 schedule.

For the second deficiency noted, the three students whose R2T4 was not calculated correctly was a result of human error in the process of inputting data for the calculation. Going forward, in order to ensure that the data utilized to calculate R2T4 is accurate, all R2T4 worksheets and supporting documentation will be reviewed by the Senior Financial Aid Specialist or Director, Financial Aid prior to processing the return of funds. In addition, corrected calculations were completed and additional funds were returned, as required.

None reported.

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SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2022

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, 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.

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.

Current Status: This recommendation has been implemented.

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.

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.

Current Status: This recommendation has been implemented.

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 criteria referenced above.

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.

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.

Current Status: The recommendations related to Post-Withdrawal Disbursement and tracking participation of distance education students have been implemented.

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
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022

Department of Education,

South Orange County Community College District respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: July 1, 2021 – June 30, 2022

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

2022 – 001 Special Tests and Provisions

Recommendation: The District should strengthen internal controls to ensure that they are identifying students who withdraw without notification in a timely manner. Additionally, the District should also establish controls for further review of the Return to Title IV (R2T4) calculations to ensure that the data utilized in preparing the calculation is accurate.

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

Action taken in response to finding: In order to ensure R2T4 calculations are performed within 30 days of the end of the period of enrollment, Saddleback College Financial Aid will review the report that identifies students who withdraw without providing notification to the institution periodically throughout the term. Initially after the freeze date, a second time after the grade posting deadline date for each term, and a third time within 30 days from the day the term ends. Scheduled review dates will also be included on the annual R2T4 Schedule.

Further, in order to ensure the data utilized to calculate the R2T4 is accurate, all R2T4 worksheets and supporting documentation will be reviewed by the Senior Financial Aid Specialist or Director, Financial Aid prior to processing the return of funds. In addition, corrected calculations were completed and additional funds were returned, as required.

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Name(s) of the contact person(s) responsible for corrective action: Anthony Becerra (Saddleback College, Director, Financial Aid) and Christian Alvarado (Saddleback College, Dean, Enrollment Services)

Planned completion date for corrective action plan: June 30, 2023

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