Financial Statements
June 30, 2025

South Orange County Community College District

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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, aggregate discretely presented component units, and fiduciary activities of South Orange County Community College District (the District), as of and for the year ended June 30, 2025, 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, aggregate discretely presented component units, and fiduciary activities of South Orange County Community College District, as of June 30, 2025, 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 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2024 to restate the beginning net position. Our opinions are not modified with respect to this matter.

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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 opinion. 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 on pages 64 through 73 as listed in the table of contents 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 on page 91, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does 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 December 18, 2025 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
December 18, 2025

The following report reflects on the financial condition of the South Orange County Community College District (District) as of and for the fiscal year ended June 30, 2025. It is provided to enhance the information in the independent financial audit and should be reviewed with those reports.

District Mission, Vision, and Values

Mission Statement:

We place students at the heart of our mission, transforming their lives and nurturing creative thinkers that enhance the vitality of the communities we serve. Grounded in principles of equity, belonging, and innovation, we ensure equitable access and foster outcomes that promote economic and social mobility.

Vision Statement:

Empowering students, transforming lives, and strengthening communities through education.

Values:

The District values community, excellence, innovation, belonging, student-centered, and empowerment. These values reflect a collective commitment to inclusion, high standards, and continuous improvement. By articulating these principles, the district collectively commits to a culture that centers student success and empowers individuals at every level to thrive in a dynamic educational environment.

Introduction and Background

The District is comprised of two colleges spanning three locations: Saddleback College in Mission Viejo, CA, Irvine Valley College in Irvine, CA and the Advanced Technology and Education Park (ATEP) in Tustin, CA. Saddleback College was established in 1967 whereas Irvine Valley College was established in 1985 and ATEP began operations in 2007. The District covers 382 square miles, almost 50 percent of Orange County, is governed by a seven-member elected Board of Trustees with an advisory Student Trustee and is led by a Chancellor who oversees the day-to-day operations.

Board of Trustees: Lisa A. Bartlett, Ryan Dack, Carolyn Inmon, Timothy Jemal, Marcia Milchiker, T.J. Prendergast III, Terri Rydell, Ed.D.
Chancellor Julianna M. Asperin Barnes, Ed.D.
AN EQUAL OPPORTUNITY EMPLOYER

In Spring 2025, the District served over 42,100 students. The District's primary source of revenue comes from local property taxes which affords the District the opportunity to administer prudent management and conservative fiscal policies, preparing the District for potentially challenging budget times by maintaining reserves, 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. Approximately 3,380 employees in the District are committed to providing the best educational foundation possible for our students with respect for the use of taxpayers' funding. 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, 2025. The report includes three basic financial statements that provide information on the District as a whole:

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

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

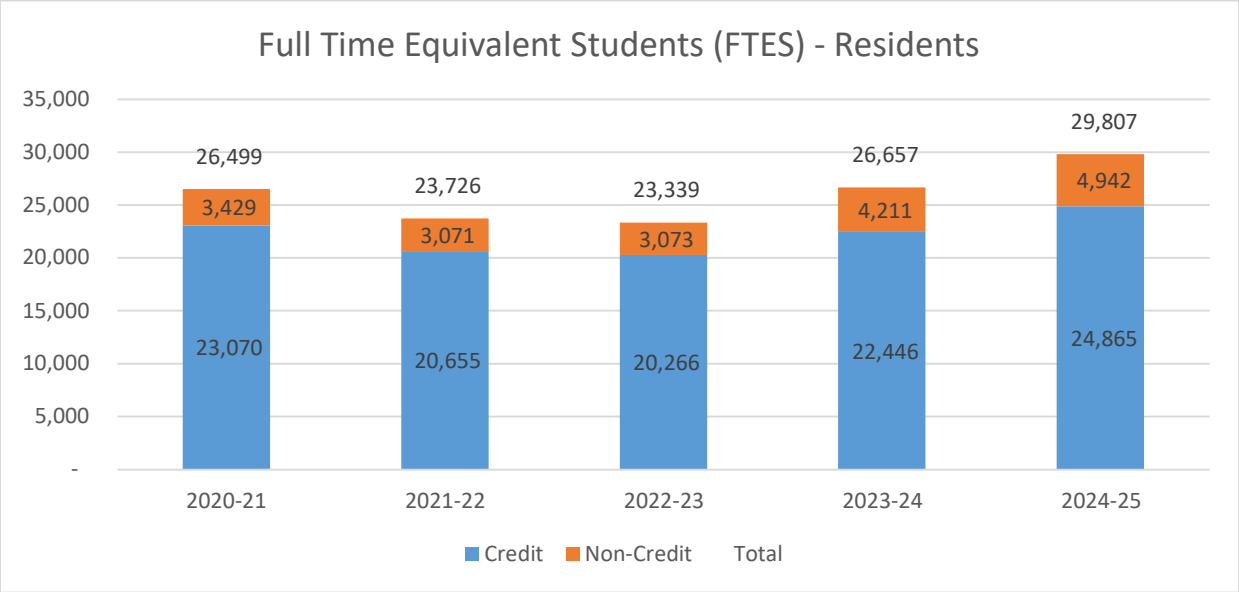
Financial and Enrollment Highlights

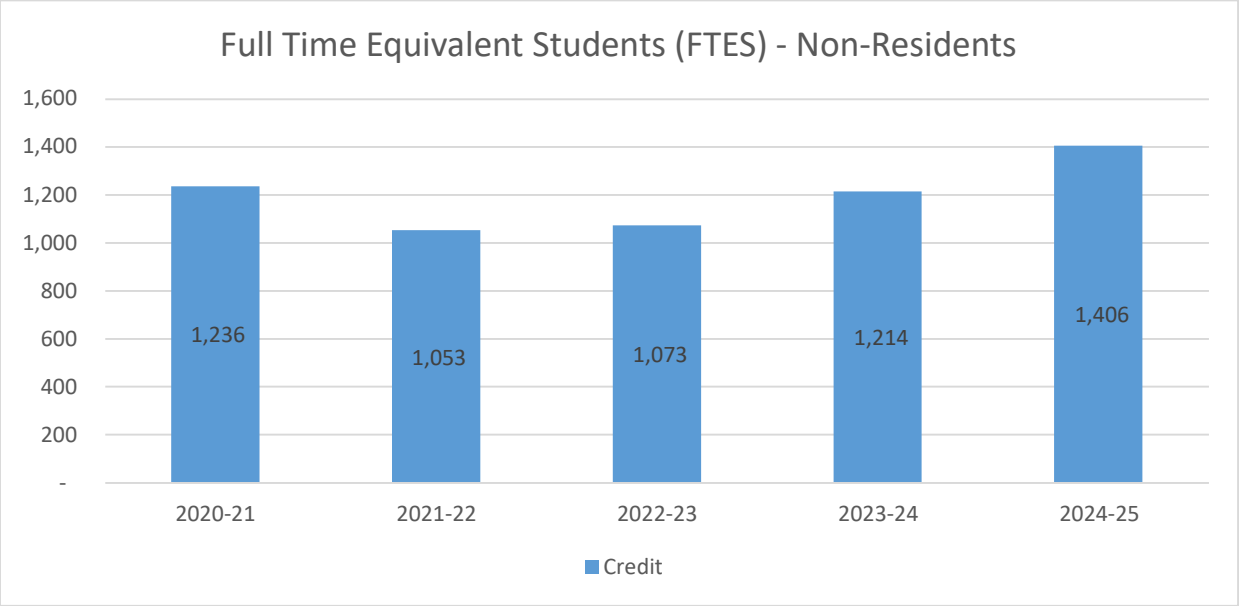
The District concluded the year with healthy fund balance reserves. Maintaining a prudent reserve ensures cash flow stability for the District, eliminating the need for external borrowing. Since the District opted into the Emergency Condition Allowance for 2022-23, it is required to maintain reserves covering at least two months of operating expenses. 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
- 3.75 percent of unrestricted expenditures for additional economic uncertainties

Property taxes remain a dependable revenue stream, enabling the District to finance capital projects without the need for general obligation bonds. This also offers the District a buffer against state budget cuts and mandated workload reductions.

2024-25 experienced enrollment growth of 3,150 Full Time Equivalent Students (FTES), an increase of 11.8% over 2023-24. We are anticipating continued growth in FTES in fiscal year 2025-26 as a result of the re-engagement strategies employed by the colleges. A history of reported resident and nonresident FTES is provided below.





Although total FTES has rebounded, non-resident FTES is experiencing growth at a slower pace and has not yet reached the 2019-20 levels (1,617 FTES); however, there was an increase of 15.8 percent in 2024-25 (going from 1,214 FTES in 2023-24 to 1,406 FTES in 2024-25).

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.

	2025	2024*	Change	Variance
Assets				
Current assets	$ 656,262,263	$ 661,224,341	$ (4,962,078)	-0.75%
Noncurrent assets	998,199,300	915,800,822	82,398,478	9.00%
Total Assets	1,654,461,563	1,577,025,163	77,436,400	4.91%
Deferred Outflows of Resources	109,082,253	98,499,050	10,583,203	10.74%
Liabilities				
Current Liabilities	108,686,268	115,001,167	(6,314,899)	-5.49%
Noncurrent Liabilities	260,808,256	245,135,773	15,672,483	6.39%
Total Liabilities	369,494,524	360,136,940	9,357,584	2.60%
Deferred Inflows of Resources	283,880,657	285,820,180	(1,939,523)	-0.68%
Net Position				
Net investment in capital assets	708,355,757	632,004,785	76,350,972	12.08%
Restricted	20,730,966	24,632,551	(3,901,585)	-15.84%
Unrestricted	381,081,912	372,929,757	8,152,155	2.19%
Total Net Position	$ 1,110,168,635	$ 1,029,567,093	$ 80,601,542	7.83%

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

Assets

Total assets increased approximately $77.4 million, a percentage increase of 4.9%. The major changes affecting total assets are listed below:

- Current assets decreased approximately $5.0 million (0.8%). This was due primarily to a decrease in accounts receivable balances as a result of no State funded construction projects pending reimbursement.

- Noncurrent assets increased approximately $82.4 million (9.0%) over the prior year primarily due to the construction in progress balances on major construction projects including Saddleback College @ ATEP Building , Irvine Valley College Student Services Building Renovation, and Saddleback College Math and Computer Science Building.

Liabilities

Total liabilities increased by approximately $9.4 million, a percentage increase of 2.6%. The major changes affecting total liabilities are listed below:

- Current liabilities decreased approximately $6.3 million (5.5%). Accounts payable decreased $4.5 million primarily due to fewer outstanding vendor payments. Unearned revenue decreased by $11.7 million in most part as a result of the expenditure of the one-time State categorical funding including the Physical Plant and Instructional Equipment program and the COVID-19 Recovery Block Grant. The current portion of long-term debt increased by $10.5 million due to the recognition of the estimated future compensated absences due to the adoption of GASB Statement 101.

- Noncurrent liabilities increased by $15.7 million (6.4%) because 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.

	2025	2024*	Change	Variance
Operating Revenues				
Tuition and fees, net	$ 39,436,752	$ 35,439,135	$ 3,997,617	11.28%
Grants and contracts, noncapital	91,963,516	84,396,827	7,566,689	8.97%
Total Operating Revenues	131,400,268	119,835,962	11,564,306	9.65%
Operating Expenses				
Salaries and benefits	292,877,047	298,692,938	(5,815,891)	-1.95%
Supplies, services, equipment, and maintenance	64,161,939	66,470,062	(2,308,123)	-3.47%
Student financial aid	66,753,984	52,334,596	14,419,388	27.55%
Depreciation and amortization	32,057,400	29,645,411	2,411,989	8.14%
Total Operating Expenses	455,850,370	447,143,007	8,707,363	1.95%
Operating Loss	(324,450,102)	(327,307,045)	2,856,943	0.87%
Nonoperating Revenues (Expenses)				
State apportionments, noncapital	5,148,044	4,452,577	695,467	15.62%
Local property taxes	309,972,828	288,962,967	21,009,861	7.27%
Federal and State financial aid grants	47,121,623	36,922,540	10,199,083	27.62%
State taxes and other revenues	10,102,389	11,001,199	(898,810)	-8.17%
Net investment income	39,034,646	35,995,802	3,038,844	8.44%
Other nonoperating revenues	3,323,184	6,073,209	(2,750,025)	-45.28%
Total Nonoperating Revenues (Expenses)	414,702,714	383,408,294	31,294,420	8.16%
Other Revenues (Losses)				
State/local capital revenues and losses on disposal of capital assets	19,845,167	38,390,086	(18,544,919)	-48.31%
Change in Net Position	$ 110,097,779	$ 94,491,335	$ 15,606,444	16.52%

* Expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

Operating Revenues

Total operating revenues increased by approximately $11.6 million, an increase of 9.7%.

- Net tuition and fees increased by $4.0 million (11.3%), driven by a $170 thousand rise in fee revenue and a $980 thousand increase in enrollment fees (net of scholarship discounts and allowances), both resulting from higher student enrollment. In addition to the overall growth in tuition and fees, non-resident tuition rose significantly by $2.95 million due to increased non-resident enrollment. Conversely, Child Development and Community Services fees declined by $100 thousand as program participation decreased.

- Noncapital grants and contracts increased $7.6 million (9.0%). State and categorical funding increased as a result of the 1.07% COLA applied to many programs as well as the increase in the California College Promise, Student Success Completion, and Student Equity and Achievement programs.

Operating Expenses

Total operating expenses increased approximately $8.7 million, an increase of 2.0%. Items of significance affecting the changes include:

- Salaries and benefits decreased by approximately $5.8 million, a decrease of 1.2% as a result of adjustments for the District's share of the state pension plan liabilities and the OPEB deferred inflows and outflows.

- Supplies, services, equipment, and maintenance decreased by $2.3 million, a decrease of 3.5%. The decrease is primarily due to GASB 96 adjustments to capitalize and amortize the costs of Subscription-Based Information Technology Arrangements (SBITA).

- Student financial aid increased by $14.4 million (27.6%) mainly due to an increase in Pell grants and the use of COVID Recovery Block Grant funds for non-cash assistance to support basic needs.

- Depreciation and amortization expense increased by $2.4 million (8.1%), as a result of the increase in capital assets, SBITAs, and equipment.

Nonoperating Revenues (Expenses)

Nonoperating revenues (expenses) increased by $31.3 million (8.2%) primarily due to the following:

- A $21.0 million increase, 7.3% increase, in local property tax reflects the growth trend of the local property tax base.

  Federal and state financial aid grants increased by $10.2 million (27.6%) primarily due to an increase in Pell Grants awarded to students.

- State taxes and other revenues decreased by $900 thousand, a decrease of 8.2%, primarily as a result of a decrease in lottery revenue.

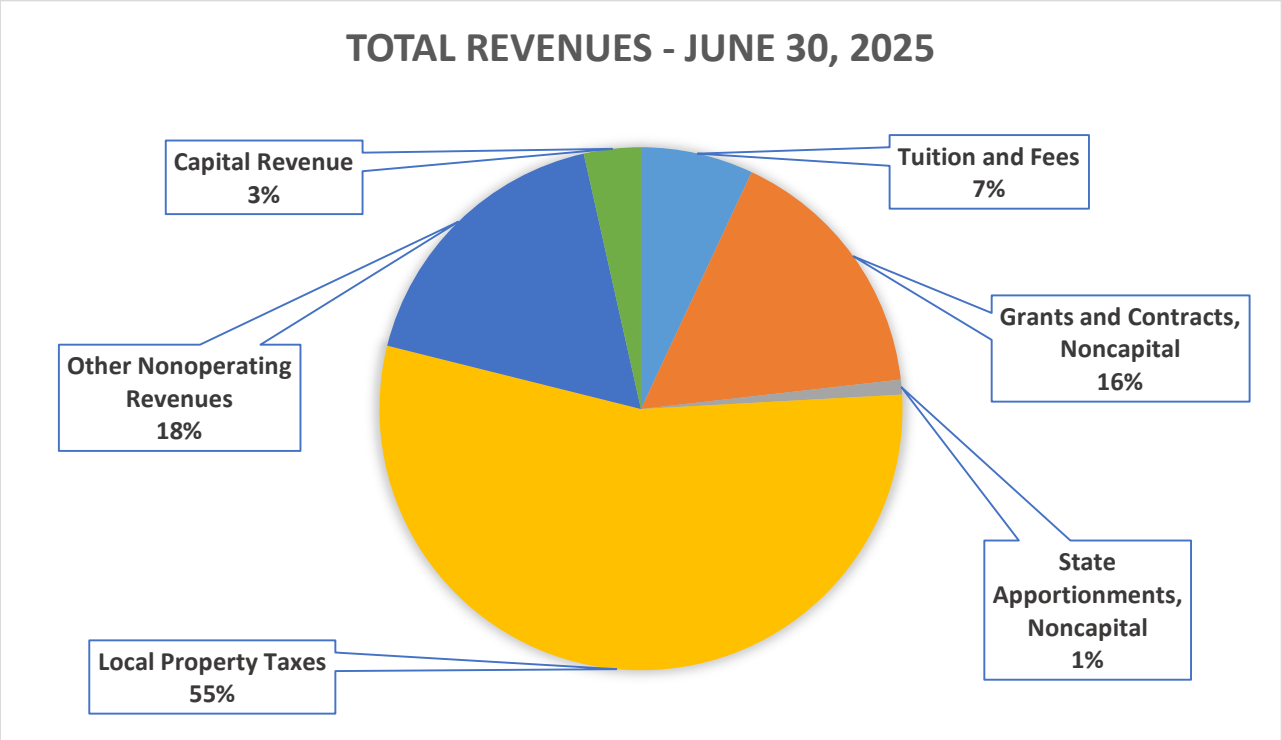
- Investment income increased by $3.04 million (8.4%), as a result of the favorable market conditions for the trust funds and higher interest rates in the County Treasury and Local Agency Investment Fund (LAIF).

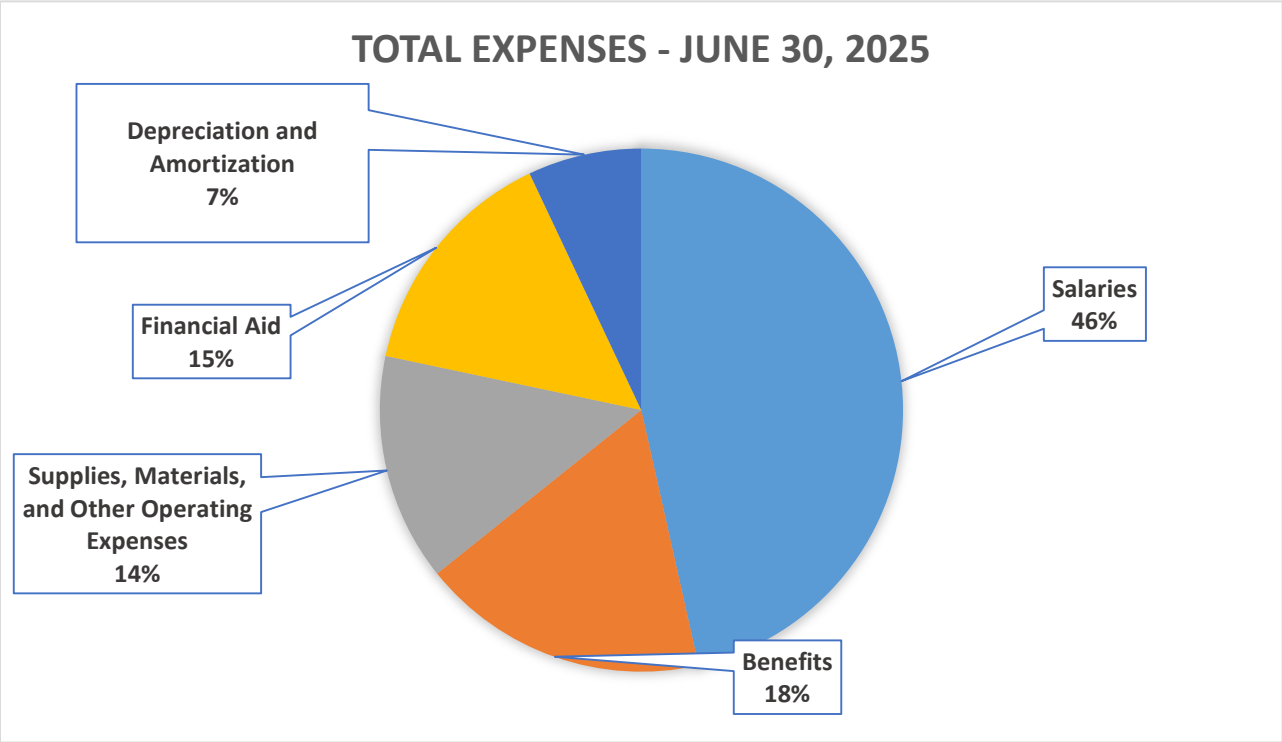
- Other nonoperating revenues decreased by $2.8 million, a decrease of 45.3%, primarily due to the reduction of Redevelopment Area tax collections.

Other Revenues and Losses

Other revenues and losses decreased by approximately $18.5 million (48.3%) primarily due to the progress of the Saddleback College Math and Computer Science Building state funded construction project and projects funded with Physical Plant and Instructional Support.

The following two pie charts depict the breakdown and percentages of the major components in total revenue and total expenses as of June 30, 2025.


TOTAL REVENUES - JUNE 30, 2025
Capital Revenue 3%
Tuition and Fees 7%
Grants and Contracts, Noncapital 16%
Other Nonoperating Revenues 18%
State Apportionments, Noncapital 1%
Local Property Taxes 55%


TOTAL EXPENSES - JUNE 30, 2025
Depreciation and Amortization 7%
Financial Aid 15%
Salaries 46%
Supplies, Materials, and Other Operating Expenses 14%
Benefits 18%

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	$ 144,519,408	$ 4,092,662	$ -	$ -	$ 148,612,070
Academic support	24,219,912	752,295	-	-	24,972,207
Student services	44,826,574	1,585,805	-	-	46,412,379
Plant operations and maintenance	13,836,122	5,017,917	-	-	18,854,039
Instructional support services	48,017,157	11,701,215	-	-	59,718,372
Community services and economic development	3,321,527	510,787	-	-	3,832,314
Ancillary services and auxiliary operations	10,733,722	1,012,826	-	-	11,746,548
Student aid	-	-	66,753,984	-	66,753,984
Physical property and related acquisitions	3,402,625	39,488,432	-	-	42,891,057
Unallocated depreciation and amortization	-	-	-	32,057,400	32,057,400
Total	$ 292,877,047	$ 64,161,939	$ 66,753,984	$ 32,057,400	$ 455,850,370

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.

	2025	2024*	Change	Variance
Net Cash Flows from				
Operating activities	$ (333,017,061)	$ (309,418,095)	$ (23,598,966)	-7.63%
Noncapital financing activities	376,867,589	365,166,219	11,701,370	3.20%
Capital financing activities	(81,398,503)	(83,834,458)	2,435,955	2.91%
Investing activities	43,247,952	35,057,330	8,190,622	23.36%
Change in Cash and Cash Equivalents	5,699,977	6,970,996	(1,271,019)	-18.23%
Cash and Cash Equivalents, Beginning of Year	589,517,829	582,546,833	6,970,996	1.20%
Cash and Cash Equivalents, End of Year	$ 595,217,806	$ 589,517,829	$ 5,699,977	0.97%

* Cash flows from operating activities for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

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

Net cash used by operating activities decreased by $23.6 million (7.6%) 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 financing activities increased by $11.7 million (3.2%) and is consistent with the growth in the property tax base.

Capital and Related Financing Activities
Net cash used by capital and related financing activities increased by $2.4 million (2.9%) due to expenditures for equipment and construction.

Investing Activities
Net cash provided by investing activities increased by $8.2 million (23.4%) 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

As of June 30, 2025, the District had approximately $717 million invested in net capital assets. Total capital assets of $1.1 billion consist of land, artwork, 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 $387 million. In fiscal year 2024-2025, there were net capital asset additions in the amount of approximately $113.2 million, which includes costs for the Saddleback College @ ATEP Building , Irvine Valley College Student Services Building Renovation, and Saddleback College Math and Computer Science Building, and net depreciation/amortization expense of $32.1 million.

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

	2025	2024	Net Change
Land, artwork, and construction in progress	$ 257,602,953	$ 159,724,689	$ 97,878,264
Buildings and land improvements, net	439,004,445	459,662,298	(20,657,853)
Equipment, net	11,757,294	12,875,849	(1,118,555)
Right-to-use leased assets, net	406,844	799,472	(392,628)
Right-to-use subscription IT assets, net	8,179,814	2,843,017	5,336,797
Total Capital Assets, Net	$ 716,951,350	$ 635,905,325	$ 81,046,025

Long-Term Liabilities

At June 30, 2025, the District had $273.5 million in long-term liabilities, an increase of $25.8 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:

	2025	2024*	Net Change
Long-Term Liabilities			
Compensated absences	$ 39,610,399	$ 8,766,175	$ 30,844,224
Claims liabilities	636,299	873,714	(237,415)
Lease liability	442,417	850,744	(408,327)
Subscription-based IT arrangements	8,153,176	3,049,796	5,103,380
Net OPEB liability	549,405	595,249	(45,844)
Aggregate net pension liability	224,097,210	233,529,556	(9,432,346)
Total Long-Term Liabilities	273,488,906	247,665,234	25,823,672
Less Current Portion	12,680,650	2,529,461	10,151,189
Long-Term Portion	$ 260,808,256	$ 245,135,773	$ 15,672,483

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101. See Note 14 for further information.

Economic Outlook and Factors Affecting Next Year's Budget

The fiscal year 2024-25 state budget for community colleges included a 1.07% cost of living adjustment. Changes have been made to the SCFF hold harmless provisions (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 2025-26 adopted budget assumes an increase in secured property tax revenue of four percent over fiscal year 2024-25 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 as of December 31, 2024. Based on a discount rate of six percent, the market value of the plan assets exceeded the actuarial accrued liability by $29 million. The District has budgeted sufficient funds to cover the actuarially determined contribution for fiscal year 2025-26. The next actuarial valuation study is scheduled to be completed in January 2026.

The state pension plans are currently underfunded and employer rates for PERS are anticipated to continue to increase over the next several years. The Board has approved participation in a Pension Stabilization Fund to offset the PERS and STRS increased costs. The District has made deposits totaling $70.0 million to the trust but with the withdrawals to fund for the increased costs, the balance on June 30, 2025, was $7.2 million. Additional deposits will continue each year to maintain the trust fund and defray the increases for the college's and District Services' budgets. In fiscal year 2025-26, the District budgeted $18 million from the basic aid allocation for this purpose.

The colleges are experiencing promising increases in enrollments. The colleges have increased full-time faculty for the Fall 2025 semester to provide additional offerings to the anticipated increase in student enrollment as compared to the Fall 2024 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	$ 633,924,015	$ 19,448,181
Accounts receivable, net	20,260,289	1,662,026
Due from component units	119,125	-
Due from primary government	-	637,911
Prepaid expenses	1,914,970	10,999
Inventories	43,864	-
Interest receivable on leases	10,092,279	-
Lease receivables	237,038,856	-
Net other postemployment benefits (OPEB) asset	34,116,815	-
Capital assets not depreciated or amortized	257,602,953	-
Capital assets, net of accumulated depreciation and amortization	459,348,397	-
Total Assets	1,654,461,563	21,759,117
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	26,887,219	-
Deferred outflows of resources related to pensions	82,195,034	-
Total Deferred Outflows of Resources	109,082,253	-
Liabilities		
Accounts payable	36,666,306	189,020
Due to fiduciary fund	1,487,485	-
Due to component units	637,911	-
Due to primary government	-	119,125
Unearned revenue	57,213,916	-
Long-term liabilities		
Long-term liabilities other than OPEB and pensions, due within one year	12,680,650	-
Long-term liabilities other than OPEB and pensions, due in more than one year	36,161,641	-
Net OPEB liability	549,405	-
Aggregate net pension liability	224,097,210	-
Total Liabilities	369,494,524	308,145
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	39,866,426	-
Deferred inflows of resources related to pensions	21,085,193	-
Deferred inflows of resources related to leases	222,929,038	-
Total Deferred Inflows of Resources	283,880,657	-
Net Position		
Net investment in capital assets	708,355,757	-
Restricted for		
Capital projects	380,933	-
Educational programs	11,650,995	-
Other activities	8,699,038	14,714,426
Unrestricted	381,081,912	6,736,546
Total Net Position	$ 1,110,168,635	$ 21,450,972

	Primary Government	Component Units
Operating Revenues		
Tuition and fees	$ 52,899,112	$ -
Less: Scholarship discounts and allowances	(13,462,360)	-
Net Tuition and Fees	39,436,752	-
Grants and contracts, noncapital		
Federal	6,052,549	-
State	77,436,485	-
Local	8,474,482	5,719,663
Total Grants and Contracts, Noncapital	91,963,516	5,719,663
Total Operating Revenues	131,400,268	5,719,663
Operating Expenses		
Salaries	211,985,087	98,712
Employee benefits	80,891,960	16,512
Supplies, materials, and other operating expenses and services	49,756,346	3,506,056
Student financial aid	66,753,984	1,134,496
Equipment, maintenance, and repairs	14,405,593	81,559
Depreciation and amortization	32,057,400	-
Total Operating Expenses	455,850,370	4,837,335
Operating Income (Loss)	(324,450,102)	882,328
Nonoperating Revenues (Expenses)		
State apportionments, noncapital	5,148,044	-
Local property taxes, levied for general purposes	309,972,828	-
Federal and State financial aid grants	47,121,623	-
State taxes and other revenues	10,102,389	-
Investment income, net	39,417,685	1,540,434
Interest expense on capital related debt	(383,039)	-
Other nonoperating revenue	3,323,184	-
Total Nonoperating Revenues (Expenses)	414,702,714	1,540,434
Income Before Other Revenues and Losses	90,252,612	2,422,762
Other Revenues (Losses)		
State revenues, capital	3,007,607	-
Local revenues, capital	16,908,141	-
Loss on disposal of capital assets	(70,581)	-
Total Other Revenues (Losses)	19,845,167	-
Change In Net Position	110,097,779	2,422,762
Net Position, Beginning of Year, as previously reported	1,029,567,093	19,028,210
Adjustment (Note 14)	(29,496,237)	
Net Position, Beginning of Year, as restated	1,000,070,856	
Net Position, End of Year	$ 1,110,168,635	$ 21,450,972

	Primary Government	Component Units
Operating Activities		
Tuition and fees	$ 36,841,391	$ -
Federal, state, and local grants and contracts, noncapital	72,887,152	$3,068,235
Payments to or on behalf of employees	(306,429,446)	(96,728)
Payments to vendors for supplies and services	(69,562,174)	(976,218)
Payments to students for scholarships and grants	(66,753,984)	(1,039,581)
Net Cash Provided By (Used In) Operating Activities	(333,017,061)	955,708
Noncapital Financing Activities		
State apportionments	5,647,567	-
Federal and state financial aid grants	47,121,623	-
Property taxes - nondebt related	308,862,752	-
State taxes and other apportionments	10,004,214	-
Other nonoperating	5,231,433	-
Net Cash Provided By Noncapital Financing Activities	376,867,589	-
Capital Financing Activities		
Purchase of capital assets	(105,363,279)	-
State revenue, capital	11,726,431	-
Local revenue, capital	16,908,141	-
Principal paid on capital debt	(4,286,757)	-
Interest paid on capital debt	(383,039)	362,723
Net Cash Provided By (Used In) Capital Financing Activities	(81,398,503)	362,723
Investing Activities		
Sales and maturities of investments	3,642,362	5,229,274
Purchase of investments	-	(6,251,715)
Change in fair value of cash in county treasury	6,268,671	-
Interest received from investments	33,336,919	-
Net Cash Provided By (Used In) Investing Activities	43,247,952	(1,022,441)
Change In Cash and Cash Equivalents	5,699,977	295,990
Cash and Cash Equivalents, Beginning of Year	589,517,829	1,050,903
Cash and Cash Equivalents, End of Year	$ 595,217,806	$ 1,346,893

	Primary Government	Component Units
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating Income (Loss)	$ (324,450,102)	$ 882,328
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization expense	32,057,400	-
Amortization of discount on promises to give	-	(85,246)
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Accounts receivable, net	(4,216,237)	51,878
Due from fiduciary fund	1,421,325	-
Due from component units	(31,552)	-
Due from primary government	-	(106,302)
Inventories	4,918	-
Prepaid expenses	(265,011)	96,298
Lease receivables	45,887	-
Interest receivable on leases	(3,156,173)	-
Net OPEB asset	1,757,833	-
Deferred outflows of resources related to OPEB	(7,451,749)	-
Deferred outflows of resources related to pensions	(3,131,454)	-
Accounts payable	(3,409,527)	85,200
Due to fiduciary fund	(276,123)	-
Due to component units	106,302	-
Due to primary government	-	31,552
Unearned revenue	(11,715,657)	-
Compensated absences	1,347,987	-
Claims liabilities	(237,415)	-
Net OPEB liability	(45,844)	-
Aggregate net pension liability	(9,432,346)	-
Deferred inflows of resources related to OPEB	29,362	-
Deferred inflows of resources related to pensions	2,050,433	-
Deferred inflows of resources related to leases	(4,019,318)	-
Total Adjustments	(8,566,959)	73,380
Net Cash Provided By (Used In) Operating Activities	$ (333,017,061)	$ 955,708
Cash and Cash Equivalents Consist of the Following:		
Cash in banks	$ 4,188,829	$ 1,346,893
Cash with fiscal agent	4,633,811	-
Cash in county treasury	586,395,166	-
Total Cash and Cash Equivalents	$ 595,217,806	$ 1,346,893
Noncash Transactions		
Recognition of subscription based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	$ 8,981,810	$ -

South Orange County Community College District

Fiduciary Fund
Statement of Net Position
June 30, 2025

	Retiree OPEB Trust
Assets	
Investments	$ 186,141,572
Due from primary government	1,487,485
Total Assets	$ 187,629,057
Net Position	
Restricted for postemployment benefits other than pensions	$ 187,629,057
Total Net Position	$ 187,629,057

South Orange County Community College District

Fiduciary Fund

Statement of Changes in Net Position

Year Ended June 30, 2025

	Retiree OPEB Trust
Additions	
District contributions	$ 6,963,948
Interest and investment income	7,492,446
Net realized and unrealized gains	10,542,881
Total Additions	24,999,275
Deductions	
Benefit payments	5,466,664
Administrative expenses	476,483
Total Deductions	5,943,147
Change in Net Position	19,056,128
Net Position - Beginning of Year	168,572,929
Net Position - End of Year	$ 187,629,057

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 Foundation for South Orange County Community College District is included in the District's reporting entity as a blended component unit. 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 is included in the District's reporting entity as a blended component unit.

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 and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State grants, entitlements, and donations. Property tax revenue is 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) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State grants and entitlements are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose restrictions.

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 county treasury balances 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 provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. At June 30, 2025, the allowance was estimated at $504,207.

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.

Lease Receivables

The District recognizes a lease receivable for ground leases and a deferred inflow of resources in the 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.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District as a whole and include land, artwork, construction in progress, buildings, building and land improvements, and equipment. 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

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

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, 2025.

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 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 leases, OPEB, and pension related items.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from leases, for such things as copiers, rental office space, and other right-to-use leased assets. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription-based IT Arrangements (SBITA) Liabilities

SBITA liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the District.

Pensions

For purposes of measuring the aggregate 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 OPEB Plan (District 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 net 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 expenses. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements 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

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the Statement of Net Position. Compensated absences include vacation leave, load banking leave, and sick leave.

Vacation leave is accumulated, used, and paid for each employee based upon negotiated contracts and board policy. Vacation balances are limited to a maximum of two times the employee's annual vacation allowance. Upon separation from the District, accrued and unused vacation is paid out to permanent employees at their current rate of pay.

Load banking leave is available to eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee based upon negotiated contracts and board policy. 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 not paid for any sick leave balance at termination of employment or at any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. 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 less the number of holidays, if employed full time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Noncurrent Liabilities

Noncurrent liabilities include compensated absences, claims liabilities, lease liability, and SBITA liabilities with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, net of accumulated depreciation 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 financial statements report $20,730,966 of restricted net position, and the fiduciary funds financial statements report $187,629,057 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.

- **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, 2025.

Scholarship Discounts and Allowances

Tuition and fee revenue is reported net of scholarship discounts and allowances. Fee waivers approved by the California Community Colleges' 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.

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.

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 14.

Implementation of GASB Statement No. 102

As of June 30, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

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 deposits substantially all receipts and collections of monies with their County Treasurer. 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, 2025, consist of the following:

	Primary Government	Fiduciary Fund
Cash on hand and in banks	$ 4,163,829	$ -
Cash in revolving	25,000	-
Cash with fiscal agent	4,633,811	-
Cash in county treasury	586,395,166	-
Investments	38,706,209	186,141,572
Total Deposits and Investments	$ 633,924,015	$ 186,141,572

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 and credit rating:

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	$ 193,330,855	No maturity	Not rated
LAIF	31,516,926	248	Not rated
Orange County Educational Investment Pool	586,395,166	273	AAAf
Total	$ 811,242,947		

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, 2025, the District's bank balance totaled approximately $7.4 million of which approximately $2.6 million exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District. As of June 30, 2025, the District's bank balance of approximately $4.6 million was collateralized at 110%.

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, 2025, the District's investment balance of approximately $192.8 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, 2025:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds	$ 193,330,855	$ 193,330,855	$ -	$ -

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, 2025 consisted of the following:

	Primary Government
Federal Government	
Categorical aid	$ 1,970,920
State Government	
Apportionment	207,695
Categorical aid	3,035,573
Lottery	1,890,990
Local Sources	
Property taxes	6,572,632
Interest	1,998,481
Other local sources	2,608,832
Student fees	2,479,373
Less: allowance for bad debt	(504,207)
Total Accounts Receivable, Net	$ 20,260,289

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, 2024	Additions	Deductions	Balance, June 30, 2025
Idyllwillow Lease	$ 158,153,421	$ -	$ -	$ 158,153,421
T-Mobile Cell Tower Lease	886,867	-	(41,954)	844,913
County of Orange Lease	2,189,384	-	(123,547)	2,065,837
Advantech Corporation Lease	75,855,071	-	-	75,855,071
CCATT Holdings Lease	-	205,107	(85,493)	119,614
Total	$ 237,084,743	$ 205,107	$ (250,994)	$ 237,038,856

At June 30, 2025, the District recorded $237,038,856 in lease receivables, $10,092,279 in interest receivable, and $222,929,038 of deferred inflows of resources related to 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 year ended June 30, 2025, the District recognized $2,928,767 in lease revenue and $4,895,818 in interest revenue related to these agreements.

T-Mobile Cell Tower 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 year ended June 30, 2025, the District recognized $38,766 in lease revenue and $26,606 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 year ended June 30, 2025, the District recognized $189,719 in lease revenue and $109,469 in interest revenue related to these agreements.

Advantech Corporation Lease

The District entered into an agreement with Advantech Corporation to develop and operate an office and light manufacturing buildings at the District's Advanced Technology and Education Park. The lease term includes a two-year construction period and a primary lease term which extends until December 31, 2100. Lease payments are due in quarterly installments on or before the first day of each calendar quarter and increase annually by 2%. During the year ended June 30, 2025, the District recognized $985,131 in lease revenue and $2,332,520 in interest revenue related to this agreement.

CCATT Holdings LLC

The District entered into an agreement with CCATT LLC to lease a portion of the District's land which consists of wireless communications facilities, cell towers, equipment shelters, meter boards and other related technological structures and equipment. The lease term is five years and extends through March 2028. Lease payments are due in monthly installments and increase annually by 3%. During the year ended June 30, 2025, the District recognized $82,042 in lease revenue and $4,753 in interest revenue related to this agreement.

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
Capital Assets Not Being Depreciated or Amortized				
Land	$ 51,809,660	$ -	$ -	$ 51,809,660
Artwork	37,100	-	(12,500)	24,600
Construction in progress	107,877,929	100,211,519	(2,320,755)	205,768,693
Total Capital Assets Not Being Depreciated or Amortized	159,724,689	100,211,519	(2,333,255)	257,602,953
Capital Assets Being Depreciated and Amortized				
Land improvements	156,468,518	281,131	-	156,749,649
Buildings and improvements	584,039,231	1,986,993	-	586,026,224
Furniture and equipment	86,677,817	4,033,308	(1,541,399)	89,169,726
Right-to-use leased buildings and improvements	1,102,728	-	-	1,102,728
Right-to-use leased equipment	856,880	-	-	856,880
Right-to-use subscription IT assets	4,643,778	8,981,810	(1,192,613)	12,432,975
Total Capital Assets Being Depreciated and Amortized	833,788,952	15,283,242	(2,734,012)	846,338,182
Less Accumulated Depreciation and Amortization				
Land improvements	(120,114,857)	(6,763,049)	-	(126,877,906)
Buildings and improvements	(160,730,594)	(16,162,928)	-	(176,893,522)
Furniture and equipment	(73,801,968)	(5,093,782)	1,483,318	(77,412,432)
Right-to-use leased buildings and improvements	(652,698)	(227,497)	-	(880,195)
Right-to-use leased equipment	(507,438)	(165,131)	-	(672,569)
Right-to-use subscription IT assets	(1,800,761)	(3,645,013)	1,192,613	(4,253,161)
Total Accumulated Depreciation and Amortization	(357,608,316)	(32,057,400)	2,675,931	(386,989,785)
Total Capital Assets, Net	$ 635,905,325	$ 83,437,361	$ (2,391,336)	$ 716,951,350

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, 2025 consisted of the following:

	Balance, July 1, 2024, as Restated	Additions	Deductions	Balance, June 30, 2025	Due in One Year
Compensated absences	$38,262,412	$ 2,023,200	$ (675,213)	$ 39,610,399	$ 8,625,977
Lease liability	850,744	-	(408,327)	442,417	421,921
Subscription-based IT arrangements	3,049,796	8,981,810	(3,878,430)	8,153,176	3,632,752
Claim liabilities	873,714	-	(237,415)	636,299	-
Total	$ 43,036,666	$11,005,010	$ (5,199,385)	$ 48,842,291	$12,680,650

Description of Long-Term Liabilities

Payments for the lease liability and subscription-based IT arrangements 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.

Compensated Absences

The District's compensated absences are comprised of the following:

Compensated Absences	Balance, July 1, 2024, as Restated	Additions	Deductions	Balance, June 30, 2025
Vacation leave	$ 7,731,159	$ -	$ (675,213)	$ 7,055,946
Load banking	1,402,457	1,719,400	-	3,121,857
Sick leave	29,128,796	303,800	-	29,432,596
Total	$ 38,262,412	$ 2,023,200	$ (675,213)	$ 39,610,399

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, 2024	Additions	Deductions	Balance, June 30, 2025
Building lease	$ 488,277	$ -	$ (239,869)	$ 248,408
Equipment leases	362,467	-	(168,458)	194,009
Total	$ 850,744	$ -	$ (408,327)	$ 442,417

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 $222,517 for the year ending June 30, 2025. At June 30, 2025, the District has recognized a right-to-use leased asset, net of accumulated amortization, of $197,703 and a lease liability of $222,518 related to this agreement. During the fiscal year, the District recorded $197,704 in amortization expense and $12,962 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, 2025. At June 30, 2025, the District has recognized a right-to-use leased asset, net of accumulated amortization, of $24,830 and a lease liability of $25,890 related to this agreement. During the fiscal year, the District recorded $29,793 in amortization expense and $1,686 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 $104,811 annually, which amounted to total principal and interest costs of $204,884 for the year ending June 30, 2025. At June 30, 2025, the District has recognized right-to-use leased assets, net of accumulated amortization, of $184,311 and a lease liability of $194,009 related to these agreements. During the fiscal year, the District recorded $165,131 in amortization expense and $10,875 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
2026	$ 421,921	$ 13,273	$ 435,194
2027	19,096	616	19,712
2028	1,400	42	1,442
Total	$ 442,417	$ 13,931	$ 456,348

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, 2025, present value of the claims liability was $636,299.

Subscriptions-Based IT Arrangements (SBITAs)

The District has entered into SBITAs for the use of various software. At June 30, 2025, the District has recognized a right-to-use subscriptions IT asset, net of accumulated amortization, of $8,179,814 and a SBITA liability of $8,153,176 related to these agreements. Under the terms of the SBITAs, the District makes payments ranging from $2,500 to $2,244,221 annually, which amounted to total principal and interest costs of $4,235,496 for the year ending June 30, 2025. During the fiscal year, the District recorded $3,645,013 in amortization expense and $357,516 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, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 3,632,752	$ 244,595	$ 3,877,347
2027	3,008,755	135,613	3,144,368
2028	1,417,869	45,348	1,463,217
2029	93,800	2,814	96,614
Total	$ 8,153,176	$ 428,370	$ 8,581,546

Note 9 - Net Other Postemployment Benefit (OPEB) Liability/(Asset)

For the year ended June 30, 2025, the District reported a net OPEB liability/(asset), deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Aggregate Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ (34,116,815)	$ 26,887,219	$ 39,866,426	$ (5,664,554)
Medicare Premium Payment (MPP) Program	549,405	-	-	(45,844)
Total	$ (33,567,410)	$ 26,887,219	$ 39,866,426	$ (5,710,398)

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, 2025, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	376
Active employees	1,076
Total	1,452

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. The 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, 2025, the District contributed $6,963,948 to the Plan, of which $5,466,664 was used for current premiums and $1,497,284 was used to fund the OPEB Trust.

Investment

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, 2025:

Asset Class	Target Allocation
U.S. equity	34%
International equity	7%
U.S. fixed income	55%
Real estate investment trusts	4%

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 11.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the District

The District's net OPEB asset of $34,116,815 was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2024. The components of the net OPEB asset of the District at June 30, 2025, were as follows:

Total OPEB liability	$ 153,512,242
Plan fiduciary net position	(187,629,057)
Net OPEB Asset	$ (34,116,815)
Plan fiduciary net position as a percentage of the total OPEB liability	122.22%

Actuarial Assumptions

The June 30, 2025 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of December 31, 2024, and rolling forward the total OPEB liability to June 30, 2025, using the following assumptions listed in the following table:

Inflation	2.40%
Salary increases	2.80%
Investment rate of return	5.70%
Healthcare cost trend rates	Pre-65: 8.00% for 2025, decreasing to 4.50% in 2039 Post-65: 6.50% for 2025, decreasing to 4.50% in 2039

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, 2024 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. 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, 2025, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. equity	8.50%
International equity	7.40%
U.S. fixed income	3.80%
Real estate investment trusts	6.00%

Discount Rate

The discount rate used to measure the total OPEB asset was 5.70%. 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/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance, June 30, 2024	$ 132,698,281	$ 168,572,929	$ (35,874,648)
Service cost	6,354,904	-	6,354,904
Interest	8,182,000	-	8,182,000
Contributions - employer	-	6,963,948	(6,963,948)
Expected investment income	-	18,035,327	(18,035,327)
Differences between projected and actual experience	(1,896,775)	-	(1,896,775)
Changes of assumptions	13,640,496	-	13,640,496
Benefit payments	(5,466,664)	(5,466,664)	-
Administrative expense	-	(476,483)	476,483
Net Change in Total OPEB Liability	20,813,961	19,056,128	1,757,833
Balance, June 30, 2025	$ 153,512,242	$ 187,629,057	$ (34,116,815)

Changes of economic assumptions reflect the following changes:

- Healthcare cost trend rates reflect a change from 7.75% decreasing to 4.50%, to 8.00% decreasing to 4.50% for pre-65 participants and from 6.25% decreasing to 4.50%, to 6.50% decreasing to 4.50% for post-65 participants
- The discount rate was updated from 6.00% to 5.70%
- The salary scale assumption was updated from 2.75% to 2.80%.
- Post-65 per capita cost calculations were updated to include aging adjustments.
- Termination assumptions were updated to be consistent with the CalPERS 2024 pension plan experience study for entry ages under 30, 30 – 39 and over 40.

There were no changes in benefit terms since the previous valuation.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the District, as well as what the District's net OPEB 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 Asset
1% decrease (4.70%)	$ (12,746,151)
Current discount rate (5.70%)	(34,116,815)
1% increase (6.70%)	(49,218,843)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

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

Healthcare Cost Trend Rates	Net OPEB Asset
1% decrease (7.00% decreasing to 3.50%, 5.50% decreasing to 3.50%)	$ (52,058,302)
Current healthcare cost trend rates (8.00% decreasing to 4.50%, 6.50% decreasing to 4.50%)	(34,116,815)
1% increase (9.00% decreasing to 5.50%, 7.50% decreasing to 5.50%)	(8,581,792)

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2025, 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	$ -	$ 27,791,776
Changes of assumptions	26,887,219	105,892
Net difference between projected and actual earnings on OPEB plan investments	-	11,968,758
Total	$ 26,887,219	$ 39,866,426

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 and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ 1,516,497
2027	(6,204,639)
2028	(5,717,197)
2029	(1,563,419)
Total	$ (11,968,758)

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB asset 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 8 years and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (788,533)
2027	922,340
2028	733,311
2029	(819,035)
2030	(1,263,250)
Thereafter	204,718
Total	$ (1,010,449)

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, 2023 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: https://www.calstrs.com/forms-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, 2025, the District reported a liability of $549,405 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. 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 entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.2061% and 0.1962%, respectively, resulting in a net increase in the proportionate share of 0.0099%.

For the year ended June 30, 2025, the District recognized OPEB expense of $(45,844).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.93%
Medicare Part A Premium Cost Trend Rate	5.00%
Medicare Part B Premium Cost Trend Rate	6.50%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 154 or an average of 0.12% of the potentially eligible population (132,333).

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, 2024, 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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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 (2.93%)	$ 592,794
Current discount rate (3.93%)	549,405
1% increase (4.93%)	511,251

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 rates, as well as what the net OPEB liability would be if it were calculated using the Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	$ 508,965
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	549,405
1% increase (6.00% Part A and 7.50% Part B)	594,555

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-$75,000,000 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 year ended June 30, 2025, the District reported its proportionate share of aggregate 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	$ 94,896,478	$ 43,050,066	$ 16,183,194	$ 9,993,960
CalPERS	129,200,732	39,144,968	4,901,999	20,382,841
Total	$ 224,097,210	$ 82,195,034	$ 21,085,193	$ 30,376,801

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, 2023, 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: https://www.calstrs.com/forms-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 District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2025, are summarized as follows:

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 have increased to a total of 19.10% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the District's total contributions were $20,502,309.

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

At June 30, 2025, 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	$ 94,896,478
State's proportionate share of net pension liability associated with the District	43,538,831
Total	$ 138,435,309

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2024 and June 30, 2023, was 0.1413% and 0.1326%, respectively, resulting in a net increase in the proportionate share of 0.0087%

For the year ended June 30, 2025, the District recognized pension expense of $9,993,960. In addition, the District recognized pension expense and revenue of $3,963,701 for support provided by the State. At June 30, 2025, 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	$ 20,502,309	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	11,398,342	5,169,422
Differences between projected and actual earnings on pension plan investments	-	382,903
Differences between expected and actual experience in the measurement of the total pension liability	10,734,014	4,149,769
Changes of assumptions	415,401	6,481,100
Total	$ 43,050,066	$ 16,183,194

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 and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (6,361,590)
2027	7,661,719
2028	(625,103)
2029	(1,057,929)
Total	$ (382,903)

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 of Resources
2026	$ 902,029
2027	1,273,630
2028	599,144
2029	832,927
2030	2,462,972
Thereafter	676,764
Total	$ 6,747,466

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
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 is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

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%)	$ 168,789,782
Current discount rate (7.10%)	94,896,478
1% increase (8.10%)	33,192,503

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, 2023, annual actuarial valuation report, and 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, 2025, 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	27.05%	27.05%

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, 2025, are presented above, and the total District contributions were $20,387,859.

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

As of June 30, 2025, the District reported a liability for its proportionate share of the CalPERS net pension liability totaling $129,200,732. The net pension liability was measured as of June 30, 2024. 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, 2024 and June 30, 2023, was 0.3615% and 0.3661%, respectively, resulting in a net decrease in the proportionate share of 0.0046%.

For the year ended June 30, 2025, the District recognized pension expense of $20,382,841. At June 30, 2025, 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	$ 20,387,859	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	51,042	3,977,314
Differences between projected and actual earnings on pension plan investments	5,018,703	-
Differences between expected and actual experience in the measurement of the total pension liability	10,831,592	924,685
Changes of assumptions	2,855,772	-
Total	$ 39,144,968	$ 4,901,999

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, and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	$ (43,263)
2027	7,802,941
2028	(1,152,981)
2029	(1,587,994)
Total	$ 5,018,703

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, changes of assumptions, and 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 of Resources
2026	$ 3,940,607
2027	2,794,752
2028	2,101,048
Total	$ 8,836,407

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
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%	4.54%
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 SEP's 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 SEP 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%)	$ 191,928,765
Current discount rate (6.90%)	129,200,732
1% increase (7.90%)	77,382,383

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 $8,791,408 (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, 2025.

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, 2025.

Construction Commitments

As of June 30, 2025, the District had approximately $120.9 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 - Change within the Reporting Entity

For the year ended June 30, 2025, there was a change within the financial reporting entity for the inclusion of the Foundation for South Orange County Community College District as a blended component unit. This change did not result in any adjustments or restatements to beginning net position as of July 1, 2024.

Note 14 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the current and noncurrent portions of compensated absences were increased by $4,736,760 and $24,759,477, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the following table:

Primary Government	
Net Position - Beginning, as previously reported on July 1, 2024	$ 1,029,567,093
Change in accounting principle - adoption of GASB Statement No. 101	(29,496,237)
Net Position - Beginning, as Restated on July 1, 2024	$ 1,000,070,856

Required Supplementary Information
June 30, 2025

South Orange County Community College District

South Orange County Community College District

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

Year Ended June 30, 2025

	As of June 30, 2025	As of June 30, 2024	As of June 30, 2023	As of June 30, 2022	As of June 30, 2021
Total OPEB Liability					
Service cost	$ 6,354,904	$ 8,241,856	$ 8,566,850	$ 4,203,077	$ 4,938,531
Interest	8,182,000	8,914,060	8,170,261	7,066,753	6,627,680
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(1,896,775)	(24,246,478)	(7,344,652)	(1,727,498)	(4,917,341)
Changes of assumptions	13,640,496	2,396,760	10,454,124	12,593,987	6,240,521
Benefit payments	(5,466,664)	(7,199,657)	(8,013,813)	(4,864,470)	(5,766,110)
Net Change in Total OPEB Liability	20,813,961	(11,893,459)	11,832,770	17,271,849	7,123,281
Total OPEB Liability - Beginning	132,698,281	144,591,740	132,758,970	115,487,121	108,363,840
Total OPEB Liability - Ending (a)	$ 153,512,242	$ 132,698,281	$ 144,591,740	$ 132,758,970	$ 115,487,121
Plan Fiduciary Net Position					
Contributions - employer	$ 6,963,948	$ 21,379,693	$ 6,855,864	$ 5,781,644	$ 5,766,110
Expected investment income	18,035,327	16,883,319	7,736,471	9,483,784	28,870,160
Differences between projected and actual earnings on OPEB plan investments	-	-	1,956,303	(38,105,245)	-
Benefit payments	(5,466,664)	(7,199,657)	(8,013,813)	(4,864,470)	(5,766,110)
Administrative expense	(476,483)	(438,334)	(438,767)	(506,935)	-
Net Change in Plan Fiduciary Net Position	19,056,128	30,625,021	8,096,058	(28,211,222)	28,870,160
Plan Fiduciary Net Position - Beginning	168,572,929	137,947,908	129,851,850	158,063,072	129,192,912
Plan Fiduciary Net Position - Ending (b)	$ 187,629,057	$ 168,572,929	$ 137,947,908	$ 129,851,850	$ 158,063,072
Net OPEB Liability (Asset) - Ending (a) - (b)	$ (34,116,815)	$ (35,874,648)	$ 6,643,832	$ 2,907,120	$ (42,575,951)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	122.22%	127.03%	95.41%	97.81%	136.87%
Covered Employee Payroll	$ 137,394,962	$ 129,754,478	$ 115,308,639	$ 106,650,039	$ 104,826,960
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	-24.83%	-27.65%	5.76%	2.73%	-40.62%
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

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

South Orange County Community College District

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

Year Ended June 30, 2025

	As of June 30, 2020	As of June 30, 2019	As of December 2017	As of June 30, 2017
Total OPEB Liability				
Service cost	$ 4,896,186	$ 4,753,578	$ 4,353,892	$ 4,353,903
Interest	6,979,195	6,901,495	6,387,047	6,099,713
Changes of benefit terms	-	37,345	-	-
Difference between expected and actual experience	(11,234,876)	(748,283)	-	-
Changes of assumptions	(741,256)	(3,986,221)	-	-
Benefit payments	(5,918,264)	(5,692,789)	(5,257,031)	(4,239,872)
Net Change in Total OPEB Liability	(6,019,015)	1,265,125	5,483,908	6,213,744
Total OPEB Liability - Beginning	114,382,855	113,117,730	104,725,415	99,594,587
Total OPEB Liability - Ending (a)	$ 108,363,840	$ 114,382,855	$ 110,209,323	$ 105,808,331
Plan Fiduciary Net Position				
Contributions - employer	$ 6,402,999	$ 6,745,882	$ 12,133,909	$ 11,116,750
Expected investment income	5,550,697	5,625,978	13,243,922	10,662,951
Differences between projected and actual earnings on OPEB plan investments	-	-	-	-
Benefit payments	(5,918,264)	(5,692,789)	(5,257,031)	(4,239,872)
Administrative expense	-	-	-	(327,398)
Net Change in Plan Fiduciary Net Position	6,035,432	6,679,071	20,120,800	17,212,431
Plan Fiduciary Net Position - Beginning	123,157,480	116,478,409	96,106,489	92,851,453
Plan Fiduciary Net Position - Ending (b)	$ 129,192,912	$ 123,157,480	$ 116,227,289	$ 110,063,884
Net OPEB Liability (Asset) - Ending (a) - (b)	$ (20,829,072)	$ (8,774,625)	$ (6,017,966)	$ (4,255,553)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	119.22%	107.67%	105.46%	104.02%
Covered Employee Payroll	$ 102,437,795	$ 94,182,000	$ 91,216,000	$ 89,360,000
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	-20.33%	-9.32%	-6.60%	-4.76%
Measurement Date	June 30, 2020	June 30, 2019	December 2017	June 30, 2017

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

	2025	2024	2023	2022	2021
Actuarially determined contribution	$ 3,051,237	$ 6,757,068	$ 9,070,151	$ 2,284,955	$ 591,557
Contribution in relation to the actuarially determined contribution	6,963,948	21,379,693	6,855,864	5,781,644	5,766,110
Contribution deficiency (excess)	$ (3,912,711)	$ (14,622,625)	$ 2,214,287	$ (3,496,689)	$ (5,174,553)
Covered payroll	$ 137,394,962	$ 129,754,478	$ 115,308,639	$ 106,650,039	$ 104,826,960
Contributions as a percentage of covered payroll	5.07%	16.48%	5.95%	5.42%	5.50%

	2020	2019	2018	2017
Actuarially determined contribution	$ 5,126,650	$ 4,979,864	$ 4,594,742	$ 4,594,742
Contribution in relation to the actuarially determined contribution	6,402,999	6,745,882	12,133,909	6,390,000
Contribution deficiency (excess)	$ (1,276,349)	$ (1,766,018)	$ (7,539,167)	$ (1,795,258)
Covered payroll	$ 102,437,795	$ 94,182,000	$ 91,216,000	$ 89,360,000
Contributions as a percentage of covered payroll	6.25%	7.16%	13.30%	7.15%

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

	2025	2024	2023	2022	2021
Annual money-weighted rate of return, net of investment expense	11.05%	11.37%	6.71%	-18.29%	22.24%
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	4.49%	4.46%	5.83%	10.62%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

	2025	2024	2023	2022	2021
Year ended June 30,					
Proportion of the net OPEB liability	0.2061%	0.1962%	0.1963%	0.2124%	0.2070%
Proportionate share of the net OPEB liability	$ 549,405	$ 595,249	$ 646,594	$ 847,358	$ 770,861
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	-1.02%	-0.96%	-0.94%	-0.80%	-0.71%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

[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.

	2020	2019	2018
Year ended June 30,			
Proportion of the net OPEB liability	0.0440%	0.0440%	0.0440%
Proportionate share of the net OPEB liability	$ 778,310	$ 156,973	$ 185,111
Covered payroll	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]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2025	2024	2023	2022	2021
CalSTRS					
Proportion of the net pension liability	0.1413%	0.1326%	0.1308%	0.1413%	0.1360%
Proportionate share of the net pension liability	$ 94,896,478	$ 101,008,196	$ 90,880,167	$ 64,316,703	$ 131,796,240
State's proportionate share of the net pension liability associated with the District	43,538,831	48,395,867	45,512,432	32,361,670	67,940,427
Total	$ 138,435,309	$ 149,404,063	$ 136,392,599	$ 96,678,373	$ 199,736,667
Covered payroll	$ 101,329,366	$ 86,386,586	$ 81,866,755	$ 80,227,000	$ 77,321,000
Proportionate share of the net pension liability as a percentage of its covered payroll	93.65%	116.93%	111.01%	80.17%	170.45%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
CalPERS					
Proportion of the net pension liability	0.3615%	0.3661%	0.3809%	0.3939%	0.3864%
Proportionate share of the net pension liability	$ 129,200,732	$ 132,521,360	$ 131,079,561	$ 80,102,948	$ 118,559,406
Covered payroll	$ 71,308,017	$ 63,344,994	$ 56,318,586	$ 56,531,000	$ 55,323,000
Proportionate share of the net pension liability as a percentage of its covered payroll	181.19%	209.21%	232.75%	141.70%	214.30%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

	2020	2019	2018	2017	2016
CalSTRS					
Proportion of the net pension liability	0.1350%	0.1220%	0.1290%	0.1300%	0.1290%
Proportionate share of the net pension liability	$ 121,926,600	$ 112,126,540	$ 119,299,200	$ 105,145,300	$ 86,772,244
State's proportionate share of the net pension liability associated with the District	66,519,637	64,198,003	70,576,974	59,866,156	45,892,828
Total	$ 188,446,237	$ 176,324,543	$ 189,876,174	$ 165,011,456	$ 132,665,072
Covered payroll	$ 75,683,000	$ 73,766,000	$ 75,351,000	$ 66,927,000	$ 59,388,000
Proportionate share of the net pension liability as a percentage of its covered payroll	161.10%	152.00%	158.32%	157.10%	146.11%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
CalPERS					
Proportion of the net pension liability	0.3724%	0.3772%	0.3947%	0.3831%	0.3770%
Proportionate share of the net pension liability	$ 108,533,192	$ 100,573,395	$ 94,225,307	$ 75,662,487	$ 55,573,249
Covered payroll	$ 51,296,000	$ 49,764,000	$ 50,140,000	$ 45,786,000	$ 41,766,000
Proportionate share of the net pension liability as a percentage of its covered payroll	211.58%	202.10%	187.92%	165.25%	133.06%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

	2025	2024	2023	2022	2021
CalSTRS					
Contractually required contribution	$ 20,502,309	$ 19,353,909	$ 16,499,838	$ 13,851,855	$ 12,950,027
Contributions in relation to the contractually required contribution	(20,502,309)	(19,353,909)	(16,499,838)	(13,851,855)	(12,950,027)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 107,341,932	$ 101,329,366	$ 86,386,586	$ 81,866,755	$ 80,227,000
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%
CalPERS					
Contractually required contribution	$ 20,387,859	$ 19,024,979	$ 16,070,625	$ 12,902,588	$ 11,652,983
Contributions in relation to the contractually required contribution	(20,387,859)	(19,024,979)	(16,070,625)	(12,902,588)	(11,652,983)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 75,371,013	$ 71,308,017	$ 63,344,994	$ 56,318,586	$ 56,531,000
Contributions as a percentage of covered payroll	27.05%	26.68%	25.37%	22.91%	20.70%

	2020	2019	2018	2017	2016
CalSTRS					
Contractually required contribution	$ 13,221,886	$ 12,321,240	$ 10,603,030	$ 9,479,208	$ 7,181,247
Contributions in relation to the contractually required contribution	(13,221,886)	(12,321,240)	(10,603,030)	(9,479,208)	(7,181,247)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 77,321,000	$ 75,683,000	$ 73,766,000	$ 75,351,000	$ 66,927,000
Contributions as a percentage of covered payroll	17.10%	16.28%	14.37%	12.58%	10.73%
CalPERS					
Contractually required contribution	$ 10,910,312	$ 9,265,030	$ 7,728,887	$ 6,963,468	$ 5,424,269
Contributions in relation to the contractually required contribution	(10,910,312)	(9,265,030)	(7,728,887)	(6,963,468)	(5,424,269)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 55,323,000	$ 51,296,000	$ 49,764,000	$ 50,140,000	$ 45,786,000
Contributions as a percentage of covered payroll	19.72%	18.06%	15.53%	13.89%	11.85%

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 following assumptions were updated since the previous valuation:
  - Healthcare cost trend rates reflect a change from 7.75% decreasing to 4.50%, to 8.00% decreasing to 4.50% for pre-65 participants and a change from 6.25% decreasing to 4.50%, to 6.50% decreasing to 4.50% for post-65 participants.
  - The discount rate was updated from 6.00% to 5.70%.
  - The salary scale assumption for the valuation was updated from 2.75% to 2.80%.
  - Post-65 per capita cost calculations were updated to include aging adjustments.
  - Termination assumptions were updated to be consistent with the CalPERS 2024 pension plan experience study for entry ages under 30, 30 – 39 and over 40.

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 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% 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.

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

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.

Supplementary Information
June 30, 2025

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, 2025

Member	Office	Term Expires
Ms. Carolyn Inmon	President	2028
Mr. Ryan Dack	Vice President	2028
Mr. T.J. Prendergast, III	Clerk	2026
Ms. Lisa Barlett	Member	2028
Mr. Timothy Jemal	Member	2028
Ms. Marcia Milchiker	Member	2026
Dr. Terri Rydell	Member	2026
Mr. Blake Leonard	Student Trustee	2026

Administration as of June 30, 2025

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 June 24, 2025.
Irvine Valley College Foundation	Elissa Oransky	Organized as an auxiliary organization in 2003 and has a signed master agreement dated June 24, 2025.
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 June 24, 2025.
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	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		$ 38,130,473	$ -
Federal Pell Grant Program Administrative Allowance	84.063		27,250	-
Federal Direct Student Loans	84.268		3,048,626	-
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		664,200	-
Federal Work-Study Program	84.033		604,060	-
Subtotal Student Financial Assistance Cluster			42,474,609	-
Childcare Access Means Parents in School	84.335A		21,230	-
Saving Veterans with Interventions Pilot Program (SVIPP)	84.116Z		249,714	-
Access and Persistence through Basic Needs Support Pilot Program	84.116Z		159,480	-
Subtotal			409,194	
Developing Hispanic Serving Institutions - Ensuring Equity in Access and Achievement	84.031S		863,981	-
Equitable Learning Experience Valuing Achievement Transfer Empowering Asian American Pacific Islander	84.031L		444,153	-
Passed through California State University Fullerton Auxiliary Services Corporation				
Project RAISER (Regional Alliance in STEM Education Refined)	84.031C	P031C210118	6,221	-
Subtotal			1,314,355	-
Passed through California Department of Education				
Adult Education and Family Literacy Act	84.002A	14508/13978/14109	390,574	-
Passed through University of California, Davis				
Online Instructor Professional Development and Student Outcomes in Community Colleges	84.305A	R305A210455	15,226	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	24-C01-280	1,404,165	-
Total U.S. Department of Education			46,029,353	-
U.S. Department of Agriculture				
Passed through Chico State Enterprises				
SNAP Cluster				
CalFresh Outreach Program	10.561	A22-0055-S057/ A25-0008-S042	69,893	-
Subtotal SNAP Cluster			69,893	-

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed through to Subrecipients
National Science Foundation				
Research and Development Cluster				
NSF includes Alliance: STEM Core Expansion	47.076		$ 1,142,806	$ 816,833
Optics, Photonics, and Lasers Technical Education Curriculum Development	47.076		-	-
NSF Cultivating Talent for Success in STEM	47.076		182,069	-
Passed through University of California (UC), Irvine				
UC Irvine Pathways to Engineering Collaborative	47.076	DUE-1742627	67,818	-
Improving Transition of Community College Students into University STEM Programs through Cross-Enrollment	47.076	DUE-1928554	5,964	-
Subtotal Research and Development Cluster			1,398,657	816,833
U.S. Department of Veterans Affairs				
Veterans Affairs - Educational Assistance	64.117		21,879	-
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]	107,350	-
Title IV - Foster Care and Kinship Care Education	93.658	[1]	186,972	-
Total U.S. Department of Health and Human Services			294,322	-
Total Federal Financial Assistance			$ 47,814,104	$ 816,833

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

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
State Categorical Aid Programs						
Adult Education Block Grant	$ 3,759,557	$ -	$ -	$ 593,014	$ 3,166,543	$ 3,166,543
Asian American, Native Hawaiian and Pacific Islander	817,460	-	-	557,627	259,833	259,833
Board Financial Assistance Program - SFA Administration	1,114,466	-	-	-	1,114,466	1,114,466
California College Promise	7,472,132	-	-	1,857,245	5,614,887	5,614,887
CalWORKs	850,313	-	-	118,550	731,763	731,763
CCAP Instructional Materials	15,805	-	-	1,430	14,375	14,375
Classified Professional Development	88,456	-	-	86,044	2,412	2,412
Common Core Numbering System	1,826,086	-	-	1,634,329	191,757	191,757
Cooperative Agencies Resources for Education (CARE)	448,813	-	-	83,791	365,022	365,022
COVID-19 Response Block Grant	15,057,437	-	-	11,281,456	3,775,981	3,775,981
Disabled Student Program and Services (DSPS)	6,413,875	-	-	1,369,079	5,044,796	5,044,796
Disaster Relief Emergency Student FA	120,308	-	-	-	120,308	120,308
Dreamer Resource Liaisons	616,537	-	-	439,611	176,926	176,926
ELL Healthcare Pathways	177,676	-	-	-	177,676	177,676
Equal Employment Opportunity	439,642	-	-	412,163	27,479	27,479
Equitable Placement and Completion Grant Program	993,480	-	-	509,182	484,298	484,298
Extended Opportunities Program and Services (EOPS)	3,507,533	-	-	318,111	3,189,422	3,189,422
Financial Aid Technology	111,197	-	-	77,226	33,971	33,971
Food and Housing Insecurity	1,242,615	-	-	984,501	258,114	258,114
Foster and Kinship Care Education (FKCE)	69,466	-	-	69,466	-	-
Guided Pathways	84,794	-	-	-	84,794	84,794
Integrated Basic Needs Center	2,090,508	-	-	1,443,254	647,254	647,254
LGBTQ+	629,181	-	-	572,760	56,421	56,421
Local and Systemwide Technology and Data Security	350,000	-	-	160,771	189,229	189,229
Mental Health Support	1,248,680	-	-	141,252	1,107,428	1,107,428
NEXTUP	3,887,208	-	-	2,965,841	921,367	921,367
Nursing Education	7,177	-	-	-	7,177	7,177
Physical Plant and Instructional Equipment	9,630,268	-	-	5,401,661	4,228,607	4,228,607
Seamless Transfer of Ethnic Studies	72,688	-	4,218	-	68,470	68,470
Strong Workforce - Local	6,364,363	-	23,587	2,490,102	3,850,674	3,850,674
Student Equity and Achievement	18,089,951	-	-	4,817,591	13,272,360	13,272,360

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
Student Financial Aid Administration (SFAA) - One time	$ 387,844	$ -	$ -	$ -	$ 387,844	$ 387,844
Student Housing (Planning)	352,086	-	-	352,086	-	-
Student Retention and Enrollment	345,040	-	-	-	345,040	345,040
Student Success Completion Grant	8,722,358	-	-	-	8,722,358	8,722,358
Student Transfer Achievement Reform	1,130,434	-	-	1,039,278	91,156	91,156
Systemwide Technology and Data Security	476,964	-	-	365,965	110,999	110,999
Veteran Resource Center	363,376	-	-	136,038	227,338	227,338
ZTC Acceleration	1,077,020	-	-	1,070,173	6,847	6,847
Zero Textbook Cost Program	188,222	-	-	110,629	77,593	77,593
Other State Awards						
CA Apprenticeship Initiative Culinary	-	102,345	-	-	102,345	102,345
CA Apprenticeship Initiative MAP	-	427,335	-	-	427,335	427,335
Cal Law	113,871	19,000	-	-	132,871	132,871
CCC California Conservation Corps Partnership	-	15,000	-	-	15,000	15,000
CCCCO MESA Program	2,159,217	-	-	1,471,572	687,645	687,645
CCCCO - Puente Project 2024-2027	150,000	-	-	150,000	-	-
California Community College Real Estate Education Center (CCCREEC)	79,955	20,345	-	-	100,300	100,300
Child Development Training Consortium	47,426	3,064	-	-	50,490	50,490
College Corps Cohort 2	-	74,769	-	-	74,769	74,769
College Corps Cohort 3 & 4	87,876	628,073	-	-	715,949	715,949
Culturally Responsive Pedagogy & Practices (CRPP)	234,870	-	-	78,981	155,889	155,889
DS - SWP Regional	-	75,000	-	-	75,000	75,000
ELL Healthcare Focused Vocational Pathways	152,653	-	-	-	152,653	152,653
ELL Round 2 Healthcare Pathways	-	583,120	-	-	583,120	583,120
Employment Training Panel	46,677	-	-	46,677	-	-
Equal Employment Opportunity (EEO) Innovative Best Practices (IBP)	203,479	-	-	46,753	156,726	156,726
Equal Employment Opportunity Best Practices	157,333	-	-	157,333	-	-
EWD Employer Engagement	159,750	88,221	-	-	247,971	247,971
FCCC Adult Learner - Focused SEM	30,000	-	-	-	30,000	30,000
Foster and Kinship Care Education	368,494	-	-	-	368,494	368,494
HCAI Wellness Coach 2025-2026	79,994	-	-	79,994	-	-
IEPI Innovation and Effectiveness	17,417	-	-	-	17,417	17,417
IEPI Professional Learning Programs	200,000	-	-	34,940	165,060	165,060

Program	Program Revenues					Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Unearned Revenue	Total Revenue	
IVC - VRC Appropriation Grant	$ 1,857,172	$ -	$ -	$ 1,353,324	$ 503,848	$ 503,848
Learning Labs AIFAST	37,500	-	-	14,981	22,519	22,519
OCDE K16 Regional Workforce Director	75,000	-	-	75,000	-	-
OCDE OC Pathways Regional K-16 Education Collaborative	125,527	54,621	-	-	180,148	180,148
OCDE Pathways K16 Collaborative	22,482	11,423	-	-	33,905	33,905
Puente Project 2024-25	195,000	-	-	195,000	-	-
Nursing Enrollment Growth	199,728	-	-	70,022	129,706	129,706
Regional Equity and Recovery Partnerships	54,189	28,054	-	-	82,243	82,243
Rising Scholars	416,471	-	-	181,711	234,760	234,760
SWP-R Geospatial Visualization	5,000	-	-	-	5,000	5,000
Strong Workforce - Regional	1,378,430	797,939	154	-	2,176,215	2,176,215
UC Berkeley Puente Project	137,160	-	-	105,009	32,151	32,151
UCB Puente Project	100,000	-	-	64,561	35,439	35,439
Veteran Credit Articulation Track	154,930	-	-	-	154,930	154,930
Zero Textbook Acceleration II Grant	-	41,851	-	-	41,851	41,851
ZTC 2025 Allocation	-	11,668	-	-	11,668	11,668
ZTC Impact	-	53,745	-	-	53,745	53,745
Total State Programs	$ 109,688,617	$ 3,035,573	$ 27,959	$ 45,586,084	$ 67,110,147	$ 67,110,147

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2024 only)			
1. Noncredit*	958.31	-	958.31
2. Credit	3,852.06	-	3,852.06
B. Summer Intersession (Summer 2025 - Prior to July 1, 2025)			
1. Noncredit*	-	-	-
2. Credit	20.30	-	20.30
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(c) Standardized Census Contact Hours	20,935.75	-	20,935.75
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	3,489.23	-	3,489.23
(b) Credit	56.31	-	56.31
3. Alternative Attendance Accounting Procedure Courses			
(c) Noncredit Independent Study/Distance Education Courses	494.76	-	494.76
D. Total FTES	29,806.72	-	29,806.72
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	1,748.19	-	1,748.19
2. Credit	216.40	-	216.40
CCFS-320 Addendum			
CDCP Noncredit FTES	2,730.19	-	2,730.19

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

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 45,305,394	$ -	$ 45,305,394	$ 45,305,394	$ -	$ 45,305,394
Other	1300	50,099,505	-	50,099,505	50,099,505	-	50,099,505
Total Instructional Salaries		95,404,899	-	95,404,899	95,404,899	-	95,404,899
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	15,237,568	-	15,237,568
Other	1400	-	-	-	5,276,000	-	5,276,000
Total Noninstructional Salaries		-	-	-	20,513,568	-	20,513,568
Total Academic Salaries		95,404,899	-	95,404,899	115,918,467	-	115,918,467
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	46,056,966	-	46,056,966
Other	2300	-	-	-	1,630,276	-	1,630,276
Total Noninstructional Salaries		-	-	-	47,687,242	-	47,687,242
Instructional Aides							
Regular Status	2200	5,179,975	-	5,179,975	5,179,975	-	5,179,975
Other	2400	1,064,917	-	1,064,917	1,064,917	-	1,064,917
Total Instructional Aides		6,244,892	-	6,244,892	6,244,892	-	6,244,892
Total Classified Salaries		6,244,892	-	6,244,892	53,932,134	-	53,932,134
Employee Benefits	3000	38,754,826	-	38,754,826	76,587,411	-	76,587,411
Supplies and Material	4000	-	-	-	2,335,808	-	2,335,808
Other Operating Expenses	5000	1,367,312	-	1,367,312	23,553,991	-	23,553,991
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		141,771,929	-	141,771,929	272,327,811	-	272,327,811

		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	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	36,115	-	36,115
Student Transportation	6491	-	-	-	417,315	-	417,315
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	407,887	-	407,887
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	29,078	-	29,078
Total Supplies and Materials		-	-	-	29,078	-	29,078

		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	$ -	$ -	$ -	$ 5,434,475	$ -	$ 5,434,475
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		-	-	-	6,324,870	-	6,324,870
Total for ECS 84362, 50% Law		$141,771,929	$ -	$141,771,929	$266,002,941	$ -	$266,002,941
% of CEE (Instructional Salary Cost/ Total CEE)		53.30%		53.30%	100.00%		100.00%
50% of Current Expense of Education					$133,001,471		$133,001,471

Activity Classification	Object Code			Unrestricted	
EPA Revenue:	8630				$ 2,800,885
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 2,800,885	$ -	$ -	$ 2,800,885
Total Expenditures for EPA		$ 2,800,885	$ -	$ -	$ 2,800,885
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 143,170,029	
Special Revenue Funds	3,482,468	
Capital Project Funds	394,217,470	
Blended Component Unit	46,996	
Internal Service Funds	1,805,939	
Other Non-Fiduciary Trust Funds	8,595,694	
Fiduciary Funds	187,629,057	
Total Fund Balance - All District Funds		$ 738,947,653
Amounts held in trust on behalf of others (Retiree OPEB Trust)		(187,629,057)
The District's investment in the Orange County Educational Investment Pool is reported at fair market value in the Statement of Net Position.		6,268,671
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	237,038,856	
Interest receivable on leases	10,092,279	
Deferred inflows of resources related to leases	(222,929,038)	
Total		24,202,097
The net other postemployment benefits (OPEB) asset results from the difference between annual OPEB cost on the accrual basis and OPEB contributions in the governmental funds.		34,116,815
Capital 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	1,103,941,135	
Accumulated depreciation and amortization is	(386,989,785)	
Total Capital Assets, net		716,951,350
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	26,887,219	
Deferred outflows of resources related to pensions	82,195,034	
Total Deferred Outflows of Resources		109,082,253

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:		
Lease liability	$ (442,417)	
Subscription-based IT arrangements	(8,153,176)	
Compensated absences	(37,577,320)	
Net OPEB liability - MPP	(549,405)	
Aggregate net pension liability	(224,097,210)	
Total Long-Term Liabilities		$ (270,819,528)
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	(39,866,426)	
Deferred inflows of resources related to pensions	(21,085,193)	
Total Deferred Inflows of Resources		(60,951,619)
Total Net Position		$ 1,110,168,635

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, 2025.

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, 2025. 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 Community Colleges 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% Law) Calculation

California *Education Code* section 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 California Community Colleges Chancellor's Office. This schedule provides a reconciliation of the amount reported to the California Community Colleges 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 revenues and summarizes the expenditures of EPA revenues.

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 (Unaudited)
June 30, 2025

South Orange County Community College District

	2026 (Budget) [1] Amount	2025 Amount	2024 [2] Amount	2023 [2] Amount
General Fund				
Revenues	$ 506,182,061	$ 472,018,405	$ 439,053,368	$ 402,015,526
Expenditures	404,209,861	365,249,179	322,330,422	279,863,098
Net Other Sources and Uses	(130,205,396)	(101,215,954)	(99,258,702)	(112,661,267)
Increase (Decrease) in Fund Balance	$ (28,233,196)	$ 5,553,272	$ 17,464,244	$ 9,491,161
Ending Fund Balance	$ 114,936,833	$ 143,170,029	$ 137,616,757	$ 120,152,513
Available Reserve	$ 61,576,540	$ 58,124,187	$ 46,421,275	$ 42,376,179
Available Reserve Percentage	15.23%	15.91%	14.40%	15.14%
Full-Time Equivalent Students	-	29,807	26,657	23,339
Total Long-Term Liabilities, including Retiree Benefit Liability	$ -	$ 273,488,906	$ 247,665,234	$ 240,589,986

Important Notes

Available reserve balance is the amount designated for general reserve and any other remaining undesignated amounts in the General Fund. The 2026 budget reserve balance was estimated using the budgeted contingency reserve balances less other 2026 amounts reserved.

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.

[1] The 2026 budget is the Budget adopted by the Board of Trustees on August 25, 2025. The budget is included for analytical purposes and has not been subjected to audit.
[2] Amounts have not been restated for the effects of the implementation of GASB Statement No. 101.

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, 2025

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, aggregate discretely presented component units, and fiduciary activities of South Orange County Community College District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2025.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 14 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences,* for the year ended June 30, 2025. Accordingly, a restatement has been made to the business-type activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that 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
December 18, 2025

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 (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. 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 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, 2025.

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.

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 18, 2025

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

Opinion on State Compliance

We have audited South Orange County Community College District's (the District) compliance with the types of compliance requirements described in the 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations identified below for the year ended June 30, 2025.

In our opinion, South Orange County Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations identified below that were audited for the year ended June 30, 2025.

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 2024-2025 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards 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 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 opinion. 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 identified below.

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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 2024-2025 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 2024-2025 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, we express no such opinion.

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 that we identify 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% 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	Proposition 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 498	COVID-19 Recovery Block Grant Expenditures

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

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the 2024-2025 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
December 18, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

South Orange County Community College District

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
Career and Technical Education Act (CTEA), Title I, Part C	84.048A

Dollar threshold used to distinguish between type A and type B programs:	$1,434,423
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

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

None reported.

The following finding represents a significant deficiency in internal control over compliance and an instance of noncompliance including questioned costs that is required to be reported by the Uniform Guidance.

2025-001 Eligibility

Federal Agency: U.S. Department of Education (ED)
Pass-Through Entity: Direct Funded by the U.S. Department of Education (ED)
Program Name: Student Financial Assistance Cluster
Assistance Listing Number: 84.007, 84.033, 84.063, and 84.268
Award Identification Number: P063P243130
Award Year: 2024-2025

Criteria
OMB Compliance Supplement, 34 CFR section 690.62 and 690.63: Upon determining a student's eligibility for a Federal Pell Grant award, an institution must calculate and disburse aid to an eligible student based on the annual Pell Grant limitations set forth by Congress, the student's enrollment intensity, the student's cost of attendance and the student aid index (SAI).

Condition
Significant Deficiency in Internal Control over Compliance and Noncompliance – For two of the forty students tested for Saddleback College, the College inaccurately calculated the student's Pell Grant award based on the student's enrollment intensity which resulted in an underpayment to both students.

Questioned Costs
There are no questioned costs associated with this finding.

Context
There were approximately 3,900 students who received Federal Pell Grants from Saddleback College during the year ended June 30, 2025.

Effect
Without proper review of students' eligibility records, the College is at risk of noncompliance with the above referenced criteria.

Cause
The College's review processes were not adequately designed to identify instances of noncompliance over the calculation of student Pell Grant awards.

Repeat Finding (Yes or No)
No.

Recommendation
The College should strengthen internal controls over the review of student Pell Grant awards and disbursements to ensure accuracy.

Views of Responsible Officials and Corrective Action Plan

Response:
The two students identified were underpaid due to locks on their financial aid units for either late-start courses or being on an approved SAP appeal plan. Once locks were removed, PowerFAIDS should have recalculated their aid to reflect their current units, however that did not happen. As a result, the Pell Grant was under-awarded. The students have now been disbursed with their full Pell eligibility.

Corrective Action Plan:
The transition from a legacy SIS and PowerFAIDS to a single ERP will consolidate financial aid and enrollment data into a single system, eliminating reliance on manual adjustments and reducing the risk of data discrepancies between two systems. Banner allows for automated and real-time recalculations for enrollment changes such as late start courses, reducing the risk of Pell under or over-awarding. Financial aid staff will receive updated training and guidance on the importance of verifying Pell recalculations when manual locks on student financial aid records are needed, for instance in the case of a student on an approved SAP appeal plan.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.