Financial Statements
June 30, 2023

South Orange County Community College District

Independent Auditor's Report

To the 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, 2023, 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 South Orange County Community College District (the District), as of June 30, 2023, 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 Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. As a result of implementing the standard, there was no effect on the business-type activities beginning net position as of July 1, 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 64 through 75 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 GAAS, 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* 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents 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 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
November 27, 2023

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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 34,300 students in Spring 2023 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, 2023. 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.

BOARD OF TRUSTEES: CAROLYN INMON, BARBARA J. JAY, TIMOTHY JEMAL, MARCIA MILCHIKER,
T.J. PRENDERGAST III, TERRI WHITT RYDELL • JULIANNA M. BARNES, ED.D., CHANCELLOR
AN EQUAL OPPORTUNITY EMPLOYER

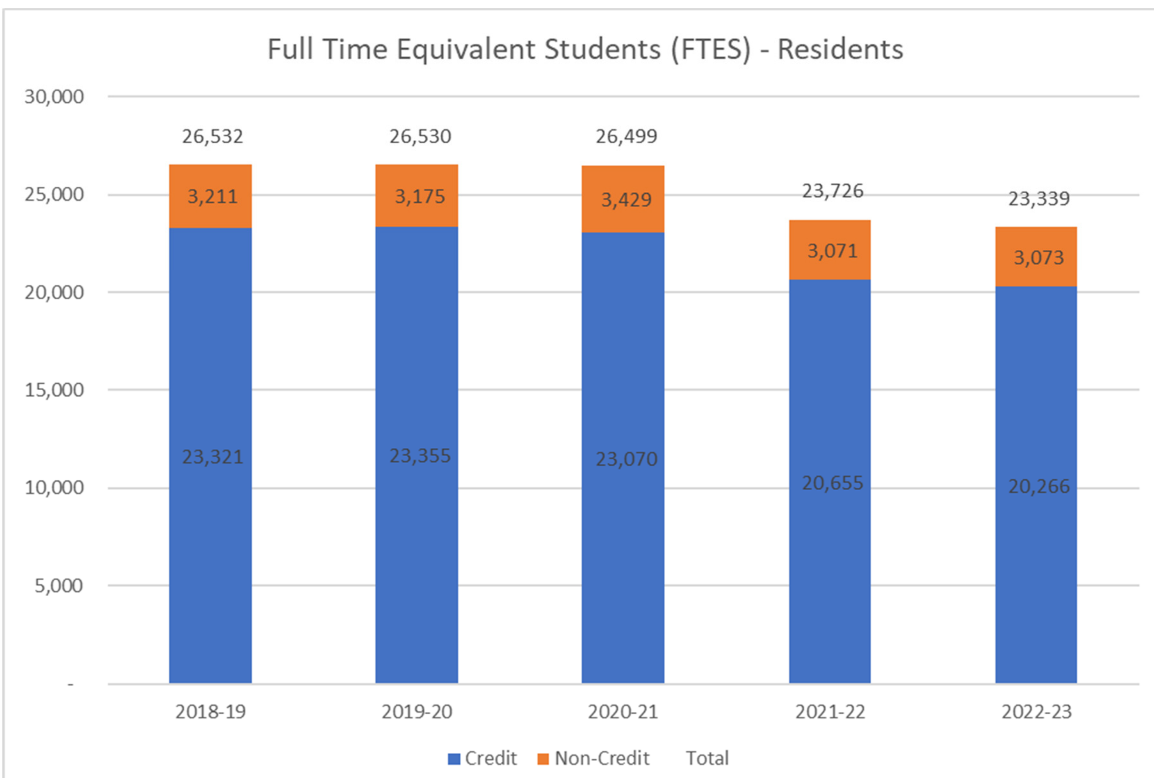
Financial and Enrollment Highlights

The District ended the year with a strong fund balance. The ability to maintain a prudent reserve affords cash flow stability for the District without external borrowing. As the District opted-in to the Emergency Condition Allowance in 2022-23, reserves must be maintained to cover at least the equivalent of two months of operating expenditures. The reserves are established as follows:

- 7.5 percent of unrestricted revenue for economic uncertainties
- 20 percent of property tax collections for basic aid contingency
- 3.5 percent of unrestricted expenditures for additional economic uncertainties

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.

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 2018-19 going from 26,532 FTES to 23,339 in 2022-23. 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 anticipating an increase in FTES in fiscal year 2023-24 over what was reported in 2022-23 as our students adapt to the new environment. A history of reported resident FTES is provided below.



On a positive note, although the credit FTES declined by 12 percent as shown above, the non-resident FTES increased by 1.9 percent in 2022-23 (going from 1,053 FTES in 2021-22 to 1,073 FTES in 2022-23).

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.

	2023	2022, as restated	Change	Variance
Assets				
Current assets	$ 654,915,077	$ 564,295,196	$ 90,619,881	16.06%
Noncurrent assets	730,322,598	674,550,523	55,772,075	8.27%
Total Assets	1,385,237,675	1,238,845,719	146,391,956	11.82%
Deferred Outflows of Resources	104,007,736	81,395,274	22,612,462	27.78%
Liabilities				
Current Liabilities	119,480,854	69,588,787	49,892,067	71.70%
Noncurrent Liabilities	238,641,937	158,023,172	80,618,765	51.02%
Total Liabilities	358,122,791	227,611,959	130,510,832	57.34%
Deferred Inflows of Resources	196,046,862	259,827,198	(63,780,336)	-24.55%
Net Position				
Net investment in capital assets	562,841,652	507,832,760	55,008,892	10.83%
Restricted	26,852,668	35,187,803	(8,335,135)	-23.69%
Unrestricted	345,381,438	289,781,273	55,600,165	19.19%
Total Net Position	$ 935,075,758	$ 832,801,836	$ 102,273,922	12.28%

Assets

Total assets increased approximately $146.4 million, a percentage increase of 11.8%. The major changes affecting total assets are listed below:

- Current assets increased approximately $90.6 million. This was due primarily to an increase in cash from property tax revenues.

- Noncurrent assets increased approximately $55.8 million over the prior year primarily due an increase in construction in progress for the Irvine Valley College Arts Village, Saddleback College Gateway Building and Saddleback College ATEP First Building, offset by accumulated depreciation on buildings and building improvements.

Liabilities

Total liabilities increased by approximately $130.5 million, a percentage increase of 57.3%. The major changes affecting total liabilities are listed below:

- Current liabilities increased approximately $49.9 million (71.7%). Accounts payable increased $13 million primarily as a result of outstanding vendor payments. Unearned revenue increased by $35 million as a result of an additional State categorical funding including the Physical Plant and Instructional Equipment program and the COVID-19 Recovery Block Grant.

- Noncurrent liabilities increased by $80.6 million (51.0%) as a result of an increase 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.

	2023	2022	Change	Variance
Operating Revenues				
Tuition and fees, net	$ 28,993,884	$ 28,509,420	$ 484,464	1.70%
Grants and contracts, noncapital	72,255,526	66,138,103	6,117,423	9.25%
Other operating revenues	13,465	-	13,465	NA
Total Operating Revenues	101,262,875	94,647,523	6,615,352	6.99%
Operating Expenses				
Salaries and benefits	247,024,042	217,081,062	29,942,980	13.79%
Supplies, services, equipment, and maintenance	63,200,545	57,432,417	5,768,128	10.04%
Student financial aid	48,297,260	52,975,876	(4,678,616)	-8.83%
Depreciation and amortization	28,218,203	29,607,134	(1,388,931)	-4.69%
Total Operating Expenses	386,740,050	357,096,489	29,643,561	8.30%
Operating Loss	(285,477,175)	(262,448,966)	(23,028,209)	-8.77%
Nonoperating Revenues (Expenses)				
State apportionments, noncapital	4,241,062	2,652,979	1,588,083	59.86%
Local property taxes	275,619,047	255,463,256	20,155,791	7.89%
Federal and State financial aid grants	32,105,659	43,112,863	(11,007,204)	-25.53%
State taxes and other revenues	11,041,174	10,341,440	699,734	6.77%
Net investment income (loss)	21,223,541	(3,866,079)	25,089,620	648.97%
Other nonoperating revenues	13,613,655	17,792,482	(4,178,827)	-23.49%
Total Nonoperating Revenues (Expenses)	357,844,138	325,496,941	32,347,197	9.94%
Other Revenues and Losses				
State/local capital income and gains/(losses) on disposal of capital assets	29,906,959	24,101,018	5,805,941	24.09%
Change in Net Position	$ 102,273,922	$ 87,148,993	$ 15,124,929	17.36%

Operating Revenues

Total operating revenues increased by approximately $6.6 million, an increase of 7.0%.

- Net tuition and fees experienced an increase of $484.5 thousand (1.7%). Fee revenue decreased by $257 thousand and scholarship discounts and allowances decreased by $873 thousand, primarily as a result of lower resident and nonresident enrollments. Parking fees increased by $986 thousand because of the end of the parking fee waivers. Child Development and Community Services fees increased by $632 thousand as a result of increased program participation.

- Noncapital grants and contracts increased $6.1 million (9.3%). Factors contributing to this include a decrease in HEERF funding of $5.6 million. This decline is offset by $11.7 million increases in State categorical funding, mainly the 6.56 percent COLA applied to many programs as well as the increase in the Student Success Completion and Student Retention and Enrollment programs.

Operating Expenses

Total operating expenses increased approximately $29.6 million, an increase of 8.3%. Items of significance affecting the changes include:

- Salaries and benefits increased by approximately $29.9 million, an increase of 13.8% due to salary schedule increases, changes in the state pension plans, and the OPEB deferred inflows and outflows.

- Supplies, services, equipment and maintenance increased by $5.8 million, an increase of 10.0%. The increase is primarily from higher capital outlay related costs for projects, trustee election expenses, and increased costs of student reengagement activities.

- Student financial aid decreased by $4.7 million (8.8%) mainly due to a reduction in available Higher Education Emergency Relief Funds (HEERF).

- Depreciation and amortization expense decreased by $1.4 million (4.7%), in part due to a lower depreciable capital asset balance compared to the prior year and acquisition of depreciable assets later in the current fiscal year.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) increased by $32.3 million (9.9%) primarily due to the following:

- A 7.9% increase of $20.2 million in local property tax reflects the moderate growth trend of the local property tax base.

- Noncapital federal and state grants and contracts decreased by $11.0 million (25.5%) primarily due to the end 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 $699.7 thousand (6.8%) as a result of an increase in lottery revenue.

- Investment income increased by $25.1 million (649.0%), as a result of the favorable market conditions for the trust funds and higher interest rates in the County Treasury and Local Agency Investment Fund (LAIF).

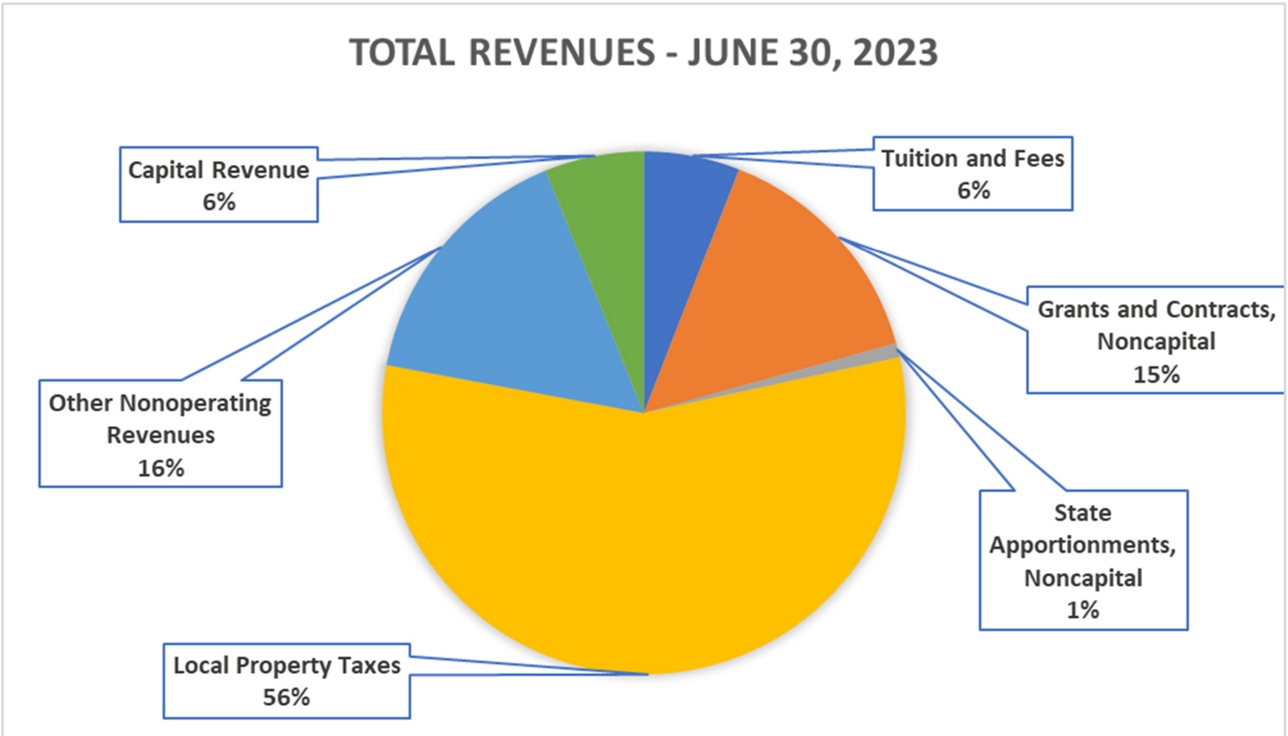
Other Revenues and Losses

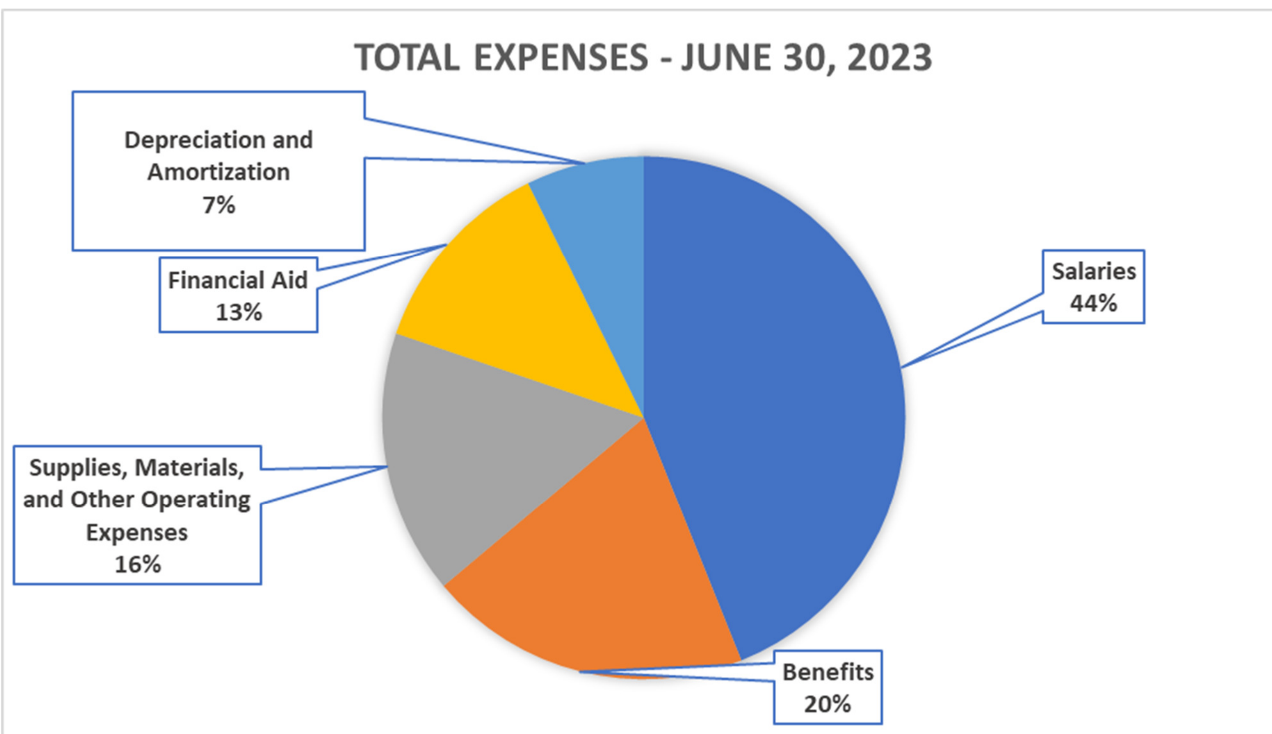
- Other revenues and losses increased by approximately $5.8 million.

- State apportionments for capital increased $5.6 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 Arts Village.

- The loss on disposal of equipment decreased by $169.8 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, 2023.


TOTAL REVENUES - JUNE 30, 2023
Capital Revenue 6%
Tuition and Fees 6%
Grants and Contracts, Noncapital 15%
Other Nonoperating Revenues 16%
State Apportionments, Noncapital 1%
Local Property Taxes 56%


TOTAL EXPENSES - JUNE 30, 2023
Depreciation and Amortization 7%
Financial Aid 13%
Salaries 44%
Supplies, Materials, and Other Operating Expenses 16%
Benefits 20%

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	$ 116,708,674	$ 3,790,313	$ -	$ -	$ 120,498,987
Academic support	21,448,874	818,333	-	-	22,267,207
Student services	37,639,974	1,426,831	-	-	39,066,805
Plant operations and maintenance	11,815,806	4,127,082	-	-	15,942,888
Instructional support services	44,610,119	13,852,397	-	-	58,462,516
Community services and economic development	2,849,750	360,938	-	-	3,210,688
Ancillary services and auxiliary operations	8,849,138	1,192,303	-	-	10,041,441
Student aid	-	-	48,297,260	-	48,297,260
Physical property and related acquisitions	3,101,707	37,632,348	-	-	40,734,055
Unallocated depreciation and amortization	-	-	-	28,218,203	28,218,203
Total	$ 247,024,042	$ 63,200,545	$ 48,297,260	$ 28,218,203	$ 386,740,050

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This Statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and determine the need for external financing.

	2023	2022	Change	Variance
Net Cash Flows from				
Operating activities	$ (227,540,715)	$ (220,825,940)	$ (6,714,775)	-3.04%
Noncapital financing activities	332,771,018	328,614,125	4,156,893	1.26%
Capital financing activities	(31,689,789)	(50,629,414)	18,939,625	37.41%
Investing activities	25,847,165	2,158,634	23,688,531	1097.39%
Net Increase in Cash	99,387,679	59,317,405	40,070,274	67.55%
Cash and Cash Equivalents, Beginning of Year	483,159,154	423,841,749	59,317,405	14.00%
Cash and Cash Equivalents, End of Year	$ 582,546,833	$ 483,159,154	$ 99,387,679	20.57%

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

Net cash used by operating activities increased by $6.7 million (3.0%) primarily for payments to/on-behalf of employees.

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 $4.2 million (1.3%) and is consistent with the growth in the property tax base.

Capital and Related Financing Activities
Net cash used by capital and related financing activities decreased by $18.9 million (37.4%) due to expenditures for equipment and construction projects offset by State funding received for the projects.

Investing Activities
Net cash provided by investing activities increased by $23.7 million (1,097.4%) from the prior year due to higher investment return rates in the County Treasury and LAIF and favorable market conditions for the trust account investments.

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 Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets

As of June 30, 2023, the District had approximately $565.6 million invested in net capital assets, right-to-use leased assets, and right-to-use subscription IT assets. Total capital assets of $894.9 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, other office equipment, right-to-use leased assets, and right-to-use subscription IT assets. These assets have accumulated depreciation/amortization of $329.3 million. In fiscal year 2022-23, there were net capital asset additions in the amount of $82.5 million, which includes costs for the Irvine Valley College Arts Village, the Saddleback College Gateway building, and the Saddleback College at ATEP building, and net depreciation/amortization expense of $28.2 million.

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

	2023	2022, as restated	Net Change
Land, artwork, and construction in progress	$ 182,894,032	$ 117,119,605	$ 65,774,427
Buildings and improvements, net	365,342,666	378,384,649	(13,041,983)
Equipment, net	14,646,859	12,363,558	2,283,301
Right-to-use leased assets, net	1,198,479	1,597,907	(399,428)
Right-to-use subscription IT assets, net	1,485,580	1,904,884	(419,304)
Total Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets, Net	$ 565,567,616	$ 511,370,603	$ 54,197,013

Long-Term Liabilities

At June 30, 2023, the District had $238.6 million in long-term liabilities, an increase of $80.6 million. The increase 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:

	2023	2022, as restated	Net Change
Long-Term Liabilities			
Compensated absences and load banking	$ 7,934,871	$ 7,479,520	$ 455,351
Claims liabilities	678,997	653,225	25,772
Lease liability	1,244,805	1,632,959	(388,154)
Subscription-based IT arrangements	1,481,159	1,904,884	(423,725)
Aggregate net OPEB liability	7,290,426	3,754,478	3,535,948
Aggregate net pension liability	221,959,728	144,419,651	77,540,077
Total Long-Term Liabilities	240,589,986	159,844,717	80,745,269
Less Current Portion	1,948,049	1,821,545	126,504
Long-Term Portion	$ 238,641,937	$ 158,023,172	$ 80,618,765

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. 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 2023-24 adopted budget assumes an increase in property tax revenue of 3.5 percent over fiscal year 2022-23 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 2023. Based on a discount rate of 6 percent, the actuarial accrued liability is approximately $12.3 million. The District has budgeted sufficient funds to cover the unfunded actuarial accrued liability as well as the actuarially determined contribution for fiscal year 2023-24. The next actuarial valuation study is scheduled to be completed in January 2024.

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 $12 million basic aid allocation.

The colleges continue to increase on-campus instruction for the fall semester. The colleges have increased full-time faculty for the Fall 2023 semester to provide additional offerings to the anticipated increase in student enrollment as compared to the Fall 2022 semester.

The District will begin receiving ground rents from tenants at ATEP and additional ground lease agreements are anticipated in the coming fiscal year; all while discussions with prospective tenants for ATEP continue to take place.

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	$ 624,142,243	$ 14,732,954
Accounts receivable	24,476,625	1,570,489
Due from fiduciary fund	2,592,551	-
Due from component units	115,143	-
Due from primary government	-	1,259,434
Prepaid expenses	3,546,231	112,280
Inventories	42,284	-
Interest receivable on leases	3,402,044	-
Lease receivables	161,352,938	-
Capital assets, right-to-use leased assets, and subscription IT assets		
Nondepreciable capital assets	182,894,032	-
Depreciable capital assets, net of accumulated depreciation	379,989,525	-
Right-to-use leased assets, net of accumulated amortization	1,198,479	-
Right-to-use subscription IT assets, net of accumulated amortization	1,485,580	-
Total Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets, Net	565,567,616	-
Total Assets	1,385,237,675	17,675,157
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	34,659,259	-
Deferred outflows of resources related to pensions	69,348,477	-
Total Deferred Outflows of Resources	104,007,736	-
Liabilities		
Accounts payable	34,896,241	87,202
Due to fiduciary fund	1,425,602	-
Due to component units	1,259,434	-
Due to primary government	-	115,143
Unearned revenue	79,951,528	-
Long-term liabilities		
Long-term liabilities other than other postemployment benefit (OPEB) and pensions, due within one year	1,948,049	-
Long-term liabilities other than OPEB and pensions, due in more than one year	9,391,783	-
Aggregate net OPEB liability	7,290,426	-
Aggregate net pension liability	221,959,728	-
Total Liabilities	358,122,791	202,345
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	15,471,880	-
Deferred inflows of resources related to pensions	25,339,310	-
Deferred inflows of resources related to leases	155,235,672	-
Total Deferred Inflows of Resources	196,046,862	-
Net Position		
Net investment in capital assets	562,841,652	-
Restricted for		
Capital projects	4,201,100	-
Educational programs	12,644,295	-
Other activities	10,007,273	12,289,297
Unrestricted	345,381,438	5,183,515
Total Net Position	$ 935,075,758	$ 17,472,812

	Primary Government	Component Units
Operating Revenues		
Tuition and fees	$ 40,134,382	$ -
Less: Scholarship discounts and allowances	(11,140,498)	-
Net Tuition and Fees	28,993,884	-
Grants and contracts, noncapital		
Federal	10,862,514	-
State	56,321,585	-
Local	5,071,427	4,709,779
Total Grants and Contracts, Noncapital	72,255,526	4,709,779
Other operating revenues	13,465	-
Total Operating Revenues	101,262,875	4,709,779
Operating Expenses		
Salaries	169,855,408	48,760
Employee benefits	77,168,634	10,028
Supplies, materials, and other operating expenses and services	44,838,618	3,057,780
Student financial aid	48,297,260	937,219
Equipment, maintenance, and repairs	18,361,927	20,382
Depreciation and amortization	28,218,203	-
Total Operating Expenses	386,740,050	4,074,169
Operating Income (Loss)	(285,477,175)	635,610
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	4,241,062	-
Local property taxes, levied for general purposes	275,619,047	-
Federal and State financial aid grants	32,105,659	-
State taxes and other revenues	11,041,174	-
Investment income	21,343,240	990,102
Interest expense on capital related debt	(119,699)	-
Other nonoperating revenue	13,613,655	-
Total Nonoperating Revenues (Expenses)	357,844,138	990,102
Income Before Other Revenues and Losses	72,366,963	1,625,712
Other Revenues and Losses		
State revenues, capital	29,937,088	-
Loss on disposal of capital assets	(30,129)	-
Total Other Revenues and Losses	29,906,959	-
Change In Net Position	102,273,922	1,625,712
Net Position, Beginning of Year	832,801,836	15,847,100
Net Position, End of Year	$ 935,075,758	$ 17,472,812

	Primary Government	Component Units
Operating Activities		
Tuition and fees	$ 30,237,924	$ -
Federal, state, and local grants and contracts, noncapital	98,350,441	1,479,852
Payments to or on behalf of employees	(248,348,102)	(7,454)
Payments to vendors for supplies and services	(59,497,183)	(985,768)
Payments to students for scholarships and grants	(48,297,260)	(917,381)
Other operating receipts	13,465	-
Net Cash Used In Operating Activities	(227,540,715)	(430,751)
Noncapital Financing Activities		
State apportionments	3,574,874	-
Federal and state financial aid grants	32,105,659	-
Property taxes - nondebt related	275,026,107	-
State taxes and other apportionments	10,906,028	-
Other nonoperating	11,158,350	-
Net Cash Provided By Noncapital Financing Activities	332,771,018	-
Capital Financing Activities		
Purchase of capital assets	(73,000,921)	-
State revenue, capital	42,816,808	-
Principal paid on capital debt	(1,385,977)	-
Interest paid on capital debt	(119,699)	-
Net Cash Used In Capital Financing Activities	(31,689,789)	-
Investing Activities		
Proceeds from sales and maturities of investments	4,272,972	3,659,760
Change in fair value of cash in county treasury	(7,328,835)	(3,429,974)
Interest received from investments	28,903,028	210,215
Net Cash Provided By Investing Activities	25,847,165	440,001
Change In Cash and Cash Equivalents	99,387,679	9,250
Cash and Cash Equivalents, Beginning of Year	483,159,154	325,943
Cash and Cash Equivalents, End of Year	$ 582,546,833	$ 335,193

	Primary Government	Component Units
Reconciliation of Net Operating Income (Loss) to Net Cash Used In Operating Activities		
Operating Income (Loss)	$ (285,477,175)	$ 635,610
Adjustments to reconcile net operating income (loss) to net cash used in operating activities		
Depreciation and amortization expense	28,218,203	-
Amortization of discount on promises to give	-	(81,450)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Accounts receivable	519,086	82,141
Due from fiduciary fund	(2,592,551)	-
Due from component units	(41,440)	-
Due from primary government	-	(1,114,373)
Inventories	4,754	-
Prepaid expenses	(849,570)	(13,099)
Lease receivables	(3,295,636)	-
Deferred outflows of resources related to OPEB	(173,325)	-
Deferred outflows of resources related to pensions	(22,439,137)	-
Accounts payable	3,273,212	18,980
Due to fiduciary fund	514,928	-
Due to component units	1,114,373	-
Due to primary government	-	41,440
Unearned revenue	35,906,751	-
Compensated absences and load banking	455,351	-
Claims liabilities	25,772	-
Aggregate net OPEB liability	3,535,948	-
Aggregate net pension liability	77,540,077	-
Deferred inflows of resources related to OPEB	2,688,378	-
Deferred inflows of resources related to pensions	(63,311,459)	-
Deferred inflows of resources related to leases	(3,157,255)	-
Total Adjustments	57,936,460	(1,066,361)
Net Cash Used In Operating Activities	$ (227,540,715)	$ (430,751)
Cash and Cash Equivalents Consist of the Following:		
Cash in banks	$ 1,814,251	$ 335,193
Cash with fiscal agent	1,049,454	-
Cash in county treasury	579,683,128	-
Total Cash and Cash Equivalents	$ 582,546,833	$ 335,193
Noncash Transactions		
Recognition of lease liabilities arising from obtaining right-to-use leased assets	$ 114,209	$ -
Recognition of subscription based IT arrangement liabilities arising from obtaining right-to-usesubscription IT assets	$ 459,889	$ -

	Retiree OPEB Trust
Assets	
Investments	$ 139,114,857
Due from primary government	1,425,602
Total Assets	$ 140,540,459
Liabilities	
Due to primary government	$ 2,592,551
Net Position	
Restricted for postemployment benefits other than pensions	$ 137,947,908

	Retiree OPEB Trust
Additions	
District contributions	$ 6,855,864
Interest and investment income	5,594,146
Net realized and unrealized gains	4,098,628
Total Additions	16,548,638
Deductions	
Benefit payments	8,013,813
Administrative expenses	438,767
Total Deductions	8,452,580
Change in Net Position	8,096,058
Net Position - Beginning of Year	129,851,850
Net Position - End of Year	$ 137,947,908

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, 2023.

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, 2023.

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.

Subscription-based IT Arrangements

The District recognizes a subscription-based IT arrangement liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The District's capitalization policy includes all items with a total contract cost of $5,000 or more. The District measures the subscription-based IT arrangement liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription-based IT arrangement liability is reduced by the principal portion of subscription payments made. The right-to-use subscription IT asset is initially measured as the initial amount of the subscription-based IT arrangement liability, plus certain initial direct costs. Subsequently, the right-to-use subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset.

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 the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP 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, right-to-use leased assets, and right-to-use subscription IT assets, net of accumulated depreciation and amortization, 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 $26,852,668 of restricted net position, and the fiduciary funds financial statements report $137,947,908 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, 2023.

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* 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.

Change in Accounting Principles

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as 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 Notes 7 and 8.

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, 2023, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 1,785,111	$ -
Cash in revolving	29,140	-
Cash with fiscal agent	1,049,454	-
Cash in county treasury	579,683,128	-
Investments	41,595,410	139,114,857
Total Deposits and Investments	$ 624,142,243	$ 139,114,857

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	$ 151,776,820	No maturity	Not rated
LAIF	28,933,447	260	Not rated
Orange County Educational Investment Pool	579,683,128	225	AAAm
Total	$ 760,393,395		

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, 2023, the District's bank balance of approximately $1.8 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, 2023, the District's investment balance of approximately $151.3 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, 2023:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	$ 151,776,820	$ 151,776,820	$ -	$ -

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, 2023 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 5,571,187
State Government	
Apportionment	666,188
Categorical aid	979,264
State construction claims	2,392,026
Lottery	1,734,401
Local Sources	
Student fees	3,476,191
Property taxes	6,149,150
Interest	1,830,261
Other local sources	1,677,957
Total	$ 24,476,625

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, 2022	Additions	Deductions	Balance, June 30, 2023
Idyllwillow Lease	$ 158,153,421	$ -	$ -	$ 158,153,421
T-Mobile Lease	917,514	-	(14,476)	903,038
County of Orange Lease	2,388,411	-	(91,932)	2,296,479
Total	$ 161,459,346	$ -	$ (106,408)	$ 161,352,938

At June 30, 2023, the District recorded $161,352,938 in lease receivables, $3,402,044 in interest receivable, and $155,235,672 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 $4,796,220 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 $27,525 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 $119,421 in interest revenue related to these agreements.

Note 7 - Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets

Capital asset, right-to-use leased asset, and right-to-use subscription IT asset activity for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023
Capital Assets Not Being Depreciated				
Land	$ 51,809,660	$ -	$ -	$ 51,809,660
Artwork	37,100	-	-	37,100
Construction in progress	65,272,845	78,783,033	(13,008,606)	131,047,272
Total Capital Assets Not Being Depreciated	117,119,605	78,783,033	(13,008,606)	182,894,032
Capital Assets Being Depreciated				
Land improvements	135,056,798	7,886,789	-	142,943,587
Buildings and improvements	481,887,123	-	-	481,887,123
Furniture and equipment	76,228,379	8,296,004	(1,647,514)	82,876,869
Total Capital Assets Being Depreciated	693,172,300	16,182,793	(1,647,514)	707,707,579
Total Capital Assets	810,291,905	94,965,826	(14,656,120)	890,601,611
Less Accumulated Depreciation				
Land improvements	(107,065,865)	(6,777,686)	-	(113,843,551)
Buildings and improvements	(131,493,407)	(14,151,086)	-	(145,644,493)
Furniture and equipment	(63,864,821)	(5,982,574)	1,617,385	(68,230,010)
Total Accumulated Depreciation	(302,424,093)	(26,911,346)	1,617,385	(327,718,054)
Net Capital Assets	507,867,812	68,054,480	(13,038,735)	562,883,557
Right-to-use Leased Assets Being Amortized				
Buildings and improvements	988,519	114,209	-	1,102,728
Equipment	990,646	-	(114,631)	876,015
Total Right-to-use Leased Assets Being Amortized	1,979,165	114,209	(114,631)	1,978,743
Less Accumulated Amortization				
Buildings and improvements	(197,704)	(227,497)	-	(425,201)
Equipment	(183,554)	(200,167)	28,658	(355,063)
Total Accumulated Amortization	(381,258)	(427,664)	28,658	(780,264)
Net Right-to-use Leased Assets	1,597,907	(313,455)	(85,973)	1,198,479
Right-to-use Subscription IT Assets				
Right-to-use subscription IT assets	1,904,884	459,889	-	2,364,773
Accumulated amortization	-	(879,193)	-	(879,193)
Net Right-to-use Subscription IT Assets	1,904,884	(419,304)	-	1,485,580
Total Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets, Net	$ 511,370,603	$ 67,321,721	$ (13,124,708)	$ 565,567,616

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, 2023 consisted of the following:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023	Due in One Year
Compensated absences and load banking	$ 7,479,520	$ 1,089,324	$ (633,973)	$ 7,934,871	$ 605,226
Lease liability	1,632,959	114,209	(502,363)	1,244,805	394,061
Subscription-based IT arrangements	1,904,884	459,889	(883,614)	1,481,159	948,762
Claim liabilities	653,225	25,772	-	678,997	-
Total	$ 11,670,588	$ 1,689,194	$ (2,019,950)	$ 11,339,832	$ 1,948,049

Description of Long-Term Liabilities

The compensated absences and load banking liabilities will be paid by the fund for which the employee worked. Payments for the lease and subscription-based IT arrangements liabilities will be made by the fund for which the sites, equipment, and software were intended. The claim liabilities will be paid by the Internal Service Fund.

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, 2022	Additions	Deductions	Balance, June 30, 2023
Building lease	$ 814,540	$ 114,209	$ (213,882)	$ 714,867
Equipment leases	818,419	-	(288,481)	529,938
Total	$ 1,632,959	$ 114,209	$ (502,363)	$ 1,244,805

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 $209,744 for the year ending June 30, 2023. At June 30, 2023, the District has recognized a right-to-use leased asset of $593,111 and a lease liability of $629,232 related to this agreement. During the fiscal year, the District recorded $197,704 in amortization expense and $24,436 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 an agreement to lease modular buildings for 46 months. The lease terminates June 2026. Under the terms of the lease, the District makes monthly payments which amounted to total principal and interest costs of $32,000 for the year ending June 30, 2023. At June 30, 2023, the District has recognized a right-to-use leased asset of $84,416 and a lease liability of $85,635 related to this agreement. During the fiscal year, the District recorded $29,793 in amortization expense and $3,426 in interest expense for the modular building. 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 $187,403 for the year ending June 30, 2023. At June 30, 2023, the District has recognized right-to-use leased assets of $520,952 and a lease liability of $529,938 related to these agreements. During the fiscal year, the District recorded $171,509 in amortization expense and $20,893 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
2024	$ 394,061	$ 37,343	$ 431,404
2025	408,327	25,522	433,849
2026	421,921	13,273	435,194
2027	19,096	616	19,712
2028	1,400	42	1,442
Total	$ 1,244,805	$ 76,796	$ 1,321,601

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, 2023, present value of the claims liability was $678,997.

Subscriptions-Based IT Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2023, the District has recognized a right-to-use subscriptions IT asset of $1,485,580 and a SBITA liability of $1,481,159 related to these agreements. Under the terms of the SBITAs, the District makes payments ranging from $2,501 to $244,125 annually, which amounted to total principal and interest costs of $954,557 for the year ending June 30, 2023. During the fiscal year, the District recorded $879,193 in amortization expense and $70,943 in interest expense for the SBITAs. The District used a discount rate of 3% based on the estimated incremental borrowing rate for financing over a similar time period

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 948,762	$ 44,433	$ 993,195
2025	411,606	15,972	427,578
2026	119,648	3,624	123,272
2027	1,143	34	1,177
Total	$ 1,481,159	$ 64,063	$ 1,545,222

Note 9 - Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the year ended June 30, 2023, the District reported an aggregate 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	$ 6,643,832	$ 34,659,259	$ 15,471,880	$ 6,251,765
Medicare Premium Payment (MPP) Program	646,594	-	-	(200,764)
Total	$ 7,290,426	$ 34,659,259	$ 15,471,880	$ 6,051,001

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, 2023, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	371
Active employees	1,008
Total	1,379

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, 2023, the District contributed $6,855,864 to the Plan, of which $5,421,262 was used for current premiums and $1,434,602 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, 2023:

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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.71%. 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 $6,643,832 was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. The components of the net OPEB liability of the District at June 30, 2023, were as follows:

Total OPEB liability	$ 144,591,740
Plan fiduciary net position	(137,947,908)
Net OPEB Liability	$ 6,643,832
Plan fiduciary net position as a percentage of the total OPEB liability	95.41%

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	Pre-65: 7.00% for 2023, decreasing to 4.50% in 2033
	Post-65: 6.50% for 2023, decreasing to 4.50% in 2031

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, 2022 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, 2023, 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 liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2022	$ 132,758,970	$ 129,851,850	$ 2,907,120
Service cost	8,566,850	-	8,566,850
Interest	8,170,261	-	8,170,261
Difference between expected and actual experience	(7,344,652)	-	(7,344,652)
Contributions - employer	-	6,855,864	(6,855,864)
Expected investment income	-	7,736,471	(7,736,471)
Differences between projected and actual earnings on OPEB plan investments	-	1,956,303	(1,956,303)
Changes of assumptions	10,454,124	-	10,454,124
Benefit payments	(8,013,813)	(8,013,813)	-
Administrative expense	-	(438,767)	438,767
Net Change in Total OPEB Liability	11,832,770	8,096,058	3,736,712
Balance, June 30, 2023	$ 144,591,740	$ 137,947,908	$ 6,643,832

Changes of economic assumptions reflect a change in the healthcare cost trend rates from 6.50% decreasing to 4.50%, to 7.00% decreasing to 4.50% for pre-65 participants and 6.50% decreasing to 4.50% for post-65 participants 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%)	$ 18,683,490
Current discount rate (6.00%)	6,643,832
1% increase (7.00%)	(13,574,398)

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 (6.00% decreasing to 3.50%, 5.50% decreasing to 3.50%)	$ (16,029,527)
Current healthcare cost trend rates (7.00% decreasing to 4.50%, 6.50% decreasing to 4.50%)	6,643,832
1% increase (8.00% decreasing to 5.50%, 7.50% decreasing to 5.50%)	22,255,009

Deferred Outflows/Inflows of Resources Related to OPEB

At, June 30, 2023, 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	$ -	$ 15,154,200
Changes of assumptions	21,522,395	317,680
Net difference between projected and actual earnings on OPEB plan investments	13,136,864	-
Total	$ 34,659,259	$ 15,471,880

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, 2023, and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 3,380,636
2025	3,009,977
2026	7,233,694
2027	(487,443)
Total	$ 13,136,864

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
2024	$ 474,716
2025	474,716
2026	474,716
2027	2,185,591
2028	1,996,563
Thereafter	444,213
Total	$ 6,050,515

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, 2021 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, 2023, the District reported a liability of $646,594 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability 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 June 30, 2021. 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, 2022 and June 30, 2021, was 0.1963% and 0.2124%, respectively, resulting in a net decrease in the proportionate share of 0.0161%.

For the year ended June 30, 2023, the District recognized OPEB expense of $(200,764).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
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, 2021, 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 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 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, 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, 2022, is 3.54%. 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 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	$ 704,912
Current discount rate (3.54%)	646,594
1% increase (4.54%)	596,098

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 Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 593,274
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	646,594
1% increase (5.50% Part A and 6.40% Part B)	707,035

Note 10 - Risk Management

Property, Liability, Workers' Compensation, and Health/Dental Plan 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 39 individual member districts for a total of 58 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, 2023, 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	$ 90,880,167	$ 25,953,862	$ 19,012,465	$ 7,505,969
CalPERS	131,079,561	43,394,615	6,326,845	16,853,975
Total	$ 221,959,728	$ 69,348,477	$ 25,339,310	$ 24,359,944

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, 2021, 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, 2023, 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	19.10%	19.10%
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, 2023, are presented above, and the District's total contributions were $16,499,838.

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

At June 30, 2023, 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	$ 90,880,167
State's proportionate share of net pension liability associated with the District	45,512,432
Total	$ 136,392,599

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.1308% and 0.1413%, respectively, resulting in a net decrease in the proportionate share of 0.0105%

For the year ended June 30, 2023, the District recognized pension expense of $7,505,969. In addition, the District recognized pension expense and revenue of $3,670,548 for support provided by the State. At June 30, 2023, 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	$ 16,499,838	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,872,479	7,754,132
Differences between projected and actual earnings on pension plan investments	-	4,444,217
Differences between expected and actual experience in the measurement of the total pension liability	74,550	6,814,116
Changes of assumptions	4,506,995	-
Total	$ 25,953,862	$ 19,012,465

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, 2023, and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (3,264,608)
2025	(3,536,649)
2026	(5,312,765)
2027	7,669,805
Total	$ (4,444,217)

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
2024	$ 2,333,311
2025	(1,479,193)
2026	(1,460,230)
2027	(1,115,385)
2028	(1,787,783)
Thereafter	(1,604,944)
Total	$ (5,114,224)

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
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%)	$ 154,348,230
Current discount rate (7.10%)	90,880,167
1% increase (8.10%)	38,182,592

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, 2021, 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, 2023, 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%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above, and the total District contributions were $16,070,625.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $131,079,561. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.3809% and 0.3939%, respectively, resulting in a net decrease in the proportionate share of 0.0130%.

For the year ended June 30, 2023, the District recognized pension expense of $16,853,975. At June 30, 2023, 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	$ 16,070,625	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,558,136	3,065,418
Differences between projected and actual earnings on pension plan investments	15,476,930	-
Differences between expected and actual experience in the measurement of the total pension liability	592,403	3,261,427
Changes of assumptions	9,696,521	-
Total	$ 43,394,615	$ 6,326,845

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, 2023, and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 2,581,059
2025	2,289,221
2026	1,169,363
2027	9,437,287
Total	$ 15,476,930

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 2,786,841
2025	1,880,675
2026	1,052,865
2027	(200,166)
Total	$ 5,520,215

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. 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 - cap-weighted	30%	4.45%
Global equity - non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 expected rate of return on the School Employer Pool investments 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 (5.90%)	$ 189,351,063
Current discount rate (6.90%)	131,079,561
1% increase (7.90%)	82,920,306

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 in the amount of $7,301,140 (10.828% of annual payroll). 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. 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, 2023.

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, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately $165.0 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 Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as 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 and liabilities were restated as follows:

Primary Government	
Net Position - Beginning	$ 832,801,836
Right-to-use subscription IT assets, net of amortization	1,904,884
Subscription-based IT arrangements	(1,904,884)
Net Position - Beginning	$ 832,801,836

Required Supplementary Information
June 30, 2023

South Orange County Community College District

	As of June 30, 2023	As of June 30, 2022	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019
Total OPEB Liability					
Service cost	$ 8,566,850	$ 4,203,077	$ 4,938,531	$ 4,896,186	$ 4,753,578
Interest	8,170,261	7,066,753	6,627,680	6,979,195	6,901,495
Changes of benefit terms	-	-	-	-	37,345
Difference between expected and actual experience	(7,344,652)	(1,727,498)	(4,917,341)	(11,234,876)	(748,283)
Changes of assumptions	10,454,124	12,593,987	6,240,521	(741,256)	(3,986,221)
Benefit payments	(8,013,813)	(4,864,470)	(5,766,110)	(5,918,264)	(5,692,789)
Net Change in Total OPEB Liability	11,832,770	17,271,849	7,123,281	(6,019,015)	1,265,125
Total OPEB Liability - Beginning	132,758,970	115,487,121	108,363,840	114,382,855	113,117,730
Total OPEB Liability - Ending (a)	$ 144,591,740	$ 132,758,970	$ 115,487,121	$ 108,363,840	$ 114,382,855
Plan Fiduciary Net Position					
Contributions - employer	$ 6,855,864	$ 5,781,644	$ 5,766,110	$ 6,402,999	$ 6,745,882
Expected investment income	7,736,471	9,483,784	28,870,160	5,550,697	5,625,978
Differences between projected and actual earnings on OPEB plan investments	1,956,303	(38,105,245)	-	-	-
Benefit payments	(8,013,813)	(4,864,470)	(5,766,110)	(5,918,264)	(5,692,789)
Administrative expense	(438,767)	(506,935)	-	-	-
Net Change in Plan Fiduciary Net Position	8,096,058	(28,211,222)	28,870,160	6,035,432	6,679,071
Plan Fiduciary Net Position - Beginning	129,851,850	158,063,072	129,192,912	123,157,480	116,478,409
Plan Fiduciary Net Position - Ending (b)	$ 137,947,908	$ 129,851,850	$ 158,063,072	$ 129,192,912	$ 123,157,480
Net OPEB Liability (Asset) - Ending (a) - (b)	$ 6,643,832	$ 2,907,120	$ (42,575,951)	$ (20,829,072)	$ (8,774,625)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	95.41%	97.81%	136.87%	119.22%	107.67%
Covered Employee Payroll	$ 115,308,639	$ 106,650,039	$ 104,826,960	$ 102,437,795	$ 94,182,000
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	5.76%	2.73%	-40.62%	-20.33%	-9.32%
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019

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

	As of December 2017	As of June 30, 2017
Total OPEB Liability		
Service cost	$ 4,353,892	$ 4,353,903
Interest	6,387,047	6,099,713
Changes of benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(5,257,031)	(4,239,872)
Net Change in Total OPEB Liability	5,483,908	6,213,744
Total OPEB Liability - Beginning	104,725,415	99,594,587
Total OPEB Liability - Ending (a)	$ 110,209,323	$ 105,808,331
Plan Fiduciary Net Position		
Contributions - employer	$ 12,133,909	$ 11,116,750
Expected investment income	13,243,922	10,662,951
Differences between projected and actual earnings on OPEB plan investments	-	-
Benefit payments	(5,257,031)	(4,239,872)
Administrative expense	-	(327,398)
Net Change in Plan Fiduciary Net Position	20,120,800	17,212,431
Plan Fiduciary Net Position - Beginning	96,106,489	92,851,453
Plan Fiduciary Net Position - Ending (b)	$ 116,227,289	$ 110,063,884
Net OPEB Liability (Asset) - Ending (a) - (b)	$ (6,017,966)	$ (4,255,553)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.46%	104.02%
Covered Employee Payroll	$ 91,216,000	$ 89,360,000
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	-6.60%	-4.76%
Measurement Date	December 2017	June 30, 2017

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

	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 9,070,151	$ 2,284,955	$ 591,557	$ 5,126,650	$ 4,979,864
Contribution in relation to the actuarially determined contribution	6,855,864	5,781,644	5,766,110	6,402,999	6,745,882
Contribution deficiency (excess)	$ 2,214,287	$ (3,496,689)	$ (5,174,553)	$ (1,276,349)	$ (1,766,018)
Covered payroll	$ 115,308,639	$ 106,650,039	$ 104,826,960	$ 102,437,795	$ 94,182,000
Contributions as a percentage of covered payroll	5.95%	5.42%	5.50%	6.25%	7.16%

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

	2018	2017
Actuarially determined contribution	$ 4,594,742	$ 4,594,742
Contribution in relation to the actuarially determined contribution	12,133,909	6,390,000
Contribution deficiency (excess)	$ (7,539,167)	$ (1,795,258)
Covered payroll	$ 91,216,000	$ 89,360,000
Contributions as a percentage of covered payroll	13.30%	7.15%

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

	2023	2022	2021	2020	2019
Annual money-weighted rate of return, net of investment expense	6.71%	-18.29%	22.24%	4.49%	4.46%

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

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

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

	2023	2022	2021	2020	2019
Year ended June 30,					
Proportion of the net OPEB liability	0.1963%	0.2124%	0.2070%	0.0440%	0.0440%
Proportionate share of the net OPEB liability	$ 646,594	$ 847,358	$ 770,861	$ 778,310	$ 156,973
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	-0.94%	-0.80%	-0.71%	-0.81%	-0.40%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

[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.

Year ended June 30,	2018
Proportion of the net OPEB liability	0.0440%
Proportionate share of the net OPEB liability	$ 185,111
Covered payroll	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Measurement Date	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.

	2023	2022	2021	2020	2019
CalSTRS					
Proportion of the net pension liability	0.1308%	0.1413%	0.1360%	0.1350%	0.1220%
Proportionate share of the net pension liability	$ 90,880,167	$ 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	45,512,432	32,361,670	67,940,427	66,519,637	64,198,003
Total	$ 136,392,599	$ 96,678,373	$ 199,736,667	$ 188,446,237	$ 176,324,543
Covered payroll	$ 81,866,755	$ 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	111.01%	80.17%	170.45%	161.10%	152.00%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS					
Proportion of the net pension liability	0.3809%	0.3939%	0.3864%	0.3724%	0.3772%
Proportionate share of the net pension liability	$ 131,079,561	$ 80,102,948	$ 118,559,406	$ 108,533,192	$ 100,573,395
Covered payroll	$ 56,318,586	$ 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	232.75%	141.70%	214.30%	211.58%	202.10%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	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.

	2023	2022	2021	2020	2019
CalSTRS					
Contractually required contribution	$ 16,499,838	$ 13,851,855	$ 12,950,027	$ 13,221,886	$ 12,321,240
Contributions in relation to the contractually required contribution	(16,499,838)	(13,851,855)	(12,950,027)	(13,221,886)	(12,321,240)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 86,386,586	$ 81,866,755	$ 80,227,000	$ 77,321,000	$ 75,683,000
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%
CalPERS					
Contractually required contribution	$ 16,070,625	$ 12,902,588	$ 11,652,983	$ 10,910,312	$ 9,265,030
Contributions in relation to the contractually required contribution	(16,070,625)	(12,902,588)	(11,652,983)	(10,910,312)	(9,265,030)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 63,344,994	$ 56,318,586	$ 56,531,000	$ 55,323,000	$ 51,296,000
Contributions as a percentage of covered payroll	25.37%	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 6.50% decreasing to 4.50%, to 7.00% decreasing to 4.50% for pre-65 participants and 6.50% decreasing to 4.50% for post-65 participants 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 of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS plan from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of District Contributions for Pensions

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

Supplementary Information
June 30, 2023

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 Irvine Valley College with a focus on 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, 2023

Member	Office	Term Expires
Mr. Timothy Jemal	President	2024
Dr. Terri Rydell	Vice President	2026
Ms. Carolyn Inmon	Clerk	2024
Mr. Ryan Dack	Member	2024
Dr. Barbara J. Jay	Member	2024
Ms. Marcia Milchiker	Member	2026
Mr. T.J. Prendergast, III	Member	2026
Ms. Katelyn Hidde	Student Trustee	2024

Administration as of June 30, 2023

Dr. Julianna Barnes	Chancellor
Dr. John Hernandez	President, Irvine Valley College
Dr. Elliot Stern	President, Saddleback 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

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 April 24, 2023.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing 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		$ 23,087,175	$ -
Federal Pell Grant Program Administrative Allowance	84.063		36,935	-
Federal Direct Student Loans	84.268		2,128,296	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		731,250	-
Federal Work-Study Program	84.033		384,740	-
Subtotal Student Financial Assistance Cluster			26,368,396	-
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		51,446	-
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		3,831,791	-
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		823,206	-
Subtotal			4,706,443	-
Childcare Access Means Parents in School	84.335A		79,800	-
Saving Veterans with Interventions Pilot Program (SVIPP)	84.116Z		95,339	-
Developing Hispanic Serving Institutions - Ensuring Equity in Access and Achievement	84.031S		551,046	-
Equitable Learning Experience Valuing Achievement Transfer Empowering Asian American Pacific Islander	84.031L		181,060	-
Passed through California State University Fullerton Auxiliary Services Corporation				
Project RAISER (Regional Alliance in STEM Education Refined)	84.031C	P031C210118	18,771	-
Subtotal			750,877	-
Passed through California Department of Education				
Adult Education and Family Literacy Act	84.002A	14508/13978	380,765	-
Passed through University of California, Davis				
Online Instructor Professional Development and Student Outcomes in Community Colleges	84.305A	R305A210455	7,202	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	21-C01-890	1,338,293	-
Total U.S. Department of Education			33,727,115	-
U.S. Department of Agriculture				
Passed through Orange County Department of Education				
Forest Service Schools and Roads Cluster				
Forest Reserve	10.665	[1]	3,686	-
Subtotal Forest Service Schools and Roads Cluster			3,686	-
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]	2,286,036	-
Passed through County of Orange				
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1607	250,000	-
Subtotal			2,536,036	-

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing 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		$ 1,937,453	$ 1,303,130
Optics, Photonics, and Lasers Technical Education				
Curriculum Development	47.076		39,695	-
NSF Cultivating Talent for Success in STEM	47.076		145,803	-
Passed through University of California (UC), Irvine				
UC Irvine Pathways to Engineering Collaborative	47.076	DUE-1742627	234,293	-
Improving Transition of Community College Students into				
University STEM Programs through Cross-Enrollment	47.076	DUE-1928554	20,274	-
Subtotal Research and Development Cluster			2,377,518	1,303,130
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]	98,779	-
Title IV - Foster Care and Kinship Care Education	93.658	[1]	125,156	-
Total U.S. Department of Health and Human Services			223,935	-
Total Federal Financial Assistance			$ 38,868,290	$ 1,303,130

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

Program	Program Revenues: Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
State Categorical Aid Programs						
Adult Education Block Grant	$ 4,752,069	$ -	$ -	$ 708,682	$ 4,043,387	$ 4,043,387
Board Financial Assistance Program - SFA Administration	1,168,450	-	-	-	1,168,450	1,168,450
California College Promise	6,090,043	-	-	2,394,123	3,695,920	3,695,920
CalWORKs	649,985	-	-	86,351	563,634	563,634
Campus Safety and Sexual Assault	14,800	-	-	277	14,523	14,523
Cooperative Agencies Resources for Education (CARE)	289,204	-	-	69,772	219,432	219,432
Classified Professional Development	93,456	-	-	88,456	5,000	5,000
COVID-19 Response Block Grant	17,072,827	-	-	17,033,590	39,237	39,237
Disaster Relief Emergency Student FA	120,308	-	-	120,308	-	-
Disabled Student Program and Services (DSPS)	5,242,511	-	-	1,257,180	3,985,331	3,985,331
Emergency Financial Assistance Supplemental	429,956	-	-	284,973	144,983	144,983
Extended Opportunities Program and Services (EOPS)	2,850,109	-	-	384,740	2,465,369	2,465,369
Equal Employment Opportunity	303,964	-	-	184,054	119,910	119,910
Financial Aid Technology	126,572	-	-	50,143	76,429	76,429
Foster and Kinship Care Education (FKCE)	344,549	-	-	-	344,549	344,549
Guided Pathways	928,526	-	-	375,888	552,638	552,638
Hunger Free Campus	2,749	-	-	2,749	-	-
Nursing Education	263,834	-	-	-	263,834	263,834
Physical Plant and Instructional Equipment	31,709,975	-	10,886,861	13,469,545	7,353,569	7,353,569
Strong Workforce - Local	7,647,096	-	-	3,546,699	4,100,397	4,100,397
Student Equity and Achievement	16,113,048	-	-	7,430,100	8,682,948	8,682,948
Student Success Completion Grant	7,621,054	-	-	1,165,842	6,455,212	6,455,212
Veteran Resource Center	493,021	-	-	169,271	323,750	323,750
Dreamer Resource Liaisons	457,438	-	-	314,760	142,678	142,678
CalFresh Outreach	26,650	-	-	-	26,650	26,650
Student Retention and Outreach	4,172,955	-	1,045,013	1,684,524	1,443,418	1,443,418
Integrated Basic Needs Center	1,253,559	-	-	888,752	364,807	364,807
Food and Housing Insecurity	1,082,356	-	-	953,795	128,561	128,561
Culturally Competent Faculty PD	61,944	-	-	41,698	20,246	20,246
Equal Employment Opportunity Best Practices	256,512	-	-	205,512	51,000	51,000
LGBTQ+	250,913	-	-	214,118	36,795	36,795
CCAP Instructional Materials	72,263	-	-	64,798	7,465	7,465
Mental Health Support	1,363,094	-	-	700,529	662,565	662,565
Learning Aligned Employment Program	3,730,656	-	-	3,728,663	1,993	1,993
Systemwide Technology and Data Security	300,000	-	-	275,062	24,938	24,938

Program	Program Revenues: Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	Program Expenditures
Student Housing (Planning)	$ 806,000	$ -	$ -	$ 402,352	$ 403,648	$ 403,648
Zero Textbook Cost Program	400,000	-	-	381,369	18,631	18,631
NEXTUP	1,479,094	-	-	1,372,341	106,753	106,753
Asian American, Native Hawaiian and Pacific Islander	301,394	-	-	301,394	-	-
Other State Awards						
CaliforniansForAll	233,521	457,635	-	-	691,156	691,156
CalVaxGrant	-	10,221	-	-	10,221	10,221
Child Development Training Consortium	36,800	-	-	191	36,609	36,609
EWD Employer Engagement	201,479	67,712	-	-	269,191	269,191
Innovation and Effectiveness Plan	2,934	-	-	-	2,934	2,934
Real Estate Education Center	73,452	14,642	-	-	88,094	88,094
Strong Workforce - Regional	1,799,155	370,885	-	-	2,170,040	2,170,040
UCR Learning Labs	54,218	15,603	-	-	69,821	69,821
Veteran Credit Articulation Track	489,964	-	-	272,010	217,954	217,954
Veterans Resource Center	356,130	-	-	-	356,130	356,130
Invention and Inclusive Innovation	110,000	1,741	-	-	111,741	111,741
IEPI Innovation and Effectiveness	200,000	-	-	123,802	76,198	76,198
CCC California Conservation Corps Partnership	15,000	-	-	-	15,000	15,000
Rising Scholars	114,750	-	-	88,492	26,258	26,258
IVC - VRC Appropriation Grant	2,500,000	-	-	2,354,034	145,966	145,966
CCCCO MESA Program	-	40,008	-	-	40,008	40,008
Regional Equity & Recovery Partnerships	-	817	-	-	817	817
Culturally Responsive Pedagogy & Practices (CRPP) Innovative Best Practices	150,000	-	-	150,000	-	-
Total State Programs	$ 126,680,337	$ 979,264	$ 11,931,874	$ 63,340,939	$ 52,386,788	$ 52,386,788

CATEGORIES	Reported Data**	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit*	444.62	-	444.62
2. Credit	2,986.28	-	2,986.28
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit*	2.19	-	2.19
2. Credit	22.89	-	22.89
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	6,007.31	-	6,007.31
(b) Daily Census Contact Hours	304.41	-	304.41
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	2,345.45	-	2,345.45
(b) Credit	749.39	-	749.39
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	6,443.82	-	6,443.82
(b) Daily Census Procedure Courses	3,751.79	-	3,751.79
(c) Noncredit Independent Study/Distance Education Courses	281.02	-	281.02
D. Total FTES	23,339.17	-	23,339.17
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	1,516.16	-	1,516.16
2. Credit	198.22	-	198.22
CCFS-320 Addendum			
CDCP Noncredit FTES	1,307.04	-	1,307.04

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revised as of October 24, 2023.

		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
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	$ 39,908,562	$ -	$ 39,908,562	$ 39,908,562	$ -	$ 39,908,562
Other	1300	32,926,881	-	32,926,881	32,926,881	-	32,926,881
Total Instructional Salaries		72,835,443	-	72,835,443	72,835,443	-	72,835,443
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	13,405,343	-	13,405,343
Other	1400	-	-	-	4,826,187	-	4,826,187
Total Noninstructional Salaries		-	-	-	18,231,530	-	18,231,530
Total Academic Salaries		72,835,443	-	72,835,443	91,066,973	-	91,066,973
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	39,651,279	-	39,651,279
Other	2300	-	-	-	1,756,821	-	1,756,821
Total Noninstructional Salaries		-	-	-	41,408,100	-	41,408,100
Instructional Aides							
Regular Status	2200	4,541,652	-	4,541,652	4,541,652	-	4,541,652
Other	2400	1,075,290	-	1,075,290	1,075,290	-	1,075,290
Total Instructional Aides		5,616,942	-	5,616,942	5,616,942	-	5,616,942
Total Classified Salaries		5,616,942	-	5,616,942	47,025,042	-	47,025,042
Employee Benefits	3000	32,386,792	-	32,386,792	64,455,563	-	64,455,563
Supplies and Material	4000	-	-	-	1,558,252	-	1,558,252
Other Operating Expenses	5000	628,517	-	628,517	17,829,392	-	17,829,392
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		111,467,694	-	111,467,694	221,935,222	-	221,935,222

		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	$ 23,607	$ -	$ 23,607	$ 23,607	$ -	$ 23,607
Student Health Services Above Amount Collected	6441	-	-	-	19,778	-	19,778
Student Transportation	6491	-	-	-	533,709	-	533,709
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	24,278	-	24,278
Objects to Exclude							
Rents and Leases	5060	-	-	-	325,104	-	325,104
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	17,313	-	17,313
Employee Benefits	3000	-	-	-	12,265	-	12,265
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	$ -	$ -	$ -	$ 5,326,345	$ -	$ 5,326,345
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	5,768	-	5,768
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	5,768	-	5,768
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		23,607	-	23,607	6,288,167	-	6,288,167
Total for ECS 84362, 50 Percent Law		$ 111,444,087	$ -	$ 111,444,087	$ 215,647,055	$ -	$ 215,647,055
Percent of CEE (Instructional Salary Cost/ Total CEE)		51.68%		51.68%	100.00%		100.00%
50% of Current Expense of Education					$ 107,823,528		$ 107,823,528

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					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 120,152,514	
Special Revenue Funds	13,090,218	
Capital Project Funds	405,190,969	
Internal Service Funds	2,389,445	
Fiduciary Funds	137,947,908	
Total Fund Balance - All District Funds		$ 678,771,054
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(137,947,908)
The District's investment in the Orange County Educational Investment Pool is reported at fair market value in the Statement of Net Position.		(5,814,725)
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	161,352,938	
Interest receivable on leases	3,402,044	
Deferred inflows of resources related to leases	(155,235,672)	
Total		9,519,310
Capital assets, right-to-use leased assets, and right-to-use subscription IT 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	890,601,611	
Accumulated depreciation is	(327,718,054)	
The cost of right-to-use leased assets is	1,978,743	
Accumulated amortization is	(780,264)	
The cost of right-to-use subscription IT assets is	2,364,773	
Accumulated amortization is	(879,193)	
Total Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets, Net		565,567,616
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	34,659,259	
Deferred outflows of resources related to pensions	69,348,477	
Total Deferred Outflows of Resources		104,007,736

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	$ (1,244,805)	
Subscription-based IT arrangements	(1,481,159)	
Compensated absences and load banking, less current portion already recorded in the funds	(6,240,017)	
Aggregate net OPEB liability	(7,290,426)	
Aggregate net pension liability	(221,959,728)	
Total Long-Term Liabilities		$ (238,216,135)
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	(15,471,880)	
Deferred inflows of resources related to pensions	(25,339,310)	
Total Deferred Inflows of Resources		(40,811,190)
Total Net Position		$ 935,075,758

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, 2023.

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, 2023. 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, 2023

South Orange County Community College District

	2024 (Budget) Amount	2023 Amount	2022 Amount	2021 Amount
General Fund				
Revenues	$ 462,267,723	$ 402,015,526	$ 374,965,641	$ 368,896,026
Expenditures	392,618,245	279,863,098	264,652,520	250,046,356
Net Other Sources and Uses	(101,202,728)	(112,661,267)	(94,091,029)	(113,023,324)
Increase (Decrease) in Fund Balance	$ (31,553,250)	$ 9,491,161	$ 16,222,092	$ 5,826,346
Ending Fund Balance	$ 88,599,264	$ 120,152,514	$ 110,661,353	$ 94,439,261
Available Reserve	$ 41,797,151	$ 42,376,179	$ 43,484,945	$ 39,268,125
Available Reserve Percentage	10.65%	15.14%	16.43%	15.70%
Full-Time Equivalent Students	23,317	23,339	23,726	26,499
Total Long-Term Liabilities, including Retiree Benefit Liability	$ 250,177,547	$ 240,589,986	$ 159,844,717	$ 318,753,229

Important Notes

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2024 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2024 amounts reserved.

The 2024 budget is the Plan and Budget adopted by the Board of Trustees on August 28, 2023.

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 reserve sufficient to cover at least the equivalent of two months of operating expenditures. 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, 2022 was restated for the implementation of GASB 96; however, long-term debt for the year ending June 30, 2021 was not restated for this implementation.

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, 2023

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*

To the 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 (*Government Auditing Standards*), 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, 2023, 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 27, 2023.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. As a result of implementing the standard, there was no effect on the business-type activities beginning net position as of July 1, 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.

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 were not 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 27, 2023

CPAs & BUSINESS ADVISORS

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

To the 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 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, 2023. 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, South Orange County Community College District (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, 2023.

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.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 27, 2023

Independent Auditor's Report on State Compliance

To the 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 compliance with the types of compliance requirements described in the 2022-2023 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, 2023.

Opinion

In our opinion, South Orange County Community College District (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, 2023.

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 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the 2022-2023 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 2022-2023 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 2022-2023 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 2022-2023 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 494	State Fiscal Recovery Fund
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 State Fiscal Recovery Fund was included as a major federal program, as described in the summary of auditor's results; therefore, the compliance requirements within this section were not performed.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2022-2023 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 27, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

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	None Reported
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):	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing 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
Career and Technical Education Act (CTEA), Title I, Part C	84.048A
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
Research and Development Cluster	47.076

Dollar threshold used to distinguish between type A and type B programs:	$1,166,048
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

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

None reported.

None reported.

None reported.

28000 Marguerite Parkway, Mission Viejo, CA 92692-3635 • 949.582.4999 • FAX 949.364.2726 • www.socccd.edu
Saddleback College • Irvine Valley College • Advanced Technology & Education Park

SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

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, 2022.

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

The finding from the schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number 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.

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 reviews the report that identifies students who withdraw without providing notification to the institution periodically throughout the term. The report is initially reviewed 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 are also 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 are reviewed by the Senior Financial Aid Specialist or Director, Financial Aid prior to processing the return of funds.

Current status: This recommendation has been implemented.

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

Board of Trustees: Carolyn Inmon, Barbara J. Jay, Timothy Jemal, Marcia Milchiker, T.J. Prendergast III, Terri Whitt Rydell • Julianna M. Barnes, Ed.D., Chancellor
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