

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

ORANGE COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2011**

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2011

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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706-1640

We have audited the accompanying basic financial statements of the Rancho Santiago Community College District, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the financial position of the Rancho Santiago Community College District as of June 30, 2011, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the Rancho Santiago Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Trustees
Rancho Santiago Community College District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of postemployment healthcare benefits funding progress are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Rancho Santiago Community College District financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Rancho Santiago Community College District. The supplementary section, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Rancho Santiago Community College District (the "District") for the year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes thereto which follow this section.

The District is reporting according to the standards of Governmental Accounting Standards Board Statements No. 34 and 35 using the Business Type Activity (BTA) model. The California Community College Chancellor's Office, through the Fiscal Standards and Accountability Committee of the Association of Chief Business Officials (ACBO), recommended that all community college districts use the reporting standards under the BTA model.

Rancho Santiago Community College District, governed by a seven member Board of Trustees, includes two comprehensive community colleges Santa Ana College and Santiago Canyon College, including two large continuing education centers and various classroom locations throughout our communities. It is the vision of the District to be a leader in the state in student learning outcomes and be exceptionally sensitive and responsive to the economic and educational needs of our students and communities. The District's two colleges promote open access and celebrate the diversity of its students and staff, as well as the community. Santa Ana College and Santiago Canyon College offer associate degrees, vocational certificates and transfer education, as well as developmental instruction and a broad array of specialized training. The continuing education programs offer non-college credit programs including high school diploma completion, basic skills, vocational certificates and self-development courses.

BASIC FINANCIAL STATEMENTS

This Annual Report consists of five components: (1) Management's Discussion and Analysis; (2) Basic Financial Statements; (3) Notes to the Basic Financial Statements; (4) Required Supplementary Information and (5) Supplementary Information, which among other things, includes supplemental combining statements for the District's discretely presented component units and federal and state schedules.

The following condensed financial information provides an overview of the District's financial activities as of and for the fiscal years ended June 30, 2011 and 2010. The District's component unit activity is presented in discrete format in the Supplementary Information section of the annual financial report and is not included in this management's discussion and analysis section. Component unit activity for the District consists of the three related foundations: (1) the Santa Ana College Foundation, (2) the Santiago Canyon College Foundation and (3) the Rancho Santiago Community College District Foundation.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

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 Assets
- The Statement of Revenue, Expenses and Changes in Net Assets
- The Statement of Cash Flows

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets 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 Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent) and net assets (assets minus liabilities), presenting the reader a fiscal snapshot of the District.

From the data presented, readers of the Statement of Net Assets 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 Assets provides a picture of the net assets and their availability for expenditure by the District.

The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District; the change in net assets 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 Assets (formerly called fund balance) are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the equity amount in property, plant and equipment owned by the District. The second category is expendable restricted net assets; these net assets are 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 assets that are available to the District for any lawful purpose of the District.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2011**

The Statement of Net Assets as of June 30, 2011 and 2010 is summarized below:

	(in thousands)		2010 to 2011	2010 to 2011
ASSETS	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Current Assets:				
Cash and cash equivalents	\$ 189,100	\$ 197,479	\$ (8,379)	-4%
Other current assets	<u>33,211</u>	<u>29,232</u>	<u>3,979</u>	14%
Total current assets	<u>222,311</u>	<u>226,711</u>	<u>(4,400)</u>	-2%
Noncurrent Assets:				
Restricted cash and cash equivalents	13,110	10,462	2,648	25%
Other assets	3,162	3,361	(199)	-6%
Capital assets, net	<u>354,749</u>	<u>340,825</u>	<u>13,924</u>	4%
Total noncurrent assets	<u>371,021</u>	<u>354,648</u>	<u>16,373</u>	5%
Total assets	<u>\$ 593,332</u>	<u>\$ 581,359</u>	<u>\$ 11,973</u>	2%
LIABILITIES				
Current Liabilities:				
Accounts payables & accrued liabilities	\$ 17,499	\$ 19,071	\$ (1,572)	-8%
Other Current Liabilities	<u>25,891</u>	<u>24,573</u>	<u>1,318</u>	5%
Total current liabilities	43,390	43,644	(254)	-1%
Total noncurrent liabilities	<u>367,426</u>	<u>367,406</u>	<u>20</u>	0%
Total Liabilities	<u>410,816</u>	<u>411,050</u>	<u>(234)</u>	0%
NET ASSETS				
Invested in capital assets, net of related debt	115,567	121,095	(5,528)	-5%
Restricted	26,378	22,750	3,628	16%
Unrestricted	<u>40,571</u>	<u>26,464</u>	<u>14,107</u>	53%
Total net assets	<u>182,516</u>	<u>170,309</u>	<u>12,207</u>	7%
Total liabilities and net assets	<u>\$ 593,332</u>	<u>\$ 581,359</u>	<u>\$ 11,973</u>	2%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

Fiscal year ended 2011 compared to 2010

- Other current assets increased by approximately \$4 million, which is mainly attributable to additional State apportionment deferrals.
- Net capital assets increased by approximately \$13.9 million mainly due to completed construction of the following projects: (1) Physical Education Building W at Santa Ana College, (2) Library at Santiago Canyon, (3) Maintenance & Operations Building at Santiago Canyon College, (4) Parking Structure at Santa Ana College and (5) Athletic Fields at Santa Ana College.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present the operating and non-operating revenues earned whether received or not, by the District, the operating and non-operating 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. Non-operating revenues are those received or pledged for which goods and services are not provided; for example, state appropriations while budgeted for operations, are considered non-operating 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.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2011**

The Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2011 and 2010 is summarized below:

	(in thousands)			
REVENUES	<u>2011</u>	<u>2010</u>	<u>2010 to 2011 Change</u>	<u>2010 to 2011 % Change</u>
Operating revenues:				
Net tuition and fees	\$ 10,406	\$ 11,738	\$ (1,332)	-11%
Grants and contracts, non-capital	53,905	47,397	6,508	14%
Auxiliary enterprise, net	<u>5,871</u>	<u>6,343</u>	<u>(472)</u>	-7%
Total operating revenues	<u>70,182</u>	<u>65,478</u>	<u>4,704</u>	7%
EXPENSES				
Operating expenses:				
Salaries	100,890	101,617	(727)	-1%
Employee benefits	35,045	33,377	1,668	5%
Supplies, materials, other operating expenses and services	29,819	29,479	340	1%
Financial aid	23,474	16,090	7,384	46%
Utilities	3,499	3,441	58	2%
Depreciation	<u>11,060</u>	<u>7,980</u>	<u>3,080</u>	39%
Total operating expenses	<u>203,787</u>	<u>191,984</u>	<u>11,803</u>	6%
Operating loss	<u>(133,605)</u>	<u>(126,506)</u>	<u>(7,099)</u>	6%
NONOPERATING REVENUES (EXPENSES)				
State apportionments, noncapital	91,351	85,577	5,774	7%
Local property taxes	41,868	45,111	(3,243)	-7%
State taxes and other revenues	4,674	5,104	(430)	-8%
Investment income	1,197	2,980	(1,783)	-60%
Other nonoperating revenues/(expenses), net	<u>(14,806)</u>	<u>(14,422)</u>	<u>(384)</u>	3%
Total nonoperating revenues (expenses)	<u>124,284</u>	<u>124,350</u>	<u>(66)</u>	0%
Loss before other revenues, expenses, gains or losses	(9,321)	(2,156)	(7,165)	332%
Apportionments & property taxes, capital	21,358	24,004	(2,646)	-11%
Investment & other income, capital	170	246	(76)	-31%
Loss on disposal of fixed asset	<u>-</u>	<u>(43)</u>	<u>43</u>	-100%
Increase in net assets	12,207	22,051	(9,844)	-45%
NET ASSETS				
Net assets-beginning of year	<u>170,309</u>	<u>148,258</u>	<u>22,051</u>	15%
Net assets-end of year	<u>\$ 182,516</u>	<u>\$ 170,309</u>	<u>\$ 12,207</u>	7%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

Fiscal year ended 2011 compared to 2010

- Grants and contracts increased nearly \$6.5 million. The bulk of the increase is mainly due to additional Student Financial Aid applications related to Pell Grant entitlements and Direct Loans. The District implemented the new Direct Loan Program in June 2010. Many students took advantage of this program beginning fiscal year 2010-11.
- More students were processed for Financial Aid funding compared to the previous fiscal year. Therefore, expenses in this area have increased nearly \$7.4 million overall. As indicated above, approximately \$6.5 million relates to Pell Grant entitlements and Direct Loans. The remaining \$0.9 million is due to an increase in CAL Grant entitlements.
- Investment income decreased by approximately \$1.8 million primarily due to the District spending down bond proceeds for various construction projects and reduced interest income earned from the County Treasury.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due and 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 non-operating, non-investing and non-capital 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 Assets.

Statement of Cash Flows

(in thousands)

Fiscal year ended June 30,

	2011	2010	2010 to 2011 Change	2010 to 2011 % Change
Cash Provided By (Used In):				
Operating activities	\$ (120,309)	\$ (118,760)	\$ (1,549)	1%
Non-capital financing activities	151,430	148,521	2,909	2%
Capital financing activities	(39,035)	(39,113)	78	0%
Investing activities	<u>2,183</u>	<u>2,587</u>	<u>(404)</u>	-16%
Net change in cash & cash equivalents	(5,731)	(6,765)	1,034	-15%
Cash & cash equivalents - Beginning of year	<u>207,941</u>	<u>214,706</u>	<u>(6,765)</u>	-3%
Cash & cash equivalents - End of year	<u>\$ 202,210</u>	<u>\$ 207,941</u>	<u>\$ (5,731)</u>	-3%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

Statement of Cash Flows

- 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.
- Non-capital 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).

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	(in thousands)			
	Balances for fiscal year ended June 30,			
	2011	2010	2010 to 2011 Change	2010 to 2011 % Change
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 84,875	\$ 84,875	\$ -	0%
Buildings & improvements	261,086	241,912	19,174	8%
Construction in progress	53,072	50,793	2,279	4%
Equipment	<u>58,480</u>	<u>56,867</u>	<u>1,613</u>	3%
Capital assets, gross	457,513	434,447	23,066	5%
Less: accumulated depreciation	<u>102,764</u>	<u>93,622</u>	<u>9,142</u>	10%
Capital assets, net	<u>\$ 354,749</u>	<u>\$ 340,825</u>	<u>\$ 13,924</u>	4%

Fiscal year ended 2011 compared to 2010

As of June 30, 2011, the District had \$457.5 million in capital assets, less \$102.8 million accumulated depreciation for net capital assets of \$354.7 million. The District continues to work on the facilities projects that are part of the \$337 million bond master plan. The District spent approximately \$25 million on capital assets in 2010-11, of which \$22 million relates to bond proceeds, \$0.8 million relates to State Bond Funding and the remaining \$2.2 million is equipment. Depreciation charges totaled \$11.1 million in 2010-11.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2011**

Debt Administration

	(in thousands)			
	Balances for fiscal year ended June 30,			
	2011	2010	2010 to 2011 Change	2010 to 2011 % Change
Bond obligations	\$ 337,166	\$ 338,997	\$ (1,831)	-1%
Other accrued liabilities	44,199	41,168	3,031	7%
Total	381,365	380,165	1,200	0%
Less: due within one year	13,939	12,759	1,180	9%
Total long-term liabilities	\$ 367,426	\$ 367,406	\$ 20	0%

Fiscal year ended 2011 compared to 2010

At June 30, 2011, the District had \$367.4 million in outstanding long-term debt approximately the same amount as compared to June 30, 2010.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

State Economy

- The financial position of the Rancho Santiago Community College District is closely tied to that of the State of California. The District receives over half of its funding through state apportionments and local property taxes. These two sources along with student paid enrollment fees essentially make up the District's general apportionment, the main funding support for California community colleges.
- Due to the ongoing national and state recession, California continues to feel the effects of a number of negative economic indicators. The 2011-12 state budget plan was supposed to solve a \$26.6 billion budget gap through major program reductions, borrowings and transfers, and an optimistic assumption of major revenue gains beyond what had been previously estimated. To date, these additional revenues have not materialized. The consequence for community colleges is an additional erosion of state funding support and therefore colleges have been compelled to make significant budget cuts, including reduced services and class offerings for our students.
- The state built in mid-year trigger mechanisms that will necessitate additional budget cuts if revenues do not meet estimates.

RSCCD Budget

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

- The 2011-12 state budget for community colleges again contains no Cost of Living Allowance (COLA) increase.
- The District budget includes a 6.2% Workload Measures reduction (negative growth) which reduces Full-Time Equivalent Students served to 28,839.
- The District budgeted for cuts at the Trigger 1 level amounting to \$1 million.
- The District has not budgeted for cuts at the Trigger 2 level. The estimated \$2 million that would be reduced if this trigger was pulled will be covered on a one-time basis from the District Unrestricted Contingency of \$27 million.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2011

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice Chancellor, Business Operations & Fiscal Services, 2323 North Broadway, Santa Ana, CA 92706 (714) 480-7340.

BASIC FINANCIAL STATEMENTS

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Primary Government</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 188,951,006	\$ 793,221
Investments in local agency investment fund	149,080	
Investments		7,177,752
Accounts receivable, net	30,422,317	74,371
Due from fiduciary funds	554,019	
Due from affiliated foundation	79,977	
Inventory	1,585,621	
Prepaid expenses	370,008	
Capitalized fees	199,307	
Total Current Assets	<u>222,311,335</u>	<u>8,045,344</u>
Non-Current Assets:		
Restricted cash and cash equivalents	13,110,367	
Capitalized fees	3,161,839	
Capital assets, net of accumulated depreciation	<u>354,749,189</u>	604
Total Non-Current Assets	<u>371,021,395</u>	<u>604</u>
TOTAL ASSETS	<u>\$ 593,332,730</u>	<u>\$ 8,045,948</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 8,911,383	\$ 11,694
Accrued liabilities	8,588,323	
Due to District		79,977
Due to fiduciary funds	540,078	
Deferred revenue	5,335,977	28,000
Compensated absences	5,391,479	
Bonds payable	6,030,883	
Estimated liability for open claims and IBNR's	684,502	
Other post-employment benefits	7,892,696	
Notes payable	<u>15,001</u>	
Total Current Liabilities	<u>43,390,322</u>	<u>119,671</u>
Non-Current Liabilities:		
Bonds payable	331,135,080	
Other post-employment benefits	<u>36,291,317</u>	
Total Non-Current Liabilities	<u>367,426,397</u>	<u>-</u>
TOTAL LIABILITIES	<u>410,816,719</u>	<u>119,671</u>
NET ASSETS		
Invested in capital assets, net of related debt	115,567,372	
Restricted for:		
Capital projects	18,127,153	
Debt service	7,344,224	
Permanent endowment		93,338
Scholarships and loans		1,409,182
Other special purposes	905,985	5,638,041
Unrestricted	<u>40,571,277</u>	<u>785,716</u>
TOTAL NET ASSETS	<u>182,516,011</u>	<u>7,926,277</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 593,332,730</u>	<u>\$ 8,045,948</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	Primary Government	Component Units
OPERATING REVENUES		
Tuition and fees (gross)	\$ 15,351,323	\$
Less: Scholarship discounts and allowances	(4,945,259)	
Net tuition and fees	10,406,064	
Grants and contracts, non-capital:		
Federal	37,255,917	
State	14,366,980	
Local	2,282,469	1,545,665
Sales	5,871,493	
TOTAL OPERATING REVENUES	<u>70,182,923</u>	<u>1,545,665</u>
OPERATING EXPENSES		
Salaries	100,889,645	
Employee benefits	35,045,337	
Supplies, materials, and other operating expenses and services	29,647,194	1,525,523
Transfer to agency funds	172,000	
Financial aid	23,473,873	
Utilities	3,498,988	
Depreciation	11,060,649	
TOTAL OPERATING EXPENSES	<u>203,787,686</u>	<u>1,525,523</u>
OPERATING GAIN (LOSS)	<u>(133,604,763)</u>	<u>20,142</u>
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	91,350,710	
Local property taxes	41,867,598	
State taxes and other revenue	4,674,236	
Interest and investment income, non-capital	1,196,713	384,762
Interest expense	(14,978,350)	
Other non-operating revenue	171,899	535,834
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>124,282,806</u>	<u>920,596</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>(9,321,957)</u>	<u>940,738</u>
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
State apportionments, capital	810,504	
Interest and investment income, capital	170,262	
Local property taxes and other revenues	20,547,819	
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	<u>21,528,585</u>	<u>-</u>
INCREASE IN NET ASSETS	12,206,628	940,738
NET ASSETS, BEGINNING OF YEAR	<u>170,309,383</u>	<u>6,985,539</u>
NET ASSETS, END OF YEAR	<u>\$ 182,516,011</u>	<u>\$ 7,926,277</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

	Primary Government	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 10,591,423	\$
Federal grants and contracts	36,661,796	
State grants and contracts	15,043,881	
Local grants and contracts	12,337,472	1,220,225
Sales	6,353,991	
Payments to suppliers	(35,754,905)	(586,244)
Payments to/on-behalf of employees	(141,913,746)	
Payments to/on-behalf of students	(23,767,547)	(483,912)
Net amounts due to fiduciary funds	138,793	
Net cash provided (used) by operating activities	(120,308,842)	150,069
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	87,663,850	
Property taxes	60,114,524	
State tax and other revenues	3,651,834	
Net cash provided by non-capital financing activities	151,430,208	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital investments	155,721	
State apportionment for capital purposes	1,483,760	
Purchases of capital assets	(24,034,746)	
Principal and interest paid on capital debt	(16,640,282)	
Net cash used by capital and related financing activities	(39,035,547)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	2,183,524	
Reinvested interest and dividends		(15,758)
Purchase of investments		(2,976,023)
Proceeds on the sale of investments		2,657,858
Net cash provided (used) by investing activities	2,183,524	(333,923)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,730,657)	(183,854)
CASH AND CASH EQUIVALENTS - Beginning of Year	207,941,110	977,075
CASH AND CASH EQUIVALENTS - End of Year	\$ 202,210,453	\$ 793,221

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES

	<u>Primary Government</u>	<u>Component Units</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating gain (loss)	\$ (133,604,763)	\$ 20,142
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	11,060,649	1,041
Investment income		920,596
Unrealized gain on investments		(738,488)
Changes in assets and liabilities:		
Receivables, net	(376,264)	(3,982)
Inventory	(480,905)	
Prepaid expense	(201,293)	
Accounts payable and accrued liabilities	(260,507)	(18,552)
Other post-employment benefits	3,061,329	
Deferred revenue	243,671	(7,396)
Due to affiliated foundations		(21,128)
Compensated absences	(61,557)	
Due to District, net	<u>310,798</u>	<u>(2,164)</u>
Net cash provided (used) by operating activities	<u>\$ (120,308,842)</u>	<u>\$ 150,069</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Agency Fund</u>	<u>Trust Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,382,648	\$ 1,253,354
Miscellaneous accounts receivable		303
Due from District		<u>540,078</u>
TOTAL ASSETS	<u>1,382,648</u>	<u>1,793,735</u>
LIABILITIES		
Accounts payable		94,621
Due to District		554,019
Funds held in trust	<u>1,382,648</u>	
TOTAL LIABILITIES	<u>1,382,648</u>	<u>648,640</u>
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ 1,145,095</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2011

	Trust Funds
ADDITIONS	
Interest and investment income	\$ 2,250
Other local revenues	1,720,507
TOTAL ADDITIONS	1,722,757
DEDUCTIONS	
Salaries and benefits	611,204
Other operating expenses	922,967
Capital outlay	107,775
TOTAL DEDUCTIONS	1,641,946
Excess of additions over deductions	80,811
OTHER SOURCES	
Transfer in from governmental funds, net	172,000
TOTAL OTHER SOURCES	172,000
CHANGES IN NET ASSETS	252,811
NET ASSETS - BEGINNING OF YEAR	892,284
NET ASSETS - END OF YEAR	\$ 1,145,095

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of elected officials who, together, constitute the Board of Trustees.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

A. REPORTING ENTITY (continued)

3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the following potential component units have been included in the District's reporting entity:

The Rancho Santiago Community College District Foundation – is a nonprofit organization, organized in 1998, which operates as an auxiliary organization of the Rancho Santiago Community College District. The primary functions of the foundation are community and institutional development and administration of the Endowment Challenge Grant.

The Santa Ana College Foundation – is a nonprofit organization, organized in 1968 to assist in the achievement and maintenance of a superior program of public education and community participation with the Rancho Santiago Community College District by receiving contributions from the public, raising funds and making contributions to educational and community programs of Santa Ana College, and by developing, conducting and financing programs and projects designed to benefit the students enrolled in the educational and community programs of the District.

The Santiago Canyon College Foundation – is a nonprofit organization, organized in July 1998 which operates as an auxiliary organization of the Rancho Santiago Community College District. The primary functions of the foundation are to enhance and augment the mission of Santiago Canyon College (SCC). Its purpose is to seek, receive, and secure donations and gifts to assist the college in meeting its short and long-range goals and objectives.

The financial statements for the above foundations can be obtained from their respective offices.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* and including Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities*, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective used for internal reporting purposes. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

For internal accounting purposes, the budgetary and financial accounts of the District have been recorded and maintained in accordance with the California Community College Systems Office *Budget and Accounting Manual*.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's Governing Board must approve a budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles (GAAP).

These budgets are revised by the District's Governing Board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. All material receivables are considered fully collectible. The District recognized for budgetary and financial reporting purposes the amount of state appropriations deferred from the current fiscal year and appropriated from the subsequent fiscal year for payment of current year costs as a receivable in the current year.

3. Inventories

Inventories are presented at the lower of cost or market on an average basis. Inventory consists of items held for resale through the bookstore. Expendable instructional, custodial, health and other supplies held for consumption are expensed when purchased.

4. Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

5. Capitalized Fees

Amounts paid for fees and underwriting costs associated with long-term debt are capitalized and amortized to interest expense over the life of the liability. These costs are amortized using the straight-line method.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

6. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants, contracts, and debt service requirements.

7. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 50 years for buildings and building improvements, 15 years for portable buildings, 10 years for land improvements, 8 years for equipment and vehicles and 3 years for technology equipment. Land and construction in progress are not depreciated.

8. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable of \$8,588,323.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

9. Deferred Revenue

Cash received for Federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

10. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as a liability of the District as compensated absences in the Statement of Net Assets. The entire compensated absences liability is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

The District has accrued a liability for the amounts attributable to load banking hours within accrued liabilities. Load banking hours consist of hours worked by instructors in excess of a full-time load for which they may carryover for future paid time off.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave.

Accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires and within the constraints of the appropriate retirement systems.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

11. Net Assets

Invested in capital assets, net of related debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net assets – nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

12. State Apportionments

Certain current year apportionments from the state are based upon various financial and statistical information of the previous year.

Any prior year corrections due to the recalculation in February of 2012 will be recorded in the year computed by the State.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

13. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Finance. This is generally on a cash basis. A receivable has not been accrued in these financial statements for debt services because it cannot be estimated. A receivable has not been recognized in the General Fund for property taxes due to the fact that any receivable is offset by a payable to the State for apportionment purposes.

14. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers' and Public Employees' Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory was issued instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$1,151,000 for STRS.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

15. Classification of Revenues

The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances, and Federal and most state and local grants and contracts.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

16. Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. BASIS OF ACCOUNTING (continued)

17. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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.

NOTE 2 - DEPOSITS AND INVESTMENTS:

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2011, \$5,857,452 of the District's bank balance of \$6,295,027 was exposed to credit risk as it was uninsured and collateral held by pledging bank's trust department was not in District's name.

Cash in County

In accordance with the Budget and Accounting manual, the District maintains substantially all of its cash in the Orange County Treasury as part of the common education investment pool. These pooled funds are carried at unamortized cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2011, as provided by the pool sponsor, was \$199,316,936.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

A. Deposits (continued)

Cash in County (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. The County investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

B. Investments

The District maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to \$149,080 as of June 30, 2011. LAIF pools these funds with other governmental agencies and invests in various investment vehicles. These pooled funds approximate fair value. Regulatory oversight is provided by the State Pooled Money Investment Board and the Local Investment Advisory Board. LAIF is not subject to categorization as prescribed by GASB Statement No. 3 to indicate the level of custodial credit risk assumed by the District at year end.

NOTE 3 - ACCOUNTS RECEIVABLE:

The accounts receivable balance as of June 30, 2011 consists of the following:

Federal and State	\$28,488,147
Miscellaneous, net	<u>1,934,170</u>
	<u>\$30,422,317</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 4 - INTERFUND TRANSACTIONS:

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund receivables and payables result when the interfund transfer is transacted after the close of the fiscal year. Interfund activity within the government funds has been eliminated in the basic financial statements.

NOTE 5 - CAPITAL ASSETS:

The following provides a summary of changes in capital assets for the year ended June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets Not Being Depreciated:				
Land	\$ 84,875,123	\$	\$	\$ 84,875,123
Construction in progress	<u>50,792,502</u>	<u>16,748,699</u>	<u>(14,468,821)</u>	<u>53,072,380</u>
Total capital assets not being depreciated	<u>135,667,625</u>	<u>16,748,699</u>	<u>(14,468,821)</u>	<u>137,947,503</u>
Capital Assets Being Depreciated:				
Buildings and improvements	241,912,040	19,173,746		261,085,786
Equipment	<u>56,867,485</u>	<u>3,531,272</u>	<u>(1,918,325)</u>	<u>58,480,432</u>
Total capital assets being depreciated	<u>298,779,525</u>	<u>22,705,018</u>	<u>(1,918,325)</u>	<u>319,566,218</u>
Less Accumulated Depreciation for:				
Buildings and improvements	48,334,547	7,079,503		55,414,050
Equipment	<u>45,287,661</u>	<u>3,981,146</u>	<u>(1,918,325)</u>	<u>47,350,482</u>
Total accumulated depreciation	<u>93,622,208</u>	<u>11,060,649</u>	<u>(1,918,325)</u>	<u>102,764,532</u>
Governmental activities capital assets, net	<u>\$ 340,824,942</u>	<u>\$ 28,393,068</u>	<u>\$ (14,468,821)</u>	<u>\$ 354,749,189</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 6 - OPERATING LEASES:

The District has entered into various operating leases for land, buildings, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2011-12	\$ 378,026
2012-13	228,775
2013-14	39,215
2014-15	37,890
2015-16	<u>2,673</u>
Total	\$ <u>686,579</u>

Current year expenditures for operating leases including year-to-year agreements were approximately \$761,175. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7 - 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 will be used to finance the construction, acquisition, and modernization of certain property and District facilities. On March 21, 2003, the District issued General Obligation Bonds, Election of 2002, Series 2003A of \$96,125,000 of current interest bonds. Interest ranges from 2.5% to 5.0% payable semiannually on March 1 and September 1.

On March 10, 2005, the District issued General Obligation Bonds, Election 2002, Series B of \$111,175,000 of current interest and \$8,824,867 of capital appreciation bonds. Interest ranges from 3.0% to 5.125% payable semiannually on March 1 and September 1.

On September 21, 2006, the District issued the General Obligation Bonds, Election 2002, Series C of \$86,255,000 of current interest bonds and \$34,619,329 of capital appreciation bonds. Interest ranges from 3.375% to 5.0% payable semiannually March 1 and September 1.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS: (continued)

On August 5, 2005, the District issued 2005 General Obligation Refunding Bonds of \$49,925,000 of current interest bonds and \$3,634,299 of capital appreciation bonds. Interest rates range from 3.57% to 5.25% payable semiannually on March 1 and September 1.

Capital appreciation bonds were issued for Series B, C and the Refunded Bond with maturity dates from September 1, 2007 through September 1, 2025, September 1, 2024 through September 1, 2031, and September 1, 2010 through September 1, 2013 respectively.

The refunding proceeds were issued to pay off a portion of the Series A general obligation bonds. The refunding proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased. The difference between the present value of the economic gain and the net carrying value of the refunded bonds has been netted against the new debt and amortized over the life of the new debt which is shorter than the life of the old debt. The amount of debt that remains outstanding at June 30, 2011 for the original Series A issuance is \$23,290,000. The amount of refunded debt to be paid from the escrow account at June 30, 2011 for Series A is \$49,170,000.

The outstanding bonded debt for Rancho Santiago Community College District at June 30, 2011 is:

<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2010</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2011</u>
Series A	3/21/2003	2.5 - 5.0	2028	\$ 96,125,000	\$ 25,250,000	\$	\$ 1,960,000	\$ 23,290,000
Series B	3/10/2005	3.0 - 5.13	2030	119,999,867	115,982,119		1,218,440	114,763,679
Accreted Interest					2,365,760	613,025	86,560	2,892,225
Series C	9/21/2006	3.38 - 5.0	2032	120,874,329	118,864,329			118,864,329
Accreted Interest					5,788,275	2,226,212		8,014,487
Refunding Bond	8/5/2005	3.57 - 5.25	2024	53,559,299	53,559,299		569,282	52,990,017
Accreted Interest					605,028	165,579	110,718	659,889
				<u>\$ 390,558,495</u>	<u>\$ 322,414,810</u>	<u>\$ 3,004,816</u>	<u>\$ 3,945,000</u>	<u>321,474,626</u>
						Bond Premium		18,103,442
						Deferred Charge on Refunding		(2,412,105)
						Total Bonds Payable		<u>\$ 337,165,963</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2011, are as follows:

Series A

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2012	\$ 2,125,000	\$ 886,400	\$ 3,011,400
2013	2,310,000	808,788	3,118,788
2014	2,500,000	721,488	3,221,488
2015	2,710,000	625,494	3,335,494
2016	2,925,000	521,531	3,446,531
2017-2021	2,500,000	2,075,625	4,575,625
2022-2026	6,070,000	1,018,969	7,088,969
2027-2028	2,150,000	97,875	2,247,875
	<u>\$ 23,290,000</u>	<u>\$ 6,756,170</u>	<u>\$ 30,046,170</u>

Series B

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$ 1,503,907	\$ 5,370,161	\$ 126,093	\$ 7,000,161
2013	1,796,804	5,367,858	173,196	7,337,858
2014	2,112,095	5,358,070	227,905	7,698,070
2015	2,439,758	5,344,604	290,242	8,074,604
2016	2,787,544	5,329,018	362,456	8,479,018
2017-2021	19,341,780	26,041,847	3,288,221	48,671,848
2022-2026	29,621,791	23,547,953	6,018,209	59,187,953
2027-2030	55,160,000	6,556,056		61,716,056
	<u>\$ 114,763,679</u>	<u>\$ 82,915,567</u>	<u>\$ 10,486,322</u>	<u>\$ 208,165,568</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - GENERAL OBLIGATION BONDS: (continued)

Series C

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$ 255,000	\$ 3,802,185	\$	\$ 4,057,185
2013	660,000	3,786,332		4,446,332
2014	700,000	3,757,282		4,457,282
2015	760,000	3,726,007		4,486,007
2016	615,000	3,701,085		4,316,085
2017-2021	12,990,000	17,354,058		30,344,058
2022-2026	51,562,622	12,545,676	1,617,378	65,725,676
2027-2031	42,965,430	72,055,163	59,964,570	174,985,163
2032	<u>8,356,277</u>	<u>11,714,362</u>	<u>23,428,724</u>	<u>43,499,363</u>
	<u>\$ 118,864,329</u>	<u>\$ 132,442,150</u>	<u>\$ 85,010,672</u>	<u>\$ 336,317,151</u>

Refunding Bond

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2012	\$ 903,458	\$ 2,552,713	\$ 226,542	\$ 3,682,713
2013	921,911	2,552,713	288,089	3,762,713
2014	1,239,648	2,552,713	470,353	4,262,714
2015	2,235,000	2,496,838		4,731,838
2016	2,865,000	2,369,338		5,234,338
2017-2021	30,035,000	7,789,944		37,824,944
2022-2024	<u>14,790,000</u>	<u>953,663</u>		<u>15,743,663</u>
	<u>\$ 52,990,017</u>	<u>\$ 21,267,922</u>	<u>\$ 984,984</u>	<u>\$ 75,242,923</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 8 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2011 is shown below:

	Beginning Balance July 1, 2010	Additions	Deductions	Ending Balance June 30, 2011	Amount Due in One Year
General Obligation Bond:					
Series 2003A - Current Interest	\$ 25,250,000	\$	\$ 1,960,000	\$ 23,290,000	\$ 2,125,000
Series 2003A - Bond Premium	827,631		59,116	768,515	59,116
Series B - Current Interest	108,010,000		985,000	107,025,000	1,225,000
Series B - Capital Appreciation	7,972,119		233,440	7,738,679	278,957
Series B - Capital Appreciation Accreted Interest	2,365,760	613,025	86,560	2,892,225	126,093
Series B - Bond Premium	7,657,520		399,523	7,257,997	399,523
Series C - Current Interest	84,245,000			84,245,000	255,000
Series C - Capital Appreciation	34,619,329			34,619,329	
Series C - Capital Appreciation Accreted Interest	5,788,275	2,226,212		8,014,487	
Series C - Bond Premium	6,642,192		313,804	6,328,388	313,804
Refunding Bond - Current Interest	49,925,000			49,925,000	
Refunding Bond - Capital Appreciation	3,634,299		569,282	3,065,017	903,458
Refunding Bond - Capital Appreciation Accreted Interest	605,028	165,579	110,718	659,889	226,542
Refunding Bond - Bond Premium	4,052,478		303,936	3,748,542	303,936
Deferred Charge on Refunding	(2,597,651)		(185,546)	(2,412,105)	(185,546)
Total bond payable	338,996,980	3,004,816	4,835,833	337,165,963	6,030,883
Notes payable	45,223		30,222	15,001	15,001
Total bond and notes payable	339,042,203	3,004,816	4,866,055	337,180,964	6,045,884
Other liabilities:					
Other Post-Employment Benefits (OPEB)	41,122,684	3,061,329		44,184,013	7,892,696
Total long-term liabilities	\$ 380,164,887	\$ 6,066,145	\$ 4,866,055	\$ 381,364,977	\$ 13,938,580

Liabilities are liquidated by the General Fund for governmental activities, including capital leases, compensated absences, net OPEB obligations and supplemental employee retirement plan. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 9 - EMPLOYEE RETIREMENT PLANS:

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS) and part-time, seasonal and temporary employees and employees not covered by STRS or PERS are members of the Public Agency Retirement System (PARS).

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary; currently the District contributes the employees' portion for California School Employees Association and confidential staff members. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established and may be amended by State statute.

Contributions to STRS and PERS

The District's contributions to STRS and PERS for each of the last three fiscal years is as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>STRS</u>		<u>PERS</u>	
	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>	<u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2009	\$5,266,829	100%	\$3,816,514	100%
2010	4,754,010	100%	3,414,219	100%
2011	4,709,012	100%	3,551,381	100%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 9 - EMPLOYEE RETIREMENT PLANS: (continued)

Public Agency Retirement System (PARS)

Plan Description

The Public Agency Retirement System (PARS) 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.

Funding Policy

Contributions of 7.5% of covered compensation of eligible employees are made by the employer and employee. Total contributions, employer and employee combined, were made in the amount of \$477,272 during the fiscal year. The total amount of covered compensation was \$6,363,621. Total contributions made are 100% of the amount of contributions required for fiscal year 2010-11.

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS:

Plan Description

The District currently provides retiree and dependent medical coverage to eligible academic and classified employees. Persons retiring with more than ten years but less than fifteen years of service are eligible to receive medical benefits on a self-pay basis. Persons retiring with fifteen years or more service are eligible to receive medical benefits up to \$30,780 for 2011. (The maximum for most employees is \$21,363 for fiscal year 2011). Currently 390 employees meet those eligibility requirements.

For employees whose first paid date of contract services is on or after May 31, 1986 and who subsequently qualify for the foregoing fifteen (15) year retiree service benefit, the District will pay its portion of the insurance premium until the retiree reaches age 70. After age 70, such retirees may continue coverage at their own expense.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Plan Description (continued)

Retirees' coverage ends the date the plan terminates or the date the retiree terminates coverage. In the instance of self-paid and partial paid retiree benefits, the coverage will be terminated when payment is 45 days past due. Dependent coverage terminates the date he/she ceases to be a dependent. The retiree health plan does not issue a separate financial report.

Funding Policy

The District currently finances benefits on a pay-as-you-go basis. The District contributes 100 percent of the cost of current year premiums for eligible retired plan members and their spouses as applicable. For fiscal year ended 2011, the District contributed \$6,592,549, consisting of \$5,066,051 for premiums and \$1,526,498 to set aside for the future liability. Total member contributions were \$144,781.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the OPEB obligations.

Annual required contribution (ARC)	\$ 7,892,696
Interest on net OPEB obligation	2,056,134
Adjustment to annual required contribution	<u>(1,821,450)</u>
Annual OPEB cost (expense)	8,127,380
Contributions made	<u>(5,066,051)</u>
Change in net OPEB obligation	3,061,329
Net OPEB obligation - Beginning of Year	<u>41,122,684</u>
Net OPEB obligation - End of Year	<u><u>\$ 44,184,013</u></u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 8,171,157	47.9%	\$ 37,471,336
6/30/2010	8,106,542	54.9%	41,122,684
6/30/2011	8,127,380	62.3%	44,184,013

Funding Status and Funding Progress

As of February 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$81,480,837 and the unfunded actuarial accrued liability (UAAL) was \$81,480,837. The covered payroll (annual payroll of active employees covered by the plan) was \$104,537,352, and the ratio of the UAAL to the covered payroll was 77.9%. Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for retiree health care costs. At June 30, 2011, the fund's cash balance was \$27,062,818.

Actuarial valuations of an ongoing benefit plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of postemployment healthcare benefits funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS: (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, if any, consistent with the long-term perspective of the calculations.

In the February 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5% long-term investment return on District funds, and an annual health care cost trend rate of 4%. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized using the level percentage of payroll method. The remaining amortization period at June 30, 2011, was twenty-one years.

NOTE 11 - JOINT POWERS AGREEMENT:

The District participates in two joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and Schools Excess Liability Fund (SELF).

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

SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, 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 SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 11 - JOINT POWERS AGREEMENT: (continued)

ASCIP is 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 the 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 the Rancho Santiago Community College District and the JPAs are such that none of the JPA's is a component unit of the District for financial reporting purposes.

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

Condensed financial information of ASCIP and SELF for the most current information available is as follows:

	ASCIP 6/30/2011 <u>(Unaudited)</u>	SELF 6/30/2011 <u>(Unaudited)</u>
Total assets	\$258,217,310	\$174,774,000
Total liabilities	<u>146,184,365</u>	<u>141,524,000</u>
Retained earnings	<u>\$112,032,945</u>	<u>\$ 33,250,000</u>
Total revenues	\$184,317,132	\$ 9,165,000
Total expenditures	<u>178,238,995</u>	<u>12,425,000</u>
Net increase (decrease) in retained earnings	<u>\$ 6,078,137</u>	<u>\$ (3,260,000)</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 12 - INTERNAL SERVICE FUND:

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; natural disasters; and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks 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 District is completely insured through ASCIP for worker's compensation and property and liability claims. The Self-Insurance Fund is subject to assessments from the SAWCXII JPA for worker's compensation claims for prior years (early 1990's) when the District was a member. The District participates in JPAs to provide excess insurance coverage above the self-insured retention level for worker's compensation and property and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior year claims and current year premiums. Workers' Compensation claims are charged to the respective funds which are covered by the current year policy; Property and Liability claims are paid by the General Fund.

At June 30, 2011, the District accrued the claims liability in accordance with GASB Statement No. 10, for claims that occurred when the District was self-insured. The present value of the liability is estimated at \$684,502. Changes in the reported liability are shown below:

	<u>Beginning Fiscal Year Liability</u>	<u>Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
Property and Liability	\$ 297,141	\$	\$	\$ 297,141
Workers' Compensation	<u>434,671</u>	<u>(5,029)</u>	<u>42,281</u>	<u>387,361</u>
	<u>\$ 731,812</u>	<u>\$ (5,029)</u>	<u>\$ 42,281</u>	<u>\$ 684,502</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 13 - RENTAL INCOME:

The District entered into a twelve-year operating lease contract with Santa Ana Unified School District in fiscal year 2001 to lease a building at Santa Ana College with annual lease payments of \$91,667 through 2013. The entire lease payment of \$1,100,000 was received in fiscal year 2001. This amount was recorded as deferred revenue and is being amortized to revenue over the twelve-year period. The balance of deferred revenue at June 30, 2011 is \$183,330.

NOTE 14 - FUNCTIONAL EXPENSE:

	Salaries & Benefits	Supplies, Materials & Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 63,232,454	\$ 3,225,869	\$	\$	\$ 66,458,323
Academic Support	12,458,046	468,791			12,926,837
Student Services	22,717,691	1,015,887			23,733,578
Operation & Maintenance of Plant	4,467,301	2,211,106			6,678,407
Institutional Support Services	21,994,658	4,617,198			26,611,856
Community Services & Economic Development	2,619,578	288,006			2,907,584
Ancillary Services & Auxiliary Operations	7,948,081	3,017,397			10,965,478
Physical Property & Related Acquisitions	497,173	10,673,876			11,171,049
Student Aid			23,473,873		23,473,873
Other Outgo		7,800,052			7,800,052
Depreciation Expense				11,060,649	11,060,649
Total	<u>\$ 135,934,982</u>	<u>\$ 33,318,182</u>	<u>\$ 23,473,873</u>	<u>\$ 11,060,649</u>	<u>\$ 203,787,686</u>

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

A. Litigation

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's financial statements.

B. State and Federal Allowances, Awards and Grants

The District has received state and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement may not be material.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 15 - COMMITMENTS AND CONTINGENCIES: (continued)

C. Purchase Commitments

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$4,140,000. Projects will be funded through bond proceeds, state funds and general funds.

NOTE 16 - RELATED PARTIES:

The District provides administrative services to the Foundations. The District pays salaries and benefits of the executive director, secretary and accountant. In addition, working space for employees who perform administrative services for the Foundations are provided by the District at no charge. The donated services and donated facilities for fiscal year 2011 were \$359,597 and \$18,448, respectively. Both have been reflected in the financial statements as donated services and facilities.

REQUIRED SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Entry Age Normal Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2/1/2008	\$ -	\$ 80,643,026	\$ 80,643,026	0.0%	\$ 122,846,428	65.6%
2/1/2010	\$ -	81,480,837	81,480,837	0.0%	104,537,352	77.9%

Note: Although the plan has no segregated assets, the District does maintain a portion of the self-insurance fund to designate resources for retiree health care costs. At June 30, 2011, the fund's cash balance was \$27,062,818.

See the accompanying notes to the required supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011

NOTE 1 - PURPOSE OF SCHEDULE:

Schedule of Postemployment Healthcare Benefits Funding Progress

This schedule is prepared to show information for the most recent actuarial valuation and in future years, the information from the three most recent actuarial valuations in accordance with Statement No. 45 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION

June 30, 2011

The Rancho Santiago Community College District was established in 1971 and serves a resident population of approximately 600,000 and includes portions of Santa Ana, Orange, Anaheim, Anaheim Hills, Irvine, Garden Grove, Newport Beach, Villa Park, Costa Mesa, Fountain Valley, Tustin and Yorba Linda. 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.

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expiration</u>
Brian E. Conley	President	December 2012
Phillip E. Yarbrough	Vice President	December 2014
John R. Hanna	Member	December 2014
Lisa Woolery	Member	December 2012
Mark McLoughlin	Member	December 2012
R. David Chapel, Ed.D.	Member	December 2012
Lawrence R. “Larry” Labrado	Member	December 2014
Andrew C. Hanson	Student Trustee	May 2012

DISTRICT EXECUTIVE OFFICERS

Raúl Rodríguez, Ph.D.	Chancellor
Erlinda Martinez, Ed.D.	President of Santa Ana College
Mr. Juan Vázquez	President of Santiago Canyon College
Mr. John Didion	Executive Vice Chancellor of Human Resources/ Educational Services
Mr. Peter Hardash	Vice Chancellor, Business Operations and Fiscal Services

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Education			
Direct:			
<i>Financial Aid Cluster</i>			
Federal Work Study	84.033		\$ 269,304
Perkins Loan	84.038		7,160
Pell Grant	84.063		17,923,866
Pell Grant - Financial Aid Administrative Allowance	84.063		8,963
S.E.O.G.	84.007		388,002
Direct Loans	84.268		3,589,634
Academic Competitiveness Grant	84.375		248,264
Total Financial Aid Cluster			<u>22,435,193</u>
<i>Adult Basic Education (ABE) Cluster</i>			
Adult Basic Education	84.002		146,043
ABE - English Literacy/Civics Education	84.002		1,448,215
ABE - ESL	84.002		2,046,184
ABE - Secondary Education	84.002		183,275
Total Adult Basic Education Cluster			<u>3,823,717</u>
<i>TRIO Cluster</i>			
Student Support Services	84.042		342,538
Talent Search	84.044		320,907
Upward Bound	84.047		287,410
Total TRIO Cluster			<u>950,855</u>
Gear Up III Program	84.334		578,684
Gear Up IV Program	84.334		981,296
Migrant Education - College Assistance Migrant Program	84.149		411,876
Title III - Strengthening Institutions	84.031		134,741
Title V - Strengthening Hispanic Serving Institutions	84.031S		262,338
Title V - CCRA	84.031		419,888
<i>Total direct from U.S. Department of Education</i>			<u>29,998,588</u>
Passed through from California Community College Chancellor's Office (CCCCO):			
Carl D. Perkins Career and Technical Education Act (CTE)			
CTE - Tech Prep, Education	84.243	99-TP-62	134,991
CTE - Title I-C	84.048	99-C01-046	1,753,554
CTE - Tech Prep, Demonstration Site	84.243	(1)	99,331
ARRA - State Fiscal Stabilization Fund	84.394	(1)	106,957
<i>Total passed through from California Community College Chancellor's Office</i>			<u>2,094,833</u>
Passed through from Department of Rehabilitation			
Rehabilitation Services - Vocational Rehabilitation Grants to State	84.126	(1)	361,207
Rehabilitation Services - Vocational Rehabilitation Grants to State - ARRA	84.390	(1)	42,493
<i>Total passed through from Department of Rehabilitation</i>			<u>403,700</u>
Passed through from University of California, Irvine (UCI):			
National Writing Project - Expanding Pathways to Community College	78.046	92-CA06	6,089
<i>Total passed through from U.S. Department of Education</i>			<u>2,504,622</u>

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2011

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Health and Human Services (HHS):			
Direct:			
Early Head Start-ARRA Expansion	93.709		2,079,681
Early Learning Mentor Coaches-ARRA	93.709		59,512
EMT/Nursing Continuing Ed	93.887		183,873
<i>Total direct from U.S. Department of Health and Human Services</i>			<u>2,323,066</u>
Passed through from California Department of Education (CDE):			
Child Development Infant Toddler Resource	93.575	CCAP-9050	5,837
Child Development Infant Toddler Resource-ARRA	93.713	CCAP-9050	1,855
Child Development Facilities Renovation & Repair-ARRA	93.713	CRPM-0080	33,333
<i>Total passed through from California Department of Education</i>			<u>41,025</u>
Passed through from California Community College Chancellor's Office (CCCCO):			
Temporary Assistance to Needy Families (TANF)	93.558	(1)	103,860
Passed through from Orange County Superintendent of Schools:			
Network for a Healthy California Coalition	N/A	(1)	73,747
Passed through from Yosemite Community College District:			
Child Development Training Consortium	N/A	(1)	11,774
<i>Total passed through from U.S. Department of Health and Human Services</i>			<u>230,406</u>
U.S. Department of Housing and Urban Development (HUD):			
Direct:			
Hispanic Serving Institutions Assisting Communities (HSIAC)	14.514		61,704
<i>Total direct from U.S. Department of Housing and Urban Development</i>			<u>61,704</u>
U.S. Department of Labor (DOL):			
Passed through from California Community College Chancellor's Office (CCCCO):			
Workforce Investment Act (WIA) - Nursing Grant	17.258	(1)	423,736
Technoogy Access Center - Job tech Lab	17.261		125,980
<i>Total passed through from U.S. Department of Labor</i>			<u>549,716</u>
U.S. Department of Agriculture (USDA):			
Direct:			
Partnership for Transfer Success in USDA Career Majors	10.223		90,088
<i>Total direct from U.S. Department of Agriculture</i>			<u>90,088</u>
Passed through from California Department of Education (CDE):			
Child and Adult Care Food Program	10.558	(1)	375,219
<i>Total passed through from U.S. Department of Agriculture</i>			<u>375,219</u>
National Science Foundation (NSF):			
Passed through from California State Fullerton (CSF):			
NSF - TESTUP	47.076	0757113	155,442
Passed through from California State Fullerton (CSF):			
NSF- TASEL-M 2	47.076	0929076	10,376
Passed through from California State Fullerton (CSF):			
NSF - FULL-MT2	47.076	1035315	17,222
<i>Total passed through from National Science Foundation</i>			<u>183,040</u>

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2011

<u>Program Name</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Small Business Administration (SBA):			
Direct:			
Women's Business Center	59.043		145,959
Passed through from California State University, Fullerton			
California Small Business Development Center (SBDC)	59.037	03CBE006	362,071
California Small Business Development Center (SBDC)	59.037	03CBE006	150,574
SBA Jobs Acts - (SBDC)	59.037	(1)	14,862
SBA Jobs Acts - Center for International Trade (CITD)	59.037	(1)	9,602
<i>Total passed through from California State University, Fullerton</i>			<u>537,109</u>
 Employment Development Department			
Passed through from California State University, Fullerton			
California Gang Reduction, Intervention & Prevention (CalGRIP)	17.259	(1)	2,404
<i>Total passed through from California State University, Fullerton</i>			<u>2,404</u>
 Employment Development Department and California Labor and Workforce Development Agency			
Passed through from California Community College Chancellor's Office (CCCCO):			
Economic Stimulus Program Fund for Phase II Allied Health Program Extension	17.258	(1)	253,996
Total Federal Awards			<u>\$ 37,255,917</u>
 Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Rancho Santiago Community College District had the following loan balance outstanding as of 6/30/11:			
Perkins			<u>\$ 220,737</u>

Note: (1) Pass-through entity identifying number not readily available.

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2011

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue		
State Categorical Aid Programs:					
AB1725 - Faculty and Staff Diversity	\$ 16,486	\$	\$ 5	\$ 16,481	\$ 16,481
AB77 - Handicapped	1,447,512			1,447,512	1,447,512
Basic Skills	2,152,184		1,170,238	981,946	981,946
California Math Diagnostic Testing	24,856			24,856	24,856
YESS - Youth Empowerment Strategy for Success	13,848	8,652		22,500	22,500
Cal Grant	882,478	40,419		922,897	922,897
CalWorks - Childcare	112,825		42,334	70,491	70,491
CalWorks	201,619			201,619	201,619
Care Program	95,497		12,155	83,342	83,342
Career Technical Education Community Collaborative II	779,784		447,019	332,765	332,765
Child Development Center	3,777,567	119,160		3,896,727	3,896,727
Child Development - Facilities Renovation Repair		46,021		46,021	46,021
Economic Development Program: BEC Statewide, BEC & YEP	419,175	26,984	156,624	289,535	289,535
Economic Development Program: BEC Statewide, BEC HUBS					
CITD, & YEP CITD	278,598	32,404	14,071	296,931	296,931
Economic Development Program: Enrollment Growth	84,913	13,322		98,235	98,235
Extended Opportunity Program and Services (EOPS)	1,319,392		38,562	1,280,830	1,280,830
Digital Media Center	2,500			2,500	2,500
Matriculation - Non Credit	1,395,717		3,123	1,392,594	1,392,594
Matriculation - Credit	1,562,499		2,512	1,559,987	1,559,987
Orange County/Inland Empire Regional Small Business Development					
Center State Network Funding California State University, Fullerton	132,254	182,419		314,673	314,673
Santa Ana Middle College High School	51,233	48,898		100,131	100,131
Santiago Canyon College MESA CCP	37,875	12,625		50,500	50,500
Song Brown Family Physician Training Act	34,741	16,401		51,142	51,142
Student Financial Aid Administration	1,089,626		199,287	890,339	890,339
Telecommunication Technology Infrastructure Program (TTIP)	146,416		120,414	26,002	26,002
Total State Programs	\$ 16,059,595	\$ 547,305	\$ 2,206,344	\$ 14,400,556	\$ 14,400,556

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2011**

Categories	ReCalc Period Data	Audit Adjustments ²	Revised Data
A. Summer Intersession (Summer 2010 only)			
1. Noncredit ¹	786.52		786.52
2. Credit	1,710.84		1,710.84
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit ¹	102.94		102.94
2. Credit	743.13		743.13
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,641.24		14,641.24
(b) Daily Census Contact Hours	699.23		699.23
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	7,077.44		7,077.44
(b) Credit	3,530.90		3,530.90
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	923.24		923.24
(b) Daily Census Contact Hours	299.67		299.67
(c) Noncredit Independent Study/Distance Education Courses			
D. Total FTES	30,515.15		30,515.15
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	1,893.77		1,893.77
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	5,957.71		5,957.71
(b) Credit	967.03		967.03
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES	7,101.85		7,101.85
Centers FTES			
(a) Noncredit ¹	3,907.76		3,907.76
(b) Credit			

¹ Including Career Development and College Preparation (CDCP) FTES

² See Finding 11-1

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FUND BALANCES
For the Fiscal Year Ended June 30, 2011

The audit resulted in no adjustments to the fund balances reported on the June 30, 2011 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
ANNUAL FINANCIAL AND BUDGET REPORT (CFS-311)
AND RECONCILIATION WITH STATEMENT OF NET ASSETS AND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Description	Special Revenue Funds				Bond Interest and Redemption Fund			Internal Service Funds			
	General Fund	Child Development Fund	Bookstore Fund		Development Fund	Redemption Fund	Capital Projects Funds	Student Financial Aid Fund	Self-Insurance Fund	Other Internal Service Fund	Total
REVENUES:											
Federal Revenues	\$ 12,401,306	\$ 2,625,457	\$	\$	\$	145,681	810,504	\$ 22,229,154	\$	\$	\$ 37,255,917
State Revenues	105,293,774	4,013,239					3,314,075	924,397			111,187,595
Local Revenues	53,397,957	250,261	6,193,594		18,141,163		15,422	15,422	3,679,100	6,871,048	91,862,620
TOTAL REVENUES	<u>171,093,037</u>	<u>6,888,957</u>	<u>6,193,594</u>		<u>18,286,844</u>		<u>4,124,579</u>	<u>23,168,973</u>	<u>3,679,100</u>	<u>6,871,048</u>	<u>240,306,132</u>
EXPENDITURES											
Academic Salaries	60,834,169	2,214,796									63,048,965
Classified Salaries	35,215,305	1,375,229	845,207						148,148		37,583,889
Employee Benefits	34,326,563	1,462,695	273,123						70,527	7,892,696	44,025,604
Supplies and Materials	2,451,654	315,511	4,468,959				3,511		79		7,239,714
Other Operating Expenses and Services	18,451,140	1,184,508	302,275				1,276,344	71,581	2,645,671	27,278	23,958,797
Capital Outlay	2,885,151	154,893	208,696				23,677,581				26,926,321
TOTAL EXPENDITURES	<u>154,163,982</u>	<u>6,707,632</u>	<u>6,098,260</u>				<u>24,957,436</u>	<u>71,581</u>	<u>2,864,425</u>	<u>7,919,974</u>	<u>202,783,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,929,055	181,325	95,334		18,286,844		(20,832,857)	23,097,392	814,675	(1,048,926)	37,522,842
NET OTHER FINANCING SOURCES (USES)	(2,040,553)	57,335	(172,000)		(16,617,225)		1,374,019	(23,159,137)	(10,500)		(40,568,081)
NET INCREASE (DECREASE) IN FUND BALANCE	14,888,502	238,660	(76,666)		1,669,619		(19,458,838)	(61,765)	804,175	(1,048,926)	(3,045,239)
BEGINNING FUND BALANCE:	32,190,876	185,211	3,777,039		5,674,605		135,570,137	1,364,096	5,540,011	(14,643,531)	169,658,444
ENDING FUND BALANCE	<u>\$ 47,079,378</u>	<u>\$ 423,871</u>	<u>\$ 3,700,373</u>		<u>\$ 7,344,224</u>		<u>\$ 116,111,299</u>	<u>\$ 1,302,331</u>	<u>\$ 6,344,186</u>	<u>\$ (15,692,457)</u>	<u>\$ 166,613,205</u>
RECONCILIATION TO INCREASE IN NET ASSETS											
Net decrease in fund balance	\$ (3,045,239)										354,749,189
Capitalized assets, net	24,984,896										(4,791,881)
Depreciation expense	(11,060,649)										(234,684)
Increase in compensated balances	(99,628)										(337,165,963)
Increase in other post-employment	(234,684)										3,361,146
Principal payments of notes payable	30,222										(15,001)
Principal payments on capital debt	3,747,722										
Accrued interest on bonded debt	691,526										
Accrued interest on bonded debt, net	(2,807,538)										
INCREASE IN NET ASSETS	<u>\$ 12,206,628</u>										<u>\$ 182,516,011</u>

RECONCILIATION TO NET ASSETS

Capital assets, net
Compensated balances, long term
Other post-employment
Bonds payable
Bond issuance costs
Notes payable

NET ASSETS

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF FINANCIAL POSITION**

June 30, 2011

	<u>Santa Ana College Foundation</u>	<u>Santiago Canyon College Foundation</u>	<u>Rancho Santiago Community College District Foundation</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 290,767	\$ 382,006	\$ 120,448	\$ 793,221
Accounts receivable	10,471		63,900	74,371
Investments, at fair value	3,416,782	554,565	3,113,067	7,084,414
Investments with FCCC		93,338		93,338
Capital assets, net of accumulated depreciation	604			604
TOTAL ASSETS	<u>\$ 3,718,624</u>	<u>\$ 1,029,909</u>	<u>\$ 3,297,415</u>	<u>\$ 8,045,948</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 9,657	\$ 2,037	\$	\$ 11,694
Due to District			79,977	79,977
Deferred revenue			28,000	28,000
TOTAL LIABILITIES	<u>9,657</u>	<u>2,037</u>	<u>107,977</u>	<u>119,671</u>
NET ASSETS				
Unrestricted	372,543	392,864	20,309	785,716
Temporarily restricted				
Scholarships	1,110,647	298,535		1,409,182
Programmatic support	1,604,645	243,135		1,847,780
Endowment grant	621,132		3,169,129	3,790,261
Total temporarily restricted	<u>3,336,424</u>	<u>541,670</u>	<u>3,169,129</u>	<u>7,047,223</u>
Permanently restricted				
FCCC endowment scholarship		93,338		93,338
TOTAL NET ASSETS	<u>3,708,967</u>	<u>1,027,872</u>	<u>3,189,438</u>	<u>7,926,277</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,718,624</u>	<u>\$ 1,029,909</u>	<u>\$ 3,297,415</u>	<u>\$ 8,045,948</u>

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

	Unrestricted Funds				Temporarily Restricted Funds				Permanently Restricted Funds				Total		
	Santiago Canyon College Foundation		Rancho Santiago Community College District Foundation		Santa Ana College Foundation		Santiago Canyon College Foundation		Santa Ana College Foundation		Santiago Canyon College Foundation			Rancho Santiago Community College District Foundation	
Support and revenue															
Support															
Contributions	\$ 69,410	\$ 21,224	\$ 500	\$ 91,134	\$ 405,685	\$ 135,481	\$ 2,200	\$ 541,166	\$ -	\$ 93,338	\$ -	\$ 93,338	\$ -	\$ 725,638	
Contributions from affiliated foundation		8,521		8,521		2,200		2,200						10,721	
Fundraising	45,510			45,510	87,840			112,204						157,714	
In kind donations	76,700			76,700		41,425		41,425						118,125	
Donated services	221,638	105,022	32,937	359,597										359,597	
Grant							155,422							155,422	
Donated facilities	18,448			18,448										18,448	
Total support	431,706	134,767	33,437	599,910	493,525	203,470		852,417		93,338		93,338		1,545,665	
Revenue															
Interest and dividends	29,893	1,535	97	31,525										31,525	
Interest and dividends from investments	3,219	4,592		7,811	90,118	11,166		101,284						109,095	
Realized gain (loss) on investments	12,162	4,893		17,055	31,993	(2,409)		29,584						46,639	
Unrealized gain on investments	11,882	42,835		54,717	102,051	31,495		133,546						188,263	
Other revenue			9,240	9,240										9,240	
Total Revenue	57,156	53,855	9,337	120,348	224,162	40,252		264,414						384,762	
Total support and revenue before net assets released from restrictions	488,862	188,622	42,774	720,258	717,687	243,722		1,116,831		93,338		93,338		1,930,427	
Net assets released from restrictions	521,396	238,394	157,422	917,212	(521,396)	(238,394)		(917,212)						-	
Total support and revenue after net assets released from restrictions	1,010,258	427,016	200,196	1,637,470	196,291	5,328		199,619		93,338		93,338		1,930,427	
Expenses															
Program services	591,750	269,785	180,478	1,042,013										1,042,013	
Supporting services:															
Management and general	121,384	45,903	18,542	185,829										185,829	
Fundraising	237,566	60,115		297,681										297,681	
Total expenses	950,700	375,803	199,020	1,525,523										1,525,523	
Endowment grant investment income							535,834	535,834						535,834	
Change in net assets	59,558	51,213	1,176	111,947	196,291	5,328		755,453		93,338		93,338		940,738	
Net assets															
Net assets-beginning of year	312,985	341,651	19,133	673,769	3,140,133	536,342		6,311,770						6,985,539	
Net assets-end of year	372,543	392,864	20,309	785,716	3,336,424	541,670		7,047,223		93,338		93,338		7,926,277	

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Fiscal Year Ended June 30,

	<u>(Budget) 2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>GENERAL FUND:</u>								
<u>Revenue</u>								
Federal	\$ 10,111,452	5.98	\$ 12,401,306	7.94	\$ 12,374,630	7.84	\$ 10,575,712	6.03
State	96,349,361	57.03	105,293,774	67.40	101,725,549	64.44	111,677,566	63.69
County and Local	53,570,371	31.71	53,397,957	34.18	59,077,378	37.42	54,264,085	30.96
Other Financing Sources	16,500		17,279		18,428	0.01		
Total Revenue	<u>160,047,684</u>	<u>94.72</u>	<u>171,110,316</u>	<u>109.52</u>	<u>173,195,985</u>	<u>109.71</u>	<u>176,517,363</u>	<u>100.67</u>
<u>Expenditures</u>								
Academic Salaries	58,383,802	34.55	60,834,169	38.94	61,398,378	38.89	68,289,273	38.95
Classified Salaries	37,354,631	22.11	35,215,305	22.54	36,992,259	23.43	43,352,018	24.72
Employee Benefits	40,570,544	24.01	34,326,563	21.97	32,190,311	20.39	33,833,267	19.30
Supplies and Materials	2,807,689	1.66	2,451,654	1.57	1,986,601	1.26	2,359,893	1.35
Other Operating Expenses and Services	25,181,276	14.90	18,451,140	11.81	20,111,331	12.74	23,107,919	13.18
Capital Outlay	2,628,745	1.56	2,885,151	1.85	2,947,418	1.87	2,197,803	1.25
Other Uses	2,033,178	1.20	2,057,832	1.32	2,245,924	1.42	2,197,474	1.25
Total Expenditures	<u>168,959,865</u>	<u>100.00</u>	<u>156,221,814</u>	<u>100.00</u>	<u>157,872,222</u>	<u>100.00</u>	<u>175,337,647</u>	<u>100.00</u>
Change in Fund Balance	<u>\$ (8,912,181)</u>	<u>(5.27)</u>	<u>\$ 14,888,502</u>	<u>9.53</u>	<u>\$ 15,323,763</u>	<u>9.71</u>	<u>\$ 1,179,716</u>	<u>0.67</u>
Ending Fund Balance	<u>\$ 38,167,197</u>	<u>22.59</u>	<u>\$ 47,079,378</u>	<u>30.14</u>	<u>\$ 32,190,876</u>	<u>20.39</u>	<u>\$ 16,867,113</u>	<u>9.62</u>
Full-Time Equivalent Students (Factored)	<u>28,839</u>		<u>30,515</u>		<u>30,565</u>		<u>34,310</u>	
Total Long-Term Debt	<u>\$ 378,421,693</u>		<u>\$ 381,364,977</u>		<u>\$ 380,164,887</u>		<u>\$ 377,357,819</u>	

IMPORTANT NOTES:

The California Community College Chancellor's Office has provided guidelines that recommend an ending fund balance of 3% of expenditures as a minimum, with a prudent ending fund balance being 5% of expenditures.

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011**

NOTE 1 - PURPOSE OF SCHEDULES:

A. Schedules of Expenditures of Federal Awards and State Financial Assistance

The audit of the Rancho Santiago Community College District for the year ended June 30, 2011 was conducted in accordance with OMB Circular A-133, which requires a disclosure of the financial activities of all federally funded programs. To comply with A-133 and state requirements, the Schedule of Federal Awards and the Schedule of State Financial Assistance was prepared for the Rancho Santiago Community College District on the modified accrual basis of accounting.

Subrecipients

Of the Federal expenditures presented in the Schedule of Federal Awards, the District provided Federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Title V CCRAA	84.031	\$ 235,914
Early Head Start - ARRA	93.709	738,061
Gear Up III	84.334	283,522
Gear Up IV	84.334	633,279
CTE Tech Prep	84.243	21,000
		<u>\$ 1,911,776</u>

B. Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment represents the basis of apportionment of the Rancho Santiago Community College District's annual source of funding.

C. Reconciliation of Annual Financial and Budget Report with Audited Fund Balances

This schedule reports any audit adjustments made to the fund balances of all funds as reported on the Form CCFS-311.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2011

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

D. Annual Financial and Budget Report (CCFS-311) and Reconciliation with the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

This schedule provides financial information to the California Community College Chancellor's Office of the fund equity of all funds of the District. A reconciliation is provided to reconcile the CCFS-311, which is on a modified accrual basis of accounting to the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets, which are on the accrual basis of accounting.

E. Combining Statements for Discretely Presented Component Units

These statements represent the combining statements of financial position and statements of activities for the Santa Ana College Foundation, the Santiago Canyon College Foundation and the Rancho Santiago Community College District Foundation.

F. Schedule of General Fund Financial Trends and Analysis

This report is prepared to show financial trends of the General Fund over the past three fiscal years as well as the current year budget. This schedule is intended to identify if the District faces potential fiscal problems and if they have met the recommended available reserve percentages.

OTHER INDEPENDENT AUDITOR'S REPORTS



**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***

The Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706-1640

We have audited the basic financial statements of Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2011 and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rancho Santiago Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

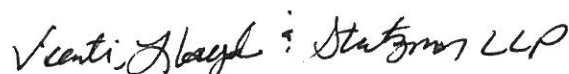
**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rancho Santiago Community College District's financial statements are free of 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 determination of financial statement amounts. 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as Findings 11-1 and 11-2.

Rancho Santiago Community College District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the Board, the California Department of Finance, the California Community College Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706-1640

Compliance

We have audited the compliance of Rancho Santiago Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in Finding 11-2 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable activity that are applicable to its College Assistance Migrant Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Finding 11-2. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

This report is intended solely for the information and use of management, the audit committee, the Board, the California Department of Finance, the California Community College Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

The Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706-1640

We have audited the compliance of the Rancho Santiago Community College District (the District) with the types of compliance requirements described in the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office for the year ended June 30, 2011. The District's State compliance requirements are identified below. Compliance with the State laws and regulations as identified below is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2010-11 Contracted District Audit Manual*, published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following items:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Education Code Section 84362.
- Whether the District complied with all requirements necessary to claim FTES for instruction under instructional service agreements/contracts.
- Whether the District has the ability to support timely accurate and complete information for workload measures used in the calculation of State General Apportionment

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District acted to ensure that the residency of each student is properly classified and that only the attendance of California residents, specifically student-athletes, is claimed for apportionment purposes.
- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether the District complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District reported the full amount of fees charged, regardless of whether the fees are collected, for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether all District courses that qualify for State apportionment are open to enrollment by the general public unless specifically exempted by statute.
- Whether the District adopted policies or regulations regarding the authority of the District to require students to provide various types of instructional materials and whether the District has advised students of the exemptions from payment of health fees and established a process to ensure that students may claim the exemptions.
- Whether the District expended Economic and Workforce Development (EWD) funds to develop and deliver services to meet the needs identified in regional economic development plans and that state laws and regulations regarding subcontracts or grant amendments and operation of an EWD program center or an industry driven regional collaborative were complied with.
- Whether the District expended Extended Opportunity Programs and Services (EOPS) funds to provide services specifically designed to supplement existing support programs and to help EOPS eligible students complete their educational goal.
- Whether the District expended Disabled Student Programs and Services (DSPS) funds on students with exceptional needs because of a verified disability to facilitate measureable progress towards their educational goals.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

- Whether the District expended Cooperative Agencies Resources for Education (CARE) funds to provide educational support services and activities for the academically under-prepared, welfare-dependent, single head-of-household student population.
- Whether the District provided eligible persons under the federal Jobs for Veterans Act preference (priority of service) and information regarding benefits and services obtainable through entities and service providers and to ensure eligible persons are informed of their employment-related rights and benefits.
- Whether the District lists To Be Arranged Hours (TBA) in the schedule of classes and describes them in the course outline and that student participation is carefully tracked to ensure apportionment is not claimed for TBA hours for students with documented zero hours as of the census point for a particular course.

In our opinion, we found that, for the items tested, the Rancho Santiago Community College District complied with the laws and regulations of the state programs referred to above, except as described in Finding 11-1 in the Schedule of Findings and Questioned Costs Related to the Financial Statements section of this report. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Rancho Santiago Community College District had not complied with the laws and regulations of state programs and requirements, except as noted in the Schedule of Findings and Questioned Costs Related to the Financial Statements section of this report.

The Rancho Santiago Community College District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs Related to the Financial Statements. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, the Board, the California Department of Finance, the California Community College Chancellor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011

FINDINGS AND RECOMMENDATIONS

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS**

June 30, 2011

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? X Yes None reported

Type of auditor's report issued on compliance for major programs: Qualified – See Finding 11-2

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) X Yes No

Identification of major programs tested

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033, 84.038, 84.063, 84.007, 84.268 and 84.375	Financial Aid Cluster
84.048 and 84.243	Carl D. Perkins Career and Technical Education Act (CTE)
84.334	Gear Up III and IV Program
84.149	Migrant Education – College Assistance Migrant Program
17.258	WIA Nursing Grant
93.709	Early Head Start – ARRA Expansion

Dollar threshold used to distinguish between Type A and Type B programs: \$ 444,622

Auditee qualified as low-risk auditee? X Yes No

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FINANCIAL STATEMENTS**

June 30, 2011

FINDING 11-1 – To Be Arranged Hours (TBA)

Finding: As indicated in the Chancellor’s Office Memorandum dated June 10, 2009; “In terms of monitoring, colleges need to track student participation carefully and make sure that they do not claim apportionment for TBA hours for students who have documented zero hours as of the census point for the particular course”. Based on our testing performed, it was noted that 73 students of the 111 tested did not have more than zero hours documented as of the census date. This appeared to be a systemic issue with TBA courses with a lecture and lab requirement.

Questioned Costs: Based on the testing performed; the District overstated FTES by 12.3.

Recommendation: The District should contact the Chancellor’s Office to determine what, if any, action the District should take to correct the FTES reported. Coordinate with appropriate personnel to verify students with zero hours as of the census date are not counted for apportionment purposes. All attendance rosters for TBA courses that are non-positive attendance need to be obtained to support apportionment. This information should be readily available for Admission and Records to review and verify all students with zero hours as of the census date removed from the attendance report and not claimed for FTE purposes.

District Response: The District will ensure that student participation in TBA courses are documented by attendance roster and/or electronic tracking. Students will be dropped from courses if they have not participated in required TBA hours prior to census. All documentation will be submitted with grades to the Office of Admissions and Records at the conclusion of the course.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS**

June 30, 2011

FINDING 11-2 – INELIGIBLE EXPENDITURES

CFDA Title and Number: 84.149A – College Assistance Migrant Program (CAMP)

Federal Award Number: S149A070022-09

Name of Federal Agency: Department of Education

Name of Pass-through Agency: Not applicable

Compliance Requirement: A. Allowable Activity

Criteria: Federal programs should have the proper oversight and segregation of duties to ensure that controls are sound.

Condition: During the 2010-11 fiscal year, the District became aware of suspect activities and controls that occurred in the College Assistance Migrant Program (CAMP) in previous fiscal years. They launched an internal audit investigation regarding the allegations. This internal audit revealed the following deficiencies:

1. No segregation of duties for the program's operation:
 - a. The Director handled student eligibility, stipend request and distribution.
 - b. The Director approved stipend requests for relatives.
2. Invoices were approved for ineligible students.
3. No process for verification of eligibility for student stipends.
4. The Director attended an excessive number of conferences and requested for improper conference reimbursement claims.
5. An inventory review was performed and the following items are unaccounted for: 11 laptop computers, two printers and one camera.

Effect: Misappropriation of Federal funds.

Recommendation: The District has taken the appropriate action by contacting the Federal Agency for the program and the Federal Bureau of Investigation.

Questioned Cost: Total costs in question applicable to fiscal years 2008-09 and 2009-10 are \$111,978; this amount includes: ineligible stipends and benefits to students of \$94,000; unaccounted for equipment of \$16,644; ineligible conference expense of \$1,334.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS

June 30, 2011

FINDING 11-2 – INELIGIBLE EXPENDITURES

(continued)

District Response: The District's Internal Audit Department has identified several procedural deficiencies during the investigation and has made recommendations to the College to institute the following changes for the CAMP program:

- 1) Previously, the former CAMP Director scheduled all student stipend checks to be sent to her office and she was the only person allowed to distribute checks to the students. We have remedied that unilateral activity by creating a check disbursement protocol which involves:
 - Each CAMP student's stipend eligibility is verified by the CAMP Director and her immediate supervisor to ensure appropriate qualifications. This second layer of verification will prevent a Director from ordering checks for students who are not qualified to receive them.
 - All stipend checks will be picked up from the accounts payable department by staff from the college Cashier's Office and will be distributed by that office.
 - Students will now obtain their checks from the Cashier's Office after showing two forms of identification and sign for them. Additionally, the Cashier will sign a document verifying that the check was received by the student.

- 2) An additional problem area was the misappropriation of equipment. The former Director was the only person with information regarding equipment purchases and inventories. To address this issue, we have implemented the following:
 - CAMP staff will alternate in conducting inventory verification once per semester in order to maintain accountability of all equipment purchased with CAMP funds.
 - All inventory verifications will be witnessed by a District Security Officer for further accuracy and integrity.
 - All future purchases will be added to the inventory list in the Director of Security's office to ensure that the list is current and up to date.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2011

There were no prior year findings and questioned costs for the fiscal year ended June 30, 2010.