Financial Statements
June 30, 2022

Rancho Santiago Community College District

Independent Auditor's Report

Board of Trustees
Rancho Santiago Community College District
Santa Ana, California

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and other required supplementary schedules 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of content are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 7, 2022

USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities, programs and financial condition of Rancho Santiago Community College District (the District) as of June 30, 2022. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

Rancho Santiago Community College District's financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and No. 35, Basic Financial Statements and Management Discussion and Analysis - for Public College and Universities. The statements allow for the presentation of financial activity and results of operations which focuses on the District as a whole. The entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the traditional presentation by fund type. The focus of the Statement of Net Position is designed to be similar to the bottom-line results of the District. This statement combines and consolidates current financial resources with capital assets and long-term liabilities. The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expenses categorized as operating and nonoperating, and expenses are reported by natural classification. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The California Community Colleges Chancellor's Office has recommended that all State community colleges follow the Business-Type Activity (BTA) model for financial statement reporting purposes.

FINANCIAL HIGHLIGHTS

The Annual Report consists of three basic financial statements that provide information on the District as a whole and will be discussed below:

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

THE DISTRICT AS A WHOLE

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting method used by most private-sector organizations. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets minus liabilities), presenting the reader a fiscal snapshot of the District.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the District. Readers are also able to determine how much the District owes vendors and employees. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the District.

The difference between total assets and total liabilities (net position) is one indicator of the current financial condition of the District; the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allocation for depreciation expense.

The net position (formerly called fund balance) is divided into three major categories. The first category, net investment in capital assets, provides the equity amount in property, plant, and equipment owned by the District. The second category is expendable restricted net position; this net position is available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is available to the District for any lawful purpose of the District.

The Statement of Net Position as of June 30, 2022 and 2021, is summarized below:

Table 1

	2022	2021 as restated	Change
Assets			
Cash and investments	$ 373,631,254	$ 391,683,414	$ (18,052,160)
Receivables	20,745,385	62,331,964	(41,586,579)
Other current assets	2,348,201	2,844,901	(496,700)
Lease receivables	31,555	93,661	(62,106)
Capital and right-to-use leased assets, net	523,389,096	512,683,092	10,706,004
Total assets	920,145,491	969,637,032	(49,491,541)
Deferred Outflows of Resources	73,625,576	93,294,867	(19,669,291)
Liabilities			
Accounts payable and accrued liabilities	120,807,283	190,935,724	(70,128,441)
Current portion of long-term liabilities	29,461,980	28,377,565	1,084,415
Noncurrent portion of long-term liabilities	616,051,128	799,329,361	(183,278,233)
Total liabilities	766,320,391	1,018,642,650	(252,322,259)
Deferred Inflows of Resources	140,621,089	43,068,402	97,552,687
Net Position			
Net investment in capital assets	191,588,454	168,982,712	22,605,742
Restricted	153,545,482	140,371,368	13,174,114
Unrestricted (deficit)	(258,304,349)	(308,133,233)	49,828,884
Total net position	$ 86,829,587	$ 1,220,847	$ 85,608,740

Fiscal year ended 2022 compared to 2021:

- Total assets decreased approximately $49.5 million, a 5.1% decrease from the prior year. Accounts receivable decreased by $41.6 million largely due to $17.0 million in Student Equity and Achievement Program funds and Strong Workforce Program funds earned in the prior year and received in the current year; $17.0 million due from fiduciary funds in the prior year settled in the current year; and $8.8 million in general apportionment funds deferred in the prior year and received in the current year. Capital assets increased by $10.7 million due to $27.2 million in capital additions mostly due to construction costs for the Russell Hall Health Sciences Building and Science Center at Santa Ana College offset by $15.7 million in depreciation. Cash and investments decreased by $18.1 million mostly due to payments from operating activities and a $5.3 million unrealized loss on the fair market value of deposits held by the Orange Country Treasury.

- Total current liabilities decreased approximately $69.9 million, a 31.9% decrease from the prior year. This was mostly attributed to $40.1 million in unearned state categorical funds received in prior years which became earned revenue as expenditures were incurred in the current year; $45.5 million decrease in due to fiduciary funds as a result of fiscal agent expenditures that were transferred to a separate custodial fund in the prior year; offset by $12.3 million in fiscal agent funds owed to Pasadena Area Community College District for the Los Angeles Regional Consortium and a $4.6 million increase in payments owed to vendors for capital outlay as of year-end close.

- Long-term liabilities decreased by $183.3 million, a 22.9% decrease from the prior year. The decrease is mostly due to significant reductions in the District's pension and OPEB liabilities during the current year.

- Due to the provisions of GASB Statement No. 68, described in more detail in Note 11 of the financial statements, the District's net position is adjusted to reflect its "proportionate share" of CalPERS and CalSTRS net pension liabilities as a reduction to net position. Though this is an accounting requirement, districts cannot fund these pension liabilities more than required by CalPERS and CalSTRS. By backing out this accounting shift, the District's total net position would be reported as $262,063,011 at June 30, 2022, an increase of $71,058,982 over the previous year's adjusted total net position of $191,004,028.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are presented on the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues earned whether received or not by the District, the operating and nonoperating expenses incurred whether paid or not by the District, and any other revenues, expenses, gains and/or losses earned or incurred by the District. Thus, this statement presents the District's results of operations.

Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Nonoperating revenues are those received or pledged for which goods and services are not provided; for example, State appropriations while budgeted for operations, are considered nonoperating revenue according to generally accepted accounting principles because they are provided by the legislature to the District without the legislature directly receiving commensurate goods and services for those revenues.

Operating Results for the Year

Table 2

	2022	2021	Change
Operating Revenues			
Tuition and fees, net	$ 12,651,862	$ 12,666,088	$ (14,226)
Grants and contracts, noncapital	99,069,428	161,093,215	(62,023,787)
Other operating revenues	2,798,698	1,587,918	1,210,780
Total operating revenues	114,519,988	175,347,221	(60,827,233)
Operating Expenses			
Salaries and benefits	173,172,474	220,251,113	(47,078,639)
Supplies, services, equipment, and maintenance	68,897,021	137,294,286	(68,397,265)
Student financial aid	52,835,371	38,799,703	14,035,668
Depreciation and amortization	16,476,288	15,345,547	1,130,741
Total operating expenses	311,381,154	411,690,649	(100,309,495)
Operating loss	(196,861,166)	(236,343,428)	39,482,262
Nonoperating Revenues (Expenses)			
State apportionments	83,665,203	74,240,695	9,424,508
Property taxes	127,067,508	124,627,051	2,440,457
Student financial aid grants	50,190,105	37,265,114	12,924,991
Other state revenues	7,185,509	8,220,365	(1,034,856)
Net interest expense	(14,904,265)	(7,216,576)	(7,687,689)
Other nonoperating revenues	5,016,435	5,424,003	(407,568)
Total nonoperating revenue (expenses)	258,220,495	242,560,652	15,659,843
Other Revenues (Losses)			
State and local capital income	24,250,788	3,758,843	20,491,945
Loss on disposal of capital assets	(1,377)	(26,142)	24,765
Total other revenues (losses)	24,249,411	3,732,701	20,516,710
Change in net position	$ 85,608,740	$ 9,949,925	$ 75,658,815

Fiscal year ended 2022 compared to 2021:

- Grants and contracts revenues decreased by 38.5% due largely to a decrease in expenditure activity on Strong Workforce Program projects compared to prior year and the transfer of fiscal agent funding related to the Los Angeles Regional Consortium to Pasadena Area Community College District in the current year.

- Salaries and benefits expenses decreased by 21.4% due to significant reductions in the OPEB and pension liabilities. These liabilities were measured as of June 30, 2021, which resulted in increased valuations of their respective plan assets. These asset valuations are expected to report significant decreases in the June 30, 2022 measurement date, which will be reported in the 2022-2023 fiscal year.

- Supplies, services, equipment, and maintenance decreased by $68.4 million (49.8%) largely due to a significant decrease in expenditure activity on Strong Workforce Program projects compared to prior year.

- State and federal financial aid revenues increased by 34.7% due to efforts by the District to spend down HEERF allocations received by the U.S. Department of Education. The District issued $19.6 million in emergency aid grants to students using these funds versus $6.4 million in 2020-2021.

- State and local capital income increased by 545.2% due to $20.5 million scheduled maintenance revenues and Community College Construction Act fundings received in fiscal year 2021-2022.

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:

Table 3

Year ended June 30, 2022:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	$ 73,029,192	$ 9,829,294	$ -	$ 3,161,422	$ -	$ 86,019,908
Instructional administration	13,816,460	950,715	-	195,286	-	14,962,461
Instructional support services	9,074,054	888,730	-	504,073	-	10,466,857
Student services	29,737,256	1,508,548	-	303,953	-	31,549,757
Plant operations and maintenance	4,824,132	5,689,580	-	68,626	-	10,582,338
Planning, policymaking, and coordinations	2,573,790	709,871	-	-	-	3,283,661
Institutional support services	24,923,289	18,957,513	-	669,591	-	44,550,393
Community services and economic development	1,419,907	13,578,747	-	3,496	-	15,002,150
Ancillary services and auxiliary operations	12,685,422	5,890,135	-	109,073	-	18,684,630
Student aid	-	-	52,835,371	-	-	52,835,371
Physical property and related acquisitions	1,088,972	375,754	-	5,502,614	-	6,967,340
Unallocated depreciation and amortization	-	-	-	-	16,476,288	16,476,288
Total	$ 173,172,474	$ 58,378,887	$ 52,835,371	$ 10,518,134	$ 16,476,288	$ 311,381,154

Changes in Cash Position

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 the need for external financing.

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash used by operating activities of the District. The second part details cash received for nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities and deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net change in cash and cash equivalents to the ending cash and cash equivalents balance reflected on the Statement of Net Position.

- Operating activities consist of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.
- Noncapital financing activities are primarily State apportionment and property taxes.
- Capital financing activities consist of purchases of capital assets (land, buildings, and equipment) and bond interest payments and receipts from Federal and State grants for capital purposes, as well as property tax revenue for bond repayments.
- Cash from investing activities is interest earned on investments through the Orange County Investment Pool and the Local Agency Investment Fund (LAIF).

Table 4

	2022	2021	Change
Net Cash Flows from			
Operating activities	$ (231,361,853)	$ (226,003,123)	$ (5,358,730)
Noncapital financing activities	217,883,318	254,520,771	(36,637,453)
Capital financing activities	(415,753)	(24,171,025)	23,755,272
Investing activities	(4,157,872)	3,736,098	(7,893,970)
Net Increase (Decrease) in Cash	(18,052,160)	8,082,721	(26,134,881)
Cash and cash equivalents, Beginning of Year	391,683,414	383,600,693	8,082,721
Cash and cash equivalents, End of Year	$ 373,631,254	$ 391,683,414	$ (18,052,160)

Capital and Right-to-Use Leased Assets

As of June 30, 2022, the District had approximately $774.1 million invested in total capital and right-to-use leased assets, less $250.7 million of accumulated depreciation and amortization for net capital assets and right-of-use assets of $523.4 million. The District completed work on the facilities projects that were part of the $198 million bond program under Measure Q. The District spent approximately $27.2 million on capital assets in 2021-2022, the majority of which relate to bond proceeds. Depreciation and amortization charges totaled $16.5 million in 2021-2022.

Note 7 in the financial statements provides additional information on capital and leased assets. A summary of capital assets is presented below.

Table 5

	2022	2021, as restated	Net Change
Land and construction in progress	$ 123,570,674	$ 212,081,342	$ (88,510,668)
Buildings and improvements, net	391,468,760	291,414,185	100,054,575
Furniture and equipment, net	7,534,655	7,603,682	(69,027)
Right-to-use assets, net	815,007	1,583,883	(768,876)
Total	$ 523,389,096	$ 512,683,092	$ 10,706,004

Long-Term Liabilities other than OPEB and Pensions

At June 30, 2022, the District had $452.7 million in outstanding long-term liabilities compared to $480.2 million at June 30, 2021. The net decrease of $27.5 million includes payments of $25.3 million on the District's outstanding general obligation bonds. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

Table 6

	Balance July 1, 2021, as restated	Additions	Deletions	Balance June 30, 2022
General obligation bonds	$ 456,930,709	$ 4,151,444	$ (29,614,082)	$ 431,468,071
Lease liability	1,583,883	6,685	(760,782)	829,786
Other liabilities	21,735,721	677,567	(1,961,551)	20,451,737
Total long-term liabilities	$ 480,250,313	$ 4,835,696	$ (32,336,415)	$ 452,749,594
Amount due within one year				$ 29,461,980

OPEB and Pension Liabilities

At June 30, 2022, the District had an aggregate net other postemployment benefits (OPEB) liability of $62.9 million, versus $112.5 million last year, a decrease of $49.6 million or 44.1%. The District had an aggregate net pension liability of $129.9 million, versus $235.0 million last year, a decrease of $105.1 million or 44.7%.

BUDGETARY HIGHLIGHTS

The 2022-2023 state budget includes higher than expected one-time and ongoing revenues. The state budget provides for an unprecedented increase in funding for community colleges, including a Cost of Living Adjustment (COLA) of 6.56% and $600 million increase to the Student Centered Funding Formula (SCFF) base. The increase lifts the District out of hold harmless for 2022-2023 and outyear budgets assuming the District continues to grow. The budget also added several categorical allocations and augmentations to current allocations including the Student Success Completion Grant.

At the time the 2022-2023 budget was developed, the following assumptions were made:

- While the District is expected to be out of hold harmless in the future, for budgeting purposes state revenues were budgeted based on the hold harmless provision for the 2017-2018 Total Computational Revenue level plus the 2018-2019 COLA of 2.71%, the 2019-2020 COLA of 3.26%, the 2021-2022 COLA of 5.07% and the 2022-2023 COLA of 6.56%. The District also projects additional state revenues of $816,204 as a result of the increase to the SCFF base. Due to budget uncertainty, the District will continue to budget for a reduction in apportionment revenue by an estimated deficit factor of 2.0%.

- Apprenticeship revenue is estimated to increase by $1,275,568. Corresponding expenses are also budgeted.

- The District expects to receive a Full-time Faculty Allocation which includes $1,061,300 in ongoing revenues and $959,203 in one-time revenues.

- The District's health and welfare benefit premium cost as of January 2023 is estimated to increase by 3.5%. The District's contribution to the California State Teachers' Retirement System (CalSTRS) will increase in 2022-2023 from 16.92% to 19.10%. The District's contribution to the California Public Employees' Retirement System (CalPERS) will increase in 2022-2023 from 22.91% to 25.37%.

- The District also budgeted for the increase in state unemployment insurance. The District's unemployment insurance contribution increased effective July 1, 2021 from 0.05% to 0.50% as a result of the COVID pandemic and was funded by one-time COVID relief funds in the prior year. However, in 2022-2023 this additional cost will be funded by the unrestricted general fund.

- As a result of a decrease in the actuarially determined Annual Required Contribution needed to fund the District's Postemployment Benefits Other Than Pensions (OPEB) liability, the District will decrease the employer payroll contribution rate of 2.00% to 0% of total salaries.

- The District estimates 26,135 Full-Time Equivalent Students served, a 5.58% increase from prior year.

- The full-time Faculty Obligation Number (FON) for Fall 2022 was not known at the time the budget was adopted. The Fall 2021 report indicated the District was 17.5 faculty over its FON. The District plans to recruit 10 faculty using unrestricted general funds and 2 faculty using categorical funding. The FON will be reduced based on faculty taking the Supplemental Retirement Program (SRP).

- The District expects a net increase of $2.52 million to SRP savings as a result of $5.51 million in new estimated SRP savings, $959,203 in a one-time Full-time Faculty Allocation, offset by $2.39 million needed to cover the operating deficit and $1.56 million needed to cover the estimated FON penalty. The District estimates the SRP savings ending balance to be $17.17 million as of June 30, 2023.

- The District's 2021-2022 unrestricted ending balance increased by $13.05 million. The 2021-2022 ending fund balance is $59.42 million.

- The budget also includes a 12.5% contingency reserve consistent with Board Policy.

ECONOMIC FACTORS

- The financial position of the District is closely tied to that of the State of California. The District receives over 90% of its unrestricted general fund revenues through State apportionments, local property taxes including redevelopment agency allocations, the Education Protection Account (EPA) and student paid enrollment fees which make up the District's general apportionment, the main funding support for California community colleges.

- Among the challenges facing many community colleges are recovering from significant declines in enrollment, continuing cost increases related to pension obligations, and a rapid rise in inflation. Some community colleges believe the State will inevitably need to decrease spending to balance the state budget. There is also concern that a recession in the near future due to rising interest rates could affect state revenues and the funding available for community colleges. These factors and the Student Centered Funding Formula adding additional volatility to the District's future funding necessitates a cautious approach to budget forecasts.

- Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Rancho Santiago Community College District, attention Vice Chancellor, Business Services, 2323 North Broadway, Santa Ana, CA 92706, (714) 480-7340.

Assets	
Cash and cash equivalents	$ 15,204,729
Investments	358,426,525
Accounts receivable	18,656,889
Student receivables	2,088,496
Prepaid expenses	1,259,858
Inventories	1,088,343
Lease receivables	31,555
Capital and right-to-use leased assets	
Nondepreciable capital assets	123,570,674
Depreciable capital assets, net of depreciation	399,003,415
Right-to-use leased assets, net of accumulated amortization	815,007
Total capital and right-to-use leased assets, net	523,389,096
Total assets	920,145,491
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	14,229,445
Deferred outflows of resources related to OPEB	18,283,645
Deferred outflows of resources related to pensions	41,112,486
Total deferred outflows of resources	73,625,576
Liabilities	
Accounts payable	55,293,687
Accrued interest payable	3,313,176
Due to fiduciary funds	8,042,975
Unearned revenue	54,157,445
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	29,461,980
Long-term liabilities other than OPEB and pensions, due in more than one year	423,287,614
Aggregate net other postemployment benefits (OPEB) liability	62,909,681
Aggregate net pension liability	129,853,833
Total liabilities	766,320,391
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	54,865,781
Deferred inflows of resources related to pensions	85,724,088
Deferred inflows of resources related to leases	31,220
Total deferred inflows of resources	140,621,089
Net Position	
Net investment in capital assets	191,588,454
Restricted for	
Debt service	28,377,622
Capital projects	109,300,940
Educational programs	6,370,134
Other activities	9,496,786
Unrestricted deficit	(258,304,349)
Total net position	$ 86,829,587

Operating Revenues	
Tuition and fees	$ 22,866,592
Less: Scholarship discounts and allowances	(10,214,730)
Net tuition and fees	12,651,862
Grants and contracts, noncapital	
Federal	28,841,287
State	69,685,970
Local	542,171
Total grants and contracts, noncapital	99,069,428
Other operating revenues	2,798,698
Total operating revenues	114,519,988
Operating Expenses	
Salaries	146,611,082
Employee benefits	26,561,392
Supplies, materials, and other operating expenses and services	58,378,887
Student financial aid	52,835,371
Equipment, maintenance, and repairs	10,518,134
Depreciation and amortization	16,476,288
Total operating expenses	311,381,154
Operating Loss	(196,861,166)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	83,665,203
Local property taxes, levied for general purposes	94,110,644
Taxes levied for other specific purposes	32,956,864
Federal and state financial aid grants	50,190,105
State taxes and other revenues	7,185,509
Investment income	(4,139,275)
Interest expense on capital related debt	(10,880,962)
Investment income on capital asset-related debt, net	115,972
Other nonoperating revenue	5,016,435
Total nonoperating revenues (expenses)	258,220,495
Income Before Other Revenues (Losses)	61,359,329
Other Revenues (Losses)	
State revenues, capital	20,546,114
Local revenues, capital	3,704,674
Loss on disposal of capital assets	(1,377)
Total other revenues (losses)	24,249,411
Change In Net Position	85,608,740
Net Position, Beginning of Year	1,220,847
Net Position, End of Year	$ 86,829,587

Cash Flows from Operating Activities	
Tuition and fees	$ 10,954,386
Federal, state, and local grants and contracts, noncapital	79,025,203
Auxiliary sales	2,798,698
Payments to or on behalf of employees	(207,426,160)
Payments to vendors for supplies and services	(63,878,609)
Payments to students for scholarships and grants	(52,835,371)
Net cash flows from operating activities	(231,361,853)
Cash Flows from Noncapital Financing Activities	
State apportionments	88,060,156
Federal and state financial aid grants	50,190,105
Property taxes - nondebt related	93,368,979
State taxes and other apportionments	7,436,338
Other nonoperating	(21,172,260)
Net cash flows from noncapital financing activities	217,883,318
Cash Flows from Capital Financing Activities	
Purchase of capital assets	(22,609,040)
State revenue, capital projects	20,546,114
Local revenue, capital projects	3,704,674
Property taxes - related to capital debt	32,956,864
Principal paid on capital debt	(26,119,916)
Interest paid on capital debt	(9,010,421)
Interest received on capital asset-related debt	115,972
Net cash flows from capital financing activities	(415,753)
Cash Flows from Investing Activities	
Change in fair market value of cash in county treasury	(8,369,933)
Interest received from investments	4,212,061
Net cash flows from investing activities	(4,157,872)
Change In Cash and Cash Equivalents	(18,052,160)
Cash and Cash Equivalents, Beginning of Year	391,683,414
Cash and Cash Equivalents, End of Year	$ 373,631,254

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (196,861,166)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	16,476,288
Changes in assets, deferred outflows of resources, liabilities, and Deferred Inflows of Resources	
Accounts receivable	19,476,598
Student receivables	(1,101,670)
Inventories	117,383
Prepaid expenses	379,317
Lease receivables	62,106
Deferred outflows of resources related to OPEB	5,361,910
Deferred outflows of resources related to pensions	12,166,330
Accounts payable	11,246,729
Unearned revenue	(40,116,294)
Compensated absences	458,445
Load banking	(122,136)
Early retirement incentive	(1,765,281)
Aggregate net OPEB liability	(49,547,397)
Aggregate net pension liability	(105,145,702)
Deferred inflows of resources related to leases	(62,441)
Deferred inflows of resources related to OPEB	19,953,502
Deferred inflows of resources related to pensions	77,661,626
Total adjustments	(34,500,687)
Net cash flows from operating activities	$ (231,361,853)
Cash and Cash Equivalents Consist of the Following	
Cash in banks	$ 15,069,729
Cash with fiscal agent	135,000
Cash in county treasury	358,426,525
Total cash and cash equivalents	$ 373,631,254
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 2,141,051
Amortization of debt premiums	$ 4,329,082
Accretion of interest on capital appreciation bonds	$ 4,151,444

	Retiree OPEB Trust	Custodial Funds
Assets		
Cash and cash equivalents	$ -	$ 250,000
Investments	51,055,562	189,906,801
Accounts receivable	-	110,515
Due from primary government	-	8,042,975
Total assets	51,055,562	198,310,291
Liabilities		
Accounts payable	-	2,283,429
Total liabilities	-	2,283,429
Net Position		
Restricted for postemployment benefits other than pensions	51,055,562	-
Restricted for other local governments	-	196,026,862
Total net position	$ 51,055,562	$ 196,026,862

	Retiree OPEB Trust	Custodial Funds
Additions		
State revenues	$ -	$ 224,620,283
District contributions	10,220,219	-
Interest and investment income, net of fees	(7,694,362)	(2,597,528)
Total additions	2,525,857	222,022,755
Deductions		
Services and operating expenditures	-	1,200,200
Payments to other local governments	-	55,936,690
Benefit payments	8,227,373	-
Administrative expenses	125,641	-
Total deductions	8,353,014	57,136,890
Change in Net Position	(5,827,157)	164,885,865
Net Position - Beginning of Year	56,882,719	31,140,997
Net Position - End of Year	$ 51,055,562	$ 196,026,862

Note 1 - Organization

Rancho Santiago Community College District (the District) was established in 1971 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges and six campuses/centers located within Orange County. 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 adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units.

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 financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year attributed to. State apportionment revenue is earned based upon criteria set forth from the Community Colleges 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 financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury and investment in local agency investment fund (LAIF) balances for purposes of the Statement of Cash Flows.

Investments

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 LAIF is 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 the federal, state and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The District does not record an allowance for uncollectable accounts because collectability of the receivables from such sources is probable. When receivables are determined to be uncollectable, a direct write-off is recorded. Management has analyzed these accounts and believes all amounts are fully collectable.

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.

Inventories

Inventories consist primarily of bookstore merchandise and supplies held for resale to the students and faculty of the colleges. Inventories are stated at lower of cost or market. The cost is recorded as an expense as the inventory is consumed rather than when purchased.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction in progress, buildings, building and land improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at acquisition value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction in progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 10 to 15 years; equipment, 3 to 8 years; and vehicles, 3 years.

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

Compensated Absences and Load Banking

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

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

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. All other bond issuance costs are expensed when incurred.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources related to debt refunding, for OPEB related items, and for pension related items. The deferred outflows of resources related to debt refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to OPEB and pension related items are associated with differences between expected and actual earnings on plan investments, changes of assumptions, and other OPEB and pension related changes.

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.

Leases

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools and miscellaneous risk plan (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 of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP’s 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 recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, lease payables, financed purchases, early retirement incentives, claims liability, compensated absences and load banking 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, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $153,545,482 of restricted net position, and the fiduciary funds financial statements report $247,082,424 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, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

- **Nonoperating revenues** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, and other revenue sources defined by GASB.

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

- **Operating expenses** - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

- **Nonoperating expenses** - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the state are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. 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. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded in the period in which they are assessed.

The voters of the District passed General Obligation Bonds in 2002 and 2012 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are assessed, billed, and collected as noted above and remitted to the District when collected.

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the primary government and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances transferred between the primary government and the fiduciary funds are not eliminated in the consolidation process.

Adoption of New Standard

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

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

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

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

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

Note 3 - Deposits and Investments

Policies and Practices

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

Investment in County Treasury – In accordance with the *Budget and Accounting Manual*, the District 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

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

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

	Primary Government	Fiduciary Funds
Cash on hand and in banks	$ 14,936,879	$ 250,000
Cash in revolving	132,850	-
Cash with fiscal agent	135,000	-
Investments	358,426,525	240,962,363
Total deposits and investments	$ 373,631,254	$ 241,212,363

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 manages its exposure to interest rate risk by primarily investing in the Orange County Investment Pool and LAIF.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to interest rate risk and credit risk is provided by the following schedule that shows the distribution of the District's investment by maturity and credit rating:

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	$ 51,055,562	N/A	Not rated
Orange County investment pool	548,170,090	287	AAAm
State investment pool (LAIF)	163,236	311	Not rated
Total	$ 599,388,888		

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in LAIF is not required to be rated, nor has it been rated as of June 30, 2022.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. District policy requires that funds that are not required for the immediate use need of the District may be invested in the County Treasurer's Investment Pool, State's Local Agency Investment Fund (LAIF), or in other investments as permitted by *Government Code* Sections 53601, 53635, 53534, and 53648. The California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of $14,733,170 was 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.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2022, the District's investment balance of $50,555,562 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District manages these investments according to the Board authorized irrevocable trust for OPEB.

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.

Uncategorized - Investments not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share. The investment has a daily redemption frequency period and a one-day redemption notice period.

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

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Mutual funds	$ 51,055,562	$ 51,055,562	$ -
State investment pool	163,236	-	163,236
Total	$ 51,218,798	$ 51,055,562	$ 163,236

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

Note 5 - Accounts Receivable

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

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 5,779,534	$ -
State Government		
Apportionment	4,407,939	-
Categorical aid	191,753	-
Lottery	1,432,106	-
Local Sources		
Property taxes	3,705,863	-
Interest	135,656	110,515
Bookstore	2,006,411	-
Other local sources	997,627	-
Total	$ 18,656,889	$ 110,515
Student receivables	$ 2,088,496	

Note 6 - Lease Receivables

The lease receivable is summarized below:

Lease Receivable	Balance July 1, 2021 as restated	Additions	Deletions	Balance June 30, 2022
District Office Lease (117th Congress)	$ 93,661	$ -	$ (62,106)	$ 31,555

District Office Lease – 117th Congress

The District leases a portion of its District Office Building located in Santa Ana, California to the 117th Congress of the United States of America. These lease term extends until January 2, 2023. Monthly lease payments are due at the end of each month. During the fiscal year, the District recognized $62,106 in lease revenue and $1,318 in interest revenue related to this agreement. An interest rate of 0.18% was applied to the lease.

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

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

	Balance, July 1, 2021 as restated	Additions	Deductions	Balance, June 30, 2022
Capital Assets Not Being Depreciated				
Land	$ 89,964,360	$ -	$ -	$ 89,964,360
Construction in progress	122,116,982	24,673,627	(113,184,295)	33,606,314
Total capital assets not being depreciated	212,081,342	24,673,627	(113,184,295)	123,570,674
Capital Assets Being Depreciated				
Site improvements	86,623,387	503,529	-	87,126,916
Buildings and improvements	376,542,863	113,228,391	-	489,771,254
Furniture and equipment	72,427,632	1,955,732	(2,231,563)	72,151,801
Total capital assets being depreciated	535,593,882	115,687,652	(2,231,563)	649,049,971
Total capital assets	747,675,224	140,361,279	(115,415,858)	772,620,645
Less Accumulated Depreciation				
Site improvements	(69,117,054)	(4,866,934)	-	(73,983,988)
Buildings and improvements	(102,635,011)	(8,810,411)	-	(111,445,422)
Furniture and equipment	(64,823,950)	(2,023,382)	2,230,186	(64,617,146)
Total accumulated depreciation	(236,576,015)	(15,700,727)	2,230,186	(250,046,556)
Net capital assets	511,099,209	124,660,552	(113,185,672)	522,574,089
Right-to-use Leased Assets Being Amortized				
Buildings and improvements	1,335,087	-	(61,813)	1,273,274
Furniture and equipment	248,796	6,685	-	255,481
Total right-to-use leased assets being amortized	1,583,883	6,685	(61,813)	1,528,755
Less Accumulated Amortization				
Buildings and improvements	-	(625,921)	61,813	(564,108)
Furniture and equipment	-	(149,640)	-	(149,640)
Total accumulated amortization	-	(775,561)	61,813	(713,748)
Net right-to-use leased assets	1,583,883	(768,876)	-	815,007
Total Capital assets and right-to-use leased assets, net	$ 512,683,092	$ 123,891,676	$ (113,185,672)	$ 523,389,096

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

Summary

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

	Balance, July 1, 2021, as restated	Additions	Deductions	Balance, June 30, 2022	Due in One Year
General obligation bonds	$ 433,391,480	$ 4,151,444	$ (25,285,000)	$ 412,257,924	$ 26,190,000
Bond premium	23,539,229	-	(4,329,082)	19,210,147	-
Compensated absences	8,144,515	458,445	-	8,602,960	938,683
Load banking	5,525,411	-	(122,136)	5,403,275	-
Early retirement incentive	7,665,795	-	(1,765,281)	5,900,514	1,765,281
Financed purchases	-	219,122	(74,134)	144,988	64,136
Lease liability	1,583,883	6,685	(760,782)	829,786	503,880
Claims liability	400,000	-	-	400,000	-
Total	$ 480,250,313	$ 4,835,696	$ (32,336,415)	$ 452,749,594	$ 29,461,980

Description of Long-Term Liabilities

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. The compensated absences and load banking liabilities will be paid by the fund for which the employee worked. The early retirement incentive will be paid out of the General Fund. Payments for the financed purchases and lease liability will be made by the fund for which the sites and equipment were intended for. The Internal Service fund makes payments for the claims liability.

General Obligation Bonds

2002 General Obligation Bonds

On November 5, 2002, the District voters authorized the issuance and sale of general obligation bonds totaling $337,000,000. Proceeds from the sale of the bonds was used to finance the construction, acquisition, and modernization of certain property and District facilities.

2012 General Obligation Bonds

On November 6, 2012, the District voters authorized the issuance and sale of general obligation bonds totaling $198,000,000. Proceeds from the sale of the bonds was used to finance the construction, acquisition, and modernization of certain property and District facilities.

General Obligation Refunding Bonds, 2020 Series A-1 and A-2

On September 2, 2020, the District issued $94,490,000 and $48,325,000 in 2020 General Obligation Refunding Bonds, Series A-1 and A-2 respectively. Interest rates range from 0.235% to 2.040% payable semi-annually on March 1 and September 1 for the A-1 Bonds and February 1 and August 1 for the A-2 Bonds. The Bonds mature though August 1, 2035. The net proceeds from the issuance provided for the partial refunding of the District's outstanding 2012 General Obligation Refunding Bonds, 2013 General Obligation Refunding Bonds, and 2012 Election General Obligation Bonds, Series 2014A. The cash flow savings for Series A-1 Bonds is $6,836,218 discounted at 0.83%. The cash flow savings for the Series A-2 Bonds is $10,757,624 discounted at 1.57%.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2/23/2005	9/1/2029	3.00-5.13%	$ 119,999,867	$ 44,075,661	$ -	$ 369,104	$ (1,520,000)	$ 42,924,765
9/21/2006	9/1/2031	3.38-5.00%	120,874,329	79,860,819		3,782,340	-	83,643,159
8/4/2005	9/1/2023	3.57-5.25%	53,559,299	14,790,000	-	-	(6,705,000)	8,085,000
11/30/2011	9/1/2022	2.00-5.00%	10,300,000	4,670,000	-	-	-	4,670,000
3/1/2012	9/1/2022	4.00%	62,985,000	8,875,000		-	(4,250,000)	4,625,000
1/17/2013	9/1/2023	4.00%	79,130,000	19,255,000	-	-	(5,170,000)	14,085,000
10/16/2014	8/1/2034	3.00-5.00%	70,585,000	9,340,000	-	-	(340,000)	9,000,000
12/28/2017	8/1/2041	2.00-5.00%	70,600,000	53,595,000		-	(995,000)	52,600,000
8/21/2019	8/1/2039	1.25-4.00%	56,815,000	56,115,000	-	-	(2,685,000)	53,430,000
9/2/2020	9/1/2027	0.235-1.106%	94,490,000	94,490,000	-	-	(2,390,000)	92,100,000
9/2/2020	8/1/2035	0.255-2.040%	48,325,000	48,325,000	-	-	(1,230,000)	47,095,000
				$ 433,391,480	$ -	$ 4,151,444	$ (25,285,000)	$ 412,257,924

The Bonds mature through 2042 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2023	$ 26,149,786	$ 40,214	$ 8,251,421	$ 34,441,421
2024	28,379,800	130,200	7,367,143	35,877,143
2025	30,612,570	512,430	6,827,912	37,952,912
2026	32,332,169	347,831	6,522,548	39,202,548
2027	34,395,000	-	6,143,446	40,538,446
2028-2032	171,403,599	35,706,401	20,789,548	227,899,548
2033-2037	53,750,000	-	9,774,323	63,524,323
2038-2042	35,235,000	-	2,887,350	38,122,350
Total	$ 412,257,924	$ 36,737,076	$ 68,563,691	$ 517,558,691

Early Retirement Incentive

The District has entered into various agreements with the Public Agency Retirement Services (PARS) to provide certain benefits to employees participating in early retirement incentive programs. The District will pay $7,665,795 on behalf of the retirees through 2026 in accordance with the following schedule:

Year Ending June 30,	
2023	$ 1,765,281
2024	1,765,281
2025	1,765,281
2026	604,671
Total	$ 5,900,514

Financed Purchases

The District has entered into various agreements for the financed purchase of copiers and other equipment. The District will pay $144,988 through the 2026, with interest rates ranging from 2.16% - 7.04%, in accordance with the following schedule:

Fiscal Year	Principal	Interest to Maturity	Total
2023	$ 64,136	$ 3,820	$ 67,956
2024	42,465	1,677	44,142
2025	33,819	587	34,406
2026	4,568	35	4,603
Total	$ 144,988	$ 6,119	$ 151,107

Lease Liability

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

Leases	Balance, July 1, 2021, as restated	Addition	Payments	Balance June 30, 2022
Building and Sites	$ 1,335,087	$ -	$ (612,341)	$ 722,746
Equipment	248,796	6,685	(148,441)	107,040
Total	$ 1,583,883	$ 6,685	$ (760,782)	$ 829,786

The District has entered into agreements to lease office space, beginning February 2013 and terminating in January 2025. Under the terms of the leases, 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 $634,675, for the year ending June 30, 2022. At June 30, 2022, the District has recognized a right-to-use leased asset of $709,166 and a lease liability of $722,746 related to these agreements. During the fiscal year, the District recorded $625,921 in amortization expense and $22,334 in interest expense for the leased office space. The District used a discount rate of 2.04%-2.46% 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 five years. Under the terms of the leases, the District pays monthly payments ranging from $119 to $6,729, which amounted to total principal and interest costs of $152,633 for the year ending June 30, 2022. At June 30, 2022, the District has recognized right-to-use leased assets of $105,841 and a lease liability of $107,040 related to this agreement. During the fiscal year, the District recorded $149,640 in amortization expense and $4,192 in interest expense for the leased copiers and equipment. The District used a discount rate of 2.16% based on the estimated incremental borrowing rate for financing over a similar time period.

The District will pay $829,786 through 2027 in accordance with the following schedule:

Fiscal Year	Principal	Interest	Total
2023	$ 503,880	$ 13,478	$ 517,358
2024	209,167	5,996	215,163
2025	110,663	1,173	111,836
2026	5,719	101	5,820
2027	357	2	359
Total	$ 829,786	$ 20,750	$ 850,536

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

For the fiscal year ended June 30, 2022, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 62,141,692	$ 18,283,645	$ 54,865,781	$ (24,040,640)
Medicare Premium Payment (MPP) Program	767,989	-	-	(191,345)
Total	$ 62,909,681	$ 18,283,645	$ 54,865,781	$ (24,231,985)

The details of each plan 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 spouses. The Public Retirement Services (PARS) administers Rancho Santiago Community College's Postemployment Benefits Plan (the Plan).

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	489
Active employees	904
Total	1,393

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 Public Retirement Services (PARS) 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.

Financial information for PARS can be found on the PARS website at: http://www.pars.org.

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. 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, the Faculty Association (FARSCCD), the local California School Employees Association (CSEA), and unrepresented groups. The voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, FARSCCD, CSEA and unrepresented groups are based on the availability of funds. For the measurement period of June 30, 2021, the District contributed $13,498,871 to the Plan, of which $9,508,350 was used for current premiums and $3,990,521 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, 2021:

Asset Class	Target Allocation
Equities	60%
Long-Term Corporate Bonds	5%
Intermediate Term Government Bonds	30%
Short-Term Government Bonds	5%

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense was 23.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $62,141,692 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	$ 119,024,411
Plan fiduciary net position	(56,882,719)
Net OPEB liability	$ 62,141,692
Plan fiduciary net position as a percentage of the total OPEB liability	47.79%

Actuarial Assumptions

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

Inflation	2.50% per annum
Salary increases	2.75%, average, including inflation
Discount rate	6.25% per annum
Investment rate of return	6.25%, net of OPEB plan investment expense
Healthcare cost trend rate	4.00% per annum

The discount rate was based on using a building-block method in which best-estimate ranges of expected future real rates are developed for each major asset class.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous and School Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	7.545%
Long-Term Corporate Bonds	5.045%
Intermediate Term Government Bonds	4.250%
Short-Term Government Bonds	3.000%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2020	$ 153,648,882	$ 42,151,138	$ 111,497,744
Service cost	3,074,590	-	3,074,590
Interest	9,778,080	-	9,778,080
Changes of benefit terms	(15,448,386)	-	(15,448,386)
Difference between expected and actual experience	(10,244,662)	-	(10,244,662)
Contributions - employer	-	13,498,871	(13,498,871)
Expected investment income	-	10,854,240	(10,854,240)
Changes of assumptions	(12,275,743)	-	(12,275,743)
Benefit payments	(9,508,350)	(9,508,350)	-
Administrative expense	-	(113,180)	113,180
Net change in total OPEB liability	(34,624,471)	14,731,581	(49,356,052)
Balance, June 30, 2021	$ 119,024,411	$ 56,882,719	$ 62,141,692

Changes of assumptions and other inputs reflect a change in the discount rate from 6.50% to 6.25%, a decrease in the annual salary increase assumption from 3.00% to 2.75%, and a decrease in the healthcare cost trend rate from 6.50% to 4.00%. There were no changes in benefit terms since the previous valuation.

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 (5.25%)	$ 71,326,011
Current discount rate (6.25%)	62,141,692
1% increase (7.25%)	53,932,770

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 52,280,174
Current healthcare cost trend rate (4.00%)	62,141,692
1% increase (5.00%)	73,431,315

Deferred Outflows/Inflows of Resources Related to OPEB

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 10,220,219	$ -
Differences between expected and actual experience	472,569	15,640,376
Changes of assumptions	7,590,857	32,070,686
Net difference between projected and actual earnings on OPEB plan investments	-	7,154,719
Total	$ 18,283,645	$ 54,865,781

The deferred outflows of resources related to OPEB resulting from the District's contributions and benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB 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 OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (1,929,711)
2024	(1,929,711)
2025	(1,697,619)
2026	(1,597,678)
Total	$ (7,154,719)

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL for the measurement period is 8.3 years. The deferred outflows/(inflows) will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ (6,633,365)
2024	(6,633,365)
2025	(6,633,365)
2026	(6,633,371)
2027	(6,873,583)
Thereafter	(6,240,587)
Total	$ (39,647,636)

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of $767,989 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1925%, and 0.2264%, resulting in a net decrease in the proportionate share of 0.0339%.

For the year ended June 30, 2022, the District recognized OPEB expense of $(191,345).

Actuarial Methods and Assumptions

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

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

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

Discount Rate

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

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	$ 846,534
Current discount rate (2.16%)	767,989
1% increase (3.16%)	700,879

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	$ 698,396
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	767,989
1% increase (5.5% Part A and 6.4% Part B)	847,774

Note 10 - Risk Management

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical claims; and natural disasters. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risk of loss. The Self-Insurance Fund provides coverage for up to a maximum of $25,000 for each general liability claim and $10,000 for each property damage claim. The self-insurance fund would also pay for costs that are excluded from our excess insurance coverage such as lost wages or punitive damages. Prior to August 1, 2017, workers' compensation was 100% insured coverage. Effective August 1, 2017 through June 30, 2021, the District became self-insured for its workers' compensation liability for the first $150,000 of each claim and the remainder continues to be insured through a Joint Powers Authority Risk Pool (JPA). On July 1, 2021 the District returned to a 100% insured workers’ compensation plan through the Protected Insurance Program for Schools and Community Colleges (PIPS) JPA. The District participates in a JPA to provide excess insurance coverage about the self-insured retention level for workers' compensation, property, and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' compensation claims are charged to the respective funds which generated the liability and the property and liability claims are paid by the General Fund.

Claims Liabilities

The District establishes a $400,000 liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

Joint Powers Authority Risk Pools

Prior to July 1, 2021 the District participated in two Joint Powers Agreement (JPA) entities: the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF). On July 1, 2021 the District switched to the Statewide Association of Community Colleges (SWACC) JPA and the Schools Association for Excess Risk (SAFER) JPA for excess liability coverage.

ASCIP and SWACC arranges for and provides property, liability, and workers' compensation insurance for its member districts. The District pays a premium commensurate with the level of coverage requested.

SELF and SAFER arranges for and provides a self-funded or additional insurance for excess liability for numerous public educational agencies. Each is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. Each board controls their operations, 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 the JPA's board of directors and shares surpluses and deficits proportionately to its participation in the JPA.

ASCIP and SWACC are both governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA, independent of any influence by Rancho Santiago Community College District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationships between Rancho Santiago Community College District and the JPAs are such that none of the JPAs is a component unit of the District for financial reporting purposes.

Separate financial statements for each JPA may be obtained from the respective entity.

Note 11 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of the 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	$ 58,292,407	$ 26,361,589	$ 56,347,504	$ 2,189,445
CalPERS - SEP	71,218,714	14,544,012	29,068,445	7,855,023
CalPERS - Misc. Plan	342,712	206,885	308,139	39,245
Total	$ 129,853,833	$ 41,112,486	$ 85,724,088	$ 10,083,713

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer 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, 2022, 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	16.92%	16.92%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were $13,986,302.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 58,292,407
State's proportionate share of net pension liability associated with the District	29,330,478
Total	$ 87,622,885

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.1281% and 0.1299%, respectively, resulting in a net decrease in the proportionate share of 0.0018%.

For the year ended June 30, 2022, the District recognized pension expense of $2,189,445. In addition, the District recognized pension expense and revenue of $1,003,506 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 13,986,302	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,969,846	4,033,181
Differences between projected and actual earnings on pension plan investments	-	46,110,795
Differences between expected and actual experience in the measurement of the total pension liability	146,026	6,203,528
Changes of assumptions	8,259,415	-
Total	$ 26,361,589	$ 56,347,504

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 earning 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
2023	$ (11,709,377)
2024	(10,710,255)
2025	(10,976,046)
2026	(12,715,117)
Total	$ (46,110,795)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 1,994,691
2024	3,074,192
2025	(746,971)
2026	(395,884)
2027	(808,686)
Thereafter	(978,764)
Total	$ 2,138,578

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 118,662,477
Current discount rate (7.10%)	58,292,407
1% increase (8.10%)	8,186,402

California Public Employees' Retirement System (CalPERS) – SEP

Plan Description

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

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

Benefits Provided

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

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

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were $11,415,157.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $71,218,714. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.3502% and 0.3537%, respectively, resulting in a net decrease in the proportionate share of 0.0035%.

For the year ended June 30, 2022, the District recognized pension expense of $7,855,023. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,415,157	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,002,794	1,568,931
Differences between projected and actual earnings on pension plan investments	-	27,331,622
Differences between expected and actual experience in the measurement of the total pension liability	2,126,061	167,892
Total	$ 14,544,012	$ 29,068,445

The deferred outflow 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
2023	$ (6,854,747)
2024	(6,303,554)
2025	(6,571,866)
2026	(7,601,455)
Total	$ (27,331,622)

The deferred outflows/(inflows) of resources related to the change in proportion and differences 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 1,810,083
2024	(85,798)
2025	(301,992)
2026	(30,261)
Total	$ 1,392,032

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 120,084,752
Current discount rate (7.15%)	71,218,714
1% increase (8.15%)	30,649,417

California Public Employees' Retirement System (CalPERS) - Misc. Plan

Plan Description

Qualified employees are eligible to participate in the Miscellaneous Risk Pool Plan 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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, the Miscellaneous Risk Pool Actuarial Valuation. The 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 Miscellaneous Risk Pool is closed to new entrants and no current employees are covered by the plan.

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

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	60
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required unfunded liability payment to CalPERS	$ 93,225	$ -

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above, and the total District contributions for CalPERS was $93,225.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS Miscellaneous Risk Pool net pension liability totaling $342,712. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2021 and June 30, 2020, was 0.0180% and 0.0133%, respectively, resulting in a net increase in the proportionate share of 0.0047%.

For the year ended June 30, 2022, the District recognized pension expense of $39,245 for CalPERS Miscellaneous Risk Pool. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 93,225	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	78,169	8,970
Differences between projected and actual earnings on pension plan investments	-	299,169
Differences between expected and actual experience in the measurement of the total pension liability	35,491	-
Total	$ 206,885	$ 308,139

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
2023	$ (75,392)
2024	(69,275)
2025	(71,827)
2026	(82,675)
Total	$ (299,169)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	$ 45,106
2024	40,413
2025	19,171
Total	$ 104,690

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 818,469
Current discount rate (7.15%)	342,712
1% increase (8.15%)	(50,590)

Plan Fiduciary Net Position

Detailed information about CalPERS School Employer plan and Miscellaneous Risk Pool plan fiduciary net positions are available in a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Public Agency Retirement Services (PARS)

Plan Description

The Public Agency Retirement Services is a defined contribution plan qualifying under §401(a) and §501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees, and employees not covered by §3121(b)(7)(F) of the Internal Revenue Code. The benefit provisions and contribution requirements of plan members and the District are established and may be amended by the PARS Board of Trustees.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2022, which amounted to $8,237,957 (10.828%) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

Litigation

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

Construction Commitments

As of June 30, 2022, the District had approximately $22.5 million in commitments with respect to unfinished capital projects.

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

Note 13 - Adoption of New Standard

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of the new standard, the opening balances of certain assets, liabilities and deferred inflows of resources were restated as follows:

Primary Government	
Net Position - Beginning	$ 1,220,847
Lease receivables	93,661
Right-to-use leased asset, net of amortization	1,583,883
Lease liability	(1,583,883)
Deferred inflows of resources related to leases	(93,661)
Net Position - Beginning	$ 1,220,847

Required Supplementary Information
June 30, 2022

Rancho Santiago Community College District

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 3,074,590	$ 2,985,039	$ 7,981,036	$ 7,767,432	$ 7,559,545
Interest	9,778,080	9,610,437	8,993,120	10,522,057	5,660,197
Changes of benefit terms	(15,448,386)	-	-	-	-
Difference between expected and actual experience	(10,244,662)	661,597	(11,602,517)	-	-
Changes of assumptions	(12,275,743)	-	13,284,002	(38,293,105)	-
Benefit payments	(9,508,350)	(8,813,301)	(8,434,870)	(8,290,199)	(7,971,345)
Net change in total OPEB liability	(34,624,471)	4,443,772	10,220,771	(28,293,815)	5,248,397
Total OPEB Liability - Beginning	153,648,882	149,205,110	138,984,339	167,278,154	162,029,757
Total OPEB Liability - Ending (a)	$ 119,024,411	$ 153,648,882	$ 149,205,110	$ 138,984,339	$ 167,278,154
Plan Fiduciary Net Position					
Contributions - employer	$ 13,498,871	$ 8,813,301	$ 48,434,870	$ 8,290,199	$ 7,971,345
Net investment income	10,854,240	2,105,695	119,075	-	-
Benefit payments	(9,508,350)	(8,813,301)	(8,434,870)	(8,290,199)	(7,971,345)
Administrative expense	(113,180)	(73,632)	-	-	-
Net change in plan fiduciary net position	14,731,581	2,032,063	40,119,075	-	-
Plan Fiduciary Net Position - Beginning	42,151,138	40,119,075	-	-	-
Plan Fiduciary Net Position - Ending (b)	$ 56,882,719	$ 42,151,138	$ 40,119,075	$ -	$ -
Net OPEB Liability - Ending (a) - (b)	$ 62,141,692	$ 111,497,744	$ 109,086,035	$ 138,984,339	$ 167,278,154
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.79%	27.43%	26.89%	0.00%	0.00%
Covered Payroll	$ 125,706,430	$ 105,994,431	$ 102,907,215	N/A[1]	N/A[1]
Net OPEB Liability as a Percentage of Covered Payroll	49.43%	105.19%	106.00%	N/A[1]	N/A[1]
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

[1] The District's OPEB Plan was not administered through a trust until 2020, and contributions were not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

	2022	2021	2020
Annual money-weighted rate of return, net of investment expense	23.46%	5.07%	0.30%

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

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1925%	0.2264%	0.2285%	0.2227%	0.2292%
Proportionate share of the net OPEB liability	$ 767,989	$ 959,334	$ 851,015	$ 852,269	$ 964,112
Covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2022	2021	2020	2019
CalSTRS				
Proportion of the net pension liability	0.1281%	0.1299%	0.1292%	0.1241%
Proportionate share of the net pension liability	$ 58,292,407	$ 125,901,477	$ 116,671,499	$ 114,011,608
State's proportionate share of the net pension liability associated with the District	29,330,478	64,902,227	63,652,092	65,276,978
Total	$ 87,622,885	$ 190,803,704	$ 180,323,591	$ 179,288,586
Covered payroll	$ 75,575,647	$ 77,188,719	$ 75,802,082	$ 71,577,651
Proportionate share of the net pension liability as a percentage of its covered payroll	77.13%	163.11%	153.92%	159.28%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS - SEP				
Proportion of the net pension liability	0.3502%	0.3537%	0.3475%	0.3309%
Proportionate share of the net pension liability	$ 71,218,714	$ 108,537,434	$ 101,278,658	$ 88,231,274
Covered payroll	$ 50,130,783	$ 51,078,125	$ 48,579,637	$ 43,613,412
Proportionate share of the net pension liability as a percentage of its covered payroll	142.07%	212.49%	208.48%	202.30%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS - Misc.				
Proportion of the net pension liability	0.0180%	0.0133%	0.0140%	0.0155%
Proportionate share of the net pension liability	$ 342,712	$ 560,624	$ 602,717	$ 582,930
Covered payroll*	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	91%	78%	75%	78%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

* This plan has no active members and, therefore, no covered payroll.

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

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.1266%	0.1280%	0.1367%	0.1355%
Proportionate share of the net pension liability	$ 117,449,600	$ 103,527,680	$ 92,009,654	$ 79,176,119
State's proportionate share of the net pension liability associated with the District	69,482,757	58,945,139	48,662,964	47,809,959
Total	$ 186,932,357	$ 162,472,819	$ 140,672,618	$ 126,986,078
Covered payroll	$ 68,831,638	$ 66,264,977	$ 63,390,631	$ 60,347,491
Proportionate share of the net pension liability as a percentage of its covered payroll	170.63%	156.23%	145.15%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS - SEP				
Proportion of the net pension liability	0.3292%	0.3293%	0.3469%	0.3555%
Proportionate share of the net pension liability	$ 78,588,729	$ 65,036,954	$ 51,129,735	$ 40,363,347
Covered payroll	$ 41,959,850	$ 39,539,715	$ 38,369,484	$ 37,323,667
Proportionate share of the net pension liability as a percentage of its covered payroll	187.30%	164.49%	133.26%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS - Misc.				
Proportion of the net pension liability	0.0150%	0.0131%	0.0110%	0.0064%
Proportionate share of the net pension liability	$ 589,281	$ 521,364	$ 405,612	$ 397,446
Covered payroll*	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	75%	78%	78%	80%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

* This plan has no active members and, therefore, no covered payroll.

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

	2022	2021	2020	2019
CalSTRS				
Contractually required contribution	$ 13,986,302	$ 12,205,467	$ 13,199,271	$ 12,340,579
Contributions in relation to the contractually required contribution	(13,986,302)	(12,205,467)	(13,199,271)	(12,340,579)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 82,661,359	$ 75,575,647	$ 77,188,719	$ 75,802,082
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%
CalPERS - SEP				
Contractually required contribution	$ 11,415,157	$ 10,377,072	$ 10,073,117	$ 8,774,454
Contributions in relation to the contractually required contribution	(11,415,157)	(10,377,072)	(10,073,117)	(8,774,454)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 49,826,089	$ 50,130,783	$ 51,078,125	$ 48,579,637
Contributions as a percentage of covered payroll	22.910%	20.700%	19.721%	18.062%
CalPERS - Misc.				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll*	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

* This plan has no active members and, therefore, no covered payroll.

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

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 10,328,655	$ 8,659,020	$ 7,110,232	$ 5,629,088
Contributions in relation to the contractually required contribution	(10,328,655)	(8,659,020)	(7,110,232)	(5,629,088)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 71,577,651	$ 68,831,638	$ 66,264,977	$ 63,390,631
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%
CalPERS - SEP				
Contractually required contribution	$ 6,773,599	$ 5,827,384	$ 4,684,270	$ 4,516,472
Contributions in relation to the contractually required contribution	(6,773,599)	(5,827,384)	(4,684,270)	(4,516,472)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 43,613,412	$ 41,959,850	$ 39,539,715	$ 38,369,484
Contributions as a percentage of covered payroll	15.531%	13.888%	11.847%	11.771%
CalPERS - Misc.				
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll*	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

* This plan has no active members and, therefore, no covered payroll.

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

Note 1 - Purpose of Schedules

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. 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* – Changes of assumptions and other inputs reflect a change in the discount rate from 6.50% to 6.25%, a decrease in the annual salary increase assumption from 3.00% to 2.75%, and a decrease in the healthcare cost trend rate from 6.50% to 4.00%. There were no changes in benefit terms since the previous valuation.

Schedule of OPEB Investment Returns

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

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

This schedule presents information on the District’s proportionate share of the net OPEB Liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

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

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

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

Schedule of District Contributions for Pensions

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

Supplementary Information
June 30, 2022

Rancho Santiago Community College District

Rancho Santiago Community College District was established in 1971 and is comprised of an area of approximately 193 square miles located in Orange County. There were no changes in the boundaries of the District during the current year. The District currently operates two colleges: Santa Ana College and Santiago Canyon College, as well as the Orange County Regional Sheriff's Training Academy, the Digital Media Center, and two continuing education centers: Orange Education Center and Centennial Education Center. 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.

Board of Trustees as of June 30, 2022

Member	Office	Term Expires
Tina Arias Miller, Ed.D.	President	2024
David Crockett	Vice President	2024
Sal Tinajero	Clerk	2024
John R. Hanna	Member	2022
Zeke Hernandez	Member	2024
Lawrence "Larry" R. Labrado	Member	2022
Phillip E. Yarbrough	Member	2022
Ryan Foley	Student Trustee	2023

Administration as of June 30, 2022

Marvin Martinez	Chancellor
Annebelle Nery, Ph.D.	President of Santa Ana College
Arleen Satele, Ed.D.	Acting President of Santiago Canyon College
Cheng Yu Hou, Esq.	Vice Chancellor, Human Resources
Iris Ingram	Vice Chancellor, Business Services
Enrique Perez, J.D.	Vice Chancellor, Educational Services

Auxiliary Organizations in Good Standing

Rancho Santiago Community College District Foundation, established 1998
Master Agreement signed 2016, updated 2021
Enrique Perez, Executive Director

Santa Ana College Foundation, established 1968
Master Agreement signed 2019, updated 2021
Christina Romero, Executive Director

Santiago Canyon Foundation, established 1998
Master Agreement signed 1998, updated 2021
Ruth Cossio-Muniz, Interim Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 19,697,602
Federal Pell Grant Program Administrative Allowance	84.063		10,735
Federal Direct Student Loans	84.268		1,354,173
Federal Supplemental Educational Opportunity Grants	84.007		875,200
FSEOG Administrative Allowance	84.007		7,069
Federal Work-Study Program	84.033		318,484
Subtotal Student Financial Assistance Cluster			22,263,263
TRIO Cluster			
TRIO Student Support Services	84.042A		1,064,340
TRIO Talent Search	84.044A		409,924
TRIO Upward Bound	84.047A		279,982
TRIO Upward Bound - Math & Science	84.047M		242,933
TRIO Upward Bound - Veterans	84.047V		224,881
Subtotal TRIO Cluster			2,222,060
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		19,594,985
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		15,379,005
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L		3,094,329
Subtotal			38,068,319
Migrant Education - College Assistance Program	84.149A		413,840
Child Care Access Means Parents in School (CCAMPIS)	84.335A		20,489
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	20-C01-870	936,343
Regional Collaboration and Coordination	84.048A	G0195	122,599
LAOC Regional Consortium (Title I, Part B)	84.048A	20-150-003	100,000
Subtotal			1,158,942
Passed through California Department of Education			
Adult Education: Adult Secondary Education	84.002	13978	253,482
Adult Education: Adult Basic Education & ELA	84.002A	14508	1,524,857
Adult Education: English Literacy & Civics Education	84.002A	14109	728,896
Adult Education: Institutionalized Adults	84.002	13971	234,712
Subtotal			2,741,947
Total U.S. Department of Education			66,888,860

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
National Science Foundation			
Passed through California State University Fullerton Auxiliary Services Corporation			
Transitioning Math Majors into Teaching	47.076	S-6668-SAC	$ 21,384
Passed through South Orange County Community College District			
NSF - STEM Core Expansion	47.041	AW00110/G1286	323
U.S. Department of Education			
Systemic Design for STEM Success Grant	84.031C		134,308
Passed through California State University Fullerton Auxiliary Services Corporation			
RAISER: Regional Alliance in STEM Education Refined	84.031C	S-7709-Santiago Canyon, S-7709-SAC	17,305
RAISE: Regional Alliance in STEM Education	84.031C	S-6386-SCC, S-6386-SAC	21,340
Subtotal Research and Development Cluster			194,660
U.S. Department of Health and Human Services			
Head Start Cluster			
Early Head Start	93.600		2,202,506
COVID-19: Early Head Start	93.600		110,981
Subtotal Head Start Cluster			2,313,487
Passed through The Foundation for California Community Colleges			
Youth Empowerment Strategies for Success (YESS)	93.674	00004767	14,799
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	112,616
Child Care and Development Fund (CCDF) Cluster			
Passed through California Department of Education			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	165,953
Child Care and Development Block Grant	93.575	15136	73,608
Child Care and Development Block Grant	93.575	14551	28,054
Child Care and Development Block Grant	93.575	15555	102,165
Child Care and Development Block Grant	93.575	15557	24,589
Passed through California Department of Social Services			
COVID-19: Child Care and Development Block Grant	93.575	[1]	7,803
Passed through Yosemite Community College District, Child Development Training Consortium			
Child Care and Development Block Grant	93.575	21-22-2855SSC	3,450
Subtotal CCDF Cluster			405,622
Total U.S. Department of Health and Human Services			2,846,524

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Small Business Administraition			
Passed through California State University Fullerton			
Auxiliary Services Corporation			
Small Business Development Centers	59.037	S-7582-RSCCD	$ 252,518
COVID-19: Small Business Development Centers	59.037	S-7448-RSCCD	36,860
Total U.S. Small Business Administraition			289,378
U.S. Department of The Treasury			
Passed through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	1,902,173
Total U.S. Department of The Treasury			1,902,173
U.S. Department of Agriculture			
Passed through California Department of Education			
Child and Adult Care Food Program	10.558	04369-CACFP-30-CC-CS	166,974
COVID-19: Child and Adult Care Food Program	10.558	[1]	623
Total U.S. Department of Agriculture			167,597
Total Federal Financial Assistance			$ 72,289,192

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

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
AB 1725 - Faculty & Staff Diversity	$ 117,329	$ -	$ 103,321	$ 14,009	$ 14,009
AB77 Handicapped (DSPS)	1,875,464	-	76,646	1,798,818	1,798,818
Adult Education Block Grant	4,812,208	-	1,749,634	3,062,574	3,062,574
Basic Needs Center Ongoing	612,691	-	612,691	-	-
Board Financial Assistance Program - SFA Admin (BFAP-SFAA)	1,074,910	-	212,877	862,034	862,034
CAL Grants	3,613,359	-	412	3,612,947	3,612,947
CalFresh Outreach (AB 85)	51,268	-	-	51,268	51,268
California College Promise	2,381,504	-	553,417	1,828,087	1,828,087
California Education Learning Lab (CELL)	357,574	6,382	115,331	248,625	248,625
CalWORKs	668,338	-	100,844	567,494	567,494
Campus Safety and Sexual Assault	33,465	-	29,148	4,317	4,317
CCAP Instructional Materials for Dual Enrollment	54,139	-	54,139	-	-
CDE Center-Based Reserve - CSPP	222,054	-	222,054	-	-
CDSS Center-Based Reserve - CCTR	104,630	-	104,630	-	-
Child Development: General Child Care & Development	1,314,988	76,265	-	1,391,253	1,584,793
Child Development: California State Preschool Program	3,610,298	-	3,966	3,606,332	3,499,931
Child Dev Center - CSPP - Tax Bailout	267,083	-	-	267,083	267,083
Child Care Food Program- CSPP - State	4,196	1,110	-	5,306	5,306
Child Care Food Program- CCTR - State	2,865	830	-	3,695	3,695
Cooperative Agencies Resources for Education (CARE)	220,860	-	93,668	127,192	127,192
COVID-19 Response Block Grant	1,316,994	-	70,860	1,246,134	1,246,134
CSUF/SBCD GO-Biz CIP	50,000	-	-	50,000	50,000
CSUF/SBDC GO-Biz TAEP	201,404	52,624	-	254,028	254,028
CTE Data Unlocked	40,802	-	64,825	(24,022)	(24,022)
CTE SWP - Local Share	9,267,426	-	4,427,921	4,839,505	4,839,505
CTE SWP - Regional Share	41,268,243	-	25,462,390	15,805,853	15,805,853
Culturally Competent Faculty PD	100,870	-	100,870	-	-
Disaster Relief Emergency SFAA	31,403	-	-	31,403	31,403
Dream Resource Liaison Support	355,015	-	144,377	210,638	210,638
Econ Dev DSN - Retail Hospitality Boot Camp	48,075	-	48,075	-	-
Equal Employment Opportunity Best Practices	208,333	-	208,333	-	-
EWD Key Talent Admin & FA	100,002	-	-	100,002	100,002

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
EWD/Employer Engagement - Regional Collaboration and Coordination	$ 439,800	$ -	$ 346,539	$ 93,261	$ 93,261
Extended Opportunities Program and Services (EOPS)	2,978,456	-	495,517	2,482,939	2,482,939
Family PACT	3,616	-	-	3,616	1,699
Financial Aid Technology	458,650	-	368,766	89,883	89,883
Guided Pathways	948,437	-	422,474	525,963	525,963
Hunger Free Campus	210,557	-	122,115	88,443	88,443
ICT - Digital Media Statewide Director	81,929	-	-	81,929	81,929
Incarcerated Students Re-entry Program	84,304	-	-	84,304	84,304
Instructional Equipment	1,125,978	-	-	1,125,978	136,196
LGBTQ+ Program	276,618	-	276,618	-	-
Library Services Platform	26,648	-	26,648	-	-
Mental Health Services Support	762,952	-	684,311	78,641	78,641
MESA CCCP	82,562	-	20,335	62,226	62,226
Nursing Program Support	207,355	-	77,173	130,182	130,182
Puente Project	7,512	-	6,727	785	785
QRIS Block Grant	502,919	-	501,880	1,038	1,038
Retention & Enrollment Outreach	2,377,660	-	1,810,986	566,674	566,674
Song Brown Act	150,789	36,090	-	186,878	186,878
Staff Development - One time	121,290	-	121,290	-	-
Statewide Director - RHTLE	103,630	-	-	103,630	103,630
Student Equity and Achievement (SEAP)	15,909,825	-	3,447,255	12,462,570	12,462,570
Student Food and Housing Support	598,792	-	598,792	-	-
Student Success Completion Grant (SSCG)	2,973,956	-	496,934	2,477,022	2,477,022
SWP K12 & K14 TAP	2,903,067	-	1,176,627	1,726,440	1,726,440
SWP K12 Pathway Improvement	23,734,068	-	17,201,976	6,532,092	6,532,092
Telecommunication Technology Infrastructure (TTIP)	2,599	-	2,599	-	-
Veteran Resource Center - One-time Fund	77,917	-	77,917	-	-
VRC Grant Program	-	18,452	-	18,452	18,452
VRC Ongoing Funding	470,456	-	369,257	101,200	101,200
Total state programs	$ 132,010,132	$ 191,753	$ 63,213,165	$ 68,988,721	$ 68,084,161

See Notes to Supplementary Information

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2021 only)			
1. Noncredit*	1,296.76	-	1,296.76
2. Credit	1,628.95	-	1,628.95
B. Summer Intersession (Summer 2022 - Prior to July 1, 2022)			
1. Noncredit*	58.24	-	58.24
2. Credit	1,347.71	-	1,347.71
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,872.18	-	5,872.18
(b) Daily Census Contact Hours	377.60	-	377.60
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	2,005.83	-	2,005.83
(b) Credit	2,805.48	-	2,805.48
3. Alternative Accounting Procedures Census			
(a) Weekly Census Procedure Courses	3,599.90	-	3,599.90
(b) Daily Census Procedure Courses	3,655.76	-	3,655.76
(c) Noncredit Independent Study/Distance Education Courses	3,554.57	-	3,554.57
D. Total FTES	26,202.98	-	26,202.98
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	1,779.68	-	1,779.68
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	2,619.01	-	2,619.01
2. Credit	14.61	-	14.61
CCFS-320 Addendum			
CDCP Noncredit FTES	5,636.03	-	5,636.03
Centers FTES			
1. Noncredit*	6,428.62	-	6,428.62

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revised as of November 2, 2022.

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 29,849,203	$ -	$ 29,849,203	$ 29,849,203	$ -	$ 29,849,203
Other	1300	29,702,994	-	29,702,994	29,702,994	-	29,702,994
Total Instructional Salaries		59,552,197	-	59,552,197	59,552,197	-	59,552,197
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	14,140,745	-	14,140,745
Other	1400	-	-	-	2,597,826	-	2,597,826
Total Noninstructional Salaries		-	-	-	16,738,571	-	16,738,571
Total Academic Salaries		59,552,197	-	59,552,197	76,290,768	-	76,290,768
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	27,664,169	-	27,664,169
Other	2300	-	-	-	1,463,491	-	1,463,491
Total Noninstructional Salaries		-	-	-	29,127,660	-	29,127,660
Instructional Aides							
Regular Status	2200	444,774	-	444,774	444,774	-	444,774
Other	2400	1,635,704	-	1,635,704	1,635,704	-	1,635,704
Total Instructional Aides		2,080,478	-	2,080,478	2,080,478	-	2,080,478
Total Classified Salaries		2,080,478	-	2,080,478	31,208,138	-	31,208,138
Employee Benefits	3000	29,835,160	-	29,835,160	60,921,541	-	60,921,541
Supplies and Material	4000	-	-	-	1,176,429	-	1,176,429
Other Operating Expenses	5000	5,932,236	-	5,932,236	17,560,355	-	17,560,355
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		97,400,071	-	97,400,071	187,157,231	-	187,157,231

		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	$ 4,111,878	$ -	$ 4,111,878	$ 4,111,878	$ -	$ 4,111,878
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	5,902,025	-	5,902,025
Objects to Exclude							
Rents and Leases	5060	-	-	-	690,776	-	690,776
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 4,015,645	$ -	$ 4,015,645
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		4,111,878	-	4,111,878	14,720,324	-	14,720,324
Total for ECS 84362, 50 Percent Law		$ 93,288,193	$ -	$ 93,288,193	$ 172,436,907	$ -	$ 172,436,907
Percent of CEE (Instructional Salary Cost/Total CEE)		54.10%		54.10%	100.00%		100.00%
50% of Current Expense of Education					$ 86,218,454		$ 86,218,454

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				$ 52,402,187
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 52,402,187	$ -	$ -	$ 52,402,187
Total Expenditures for EPA		$ 52,402,187	$ -	$ -	$ 52,402,187
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 65,785,969	
Special Revenue Funds	17,219,287	
Capital Project Funds	109,300,940	
Debt Service Funds	31,690,798	
Internal Service Funds	(26,032,744)	
Fiduciary Funds	247,082,424	
Total fund balance - all District funds		$ 445,046,674
Amounts held in trust on behalf of others (OPEB Trust and Custodial Funds)		(247,082,424)
The District's investment in the Orange County Educational Investment Pool is reported at fair market value in the Statement of Net Position.		(5,292,365)
Capital and right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	772,620,645	
Accumulated depreciation is	(250,046,556)	
The cost of right-to-use leased assets is	1,528,755	
Accumulated amortization is	(713,748)	
Total capital and right-to-use leased assets, net		523,389,096
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 debt refunding	14,229,445	
Deferred outflows of resources related to OPEB	18,283,645	
Deferred outflows of resources related to pensions	41,112,486	
Total deferred outflows of resources		73,625,576
Lease receivables are reported in the Statement of Net Position, but were not reported in the District's CCFS-311 report.		31,555
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(3,313,176)

Long-term liabilities, including bonds payable, 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:		
General obligation bonds	$ (345,055,313)	
Leases	(829,786)	
Compensated absences	(8,602,960)	
Less amount reported as a liability in the funds	938,683	
Fiananced purchases	(144,988)	
Early retirement incentive	(5,900,514)	
Aggregate net other postemployment benefits (OPEB) liability	(62,909,681)	
Less amount reported as a liability in the funds	79,816,890	
Aggregate net pension liability	(129,853,833)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(86,412,758)	
Total long-term liabilities		$ (558,954,260)
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	(54,865,781)	
Deferred inflows of resources related to pensions	(85,724,088)	
Deferred inflows of resources related to leases	(31,220)	
Total deferred inflows of resources		(140,621,089)
Total net position		$ 86,829,587

Note 1 - Purpose of Schedules

District Organization

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

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. 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. No federal assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate.

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which 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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of 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.

Independent Auditor's Reports
June 30, 2022

Rancho Santiago Community College District

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Rancho Santiago Community College District
Santa Ana, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon December 7 2022.

Adoption of New Accounting Standard

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

Report on Internal Control over Financial Reporting

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

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

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 7, 2022

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

Board of Trustees
Rancho Santiago Community College District
Santa Ana, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 7, 2022

Independent Auditor's Report on State Compliance

Board of Trustees
Rancho Santiago Community College District
Santa Ana, California

Report on State Compliance

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

Opinion

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

Basis for Opinion

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

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

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with state laws and regulations applicable to the following:

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

The District did not expend any funds from the COVID-19 Response Block Grant during the year; therefore, the compliance requirements within this section were not applicable.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 7, 2022

Financial statements

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

Federal awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Higher Education Emergency Relief Funds, Minority Serving Institutions	84.425L
TRIO Cluster	84.042A, 84.044A, 84.047A, 84.047M, 84.047V

Dollar threshold used to distinguish between type A and type B programs	$2,168,676
Auditee qualified as low-risk auditee?	Yes

State compliance

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

None reported.

None reported.

None reported.

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