

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

ORANGE COUNTY

**REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2009**

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2009

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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

AUDIT REPORT

June 30, 2009

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INDEPENDENT AUDITORS' 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, 2009 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, 2009, 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 2, 2009 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

The required supplementary information, such as the management's discussion and analysis and the schedule of funding progress, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Rancho Santiago Community College District's basic financial statements. The supplementary sections are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The supplementary information, including the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

November 2, 2009

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

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, 2009. 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. The mission of the District is to respond to the educational needs of an ever-changing community and to provide programs and services that reflect academic excellence. The District's two colleges promote open access and celebrate the diversity of both 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. Specific activities in both the colleges and continuing education will be directed toward economic development within the community.

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, 2009 and 2008. 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, 2009

The annual report consists of three basic financial statements that provide information on the District as a whole:

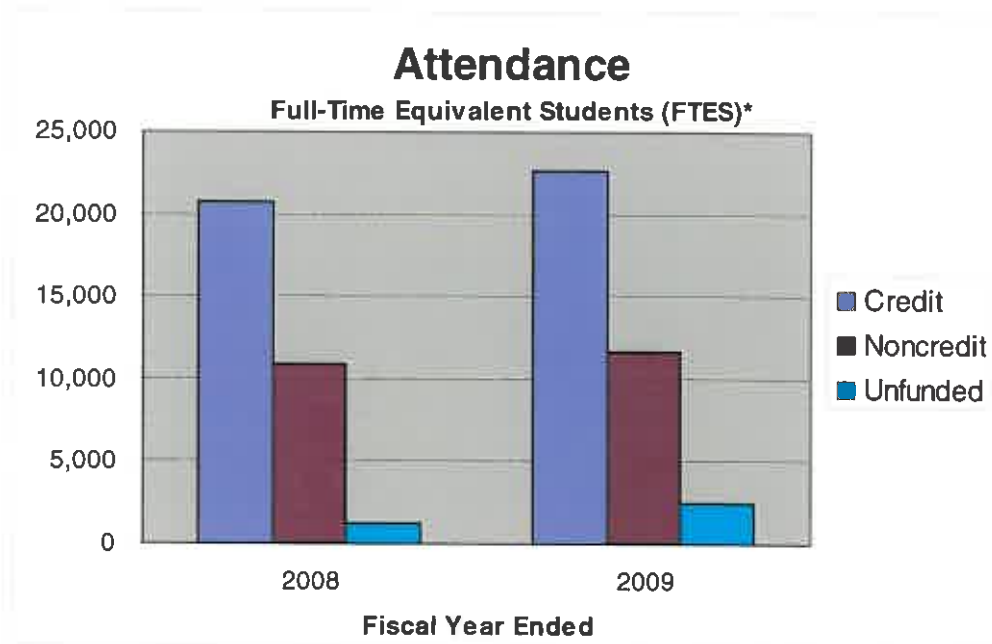
- The Statement of Net Assets
- The Statement of Revenue, Expenses and Changes in Net Assets
- The Statement of Cash Flows

Each one of these statements will be discussed

Attendance Highlights

Fiscal year ended 2009 compared to 2008

- Total attendance at Santa Ana College and Santiago Canyon College increased by 4.3%. Santa Ana College increased by 830 FTES and Santiago Canyon College increased by 639 FTES.
- The unfunded portion of overcap FTES growth for 2008/09 equals 2,473 FTES. The diminished revenue for the District amounts to approximately \$10 million.



* -- Full-time equivalent students is based on the District's annual Apportionment Attendance Report, form CCFS-320 filed with the state system. Credit and noncredit represent funded Factored FTES.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

Financial Highlights

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 is a point of time financial statement whose purpose is to present to the readers a fiscal snapshot of the District. 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).

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, 2009**

The Statement of Net Assets as of June 30, 2009 and 2008 is summarized below:

	(in thousands)		2008 to 2009
	2009	2008	Change
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 202,370	\$ 230,838	-12%
Receivables	23,998	16,014	50%
Inventory & other assets	2,159	3,817	-43%
Total current assets	<u>228,527</u>	<u>250,669</u>	-9%
Noncurrent Assets:			
Restricted cash and cash equivalents	12,336	14,090	-12%
Other assets	3,560	3,759	-5%
Capital assets, net	315,534	289,655	9%
Total noncurrent assets	<u>331,430</u>	<u>307,504</u>	8%
Total assets	<u>\$ 559,957</u>	<u>\$ 558,173</u>	0%
LIABILITIES			
Current Liabilities:			
Accounts payables & accrued liabilities	\$ 17,513	\$ 19,620	-11%
Deferred revenue	8,598	8,190	5%
Long-term liabilities, current portion	15,885	12,560	26%
Bonds payable, current portion	3,696	6,346	-42%
Amounts held in trust for others	546	561	-3%
Total current liabilities	<u>46,238</u>	<u>47,277</u>	-2%
Noncurrent Liabilities:			
Long-term liabilities, noncurrent portion	29,345	28,028	5%
Bonds payable	336,116	336,077	0%
Total noncurrent liabilities	<u>365,461</u>	<u>364,105</u>	0%
Total Liabilities	<u>411,699</u>	<u>411,382</u>	0%
NET ASSETS			
Invested in capital assets, net of related debt	118,274	115,422	2%
Restricted	18,047	17,073	6%
Unrestricted	11,937	14,296	-17%
Total net assets	<u>148,258</u>	<u>146,791</u>	1%
Total liabilities and net assets	<u>\$ 559,957</u>	<u>\$ 558,173</u>	0%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

Fiscal year ended 2009 compared to 2008

- Receivables increased by approximately \$8 million mainly due to the State apportionment funding deferrals for the period of January 2009 through April 2009 to be repaid in July 2009.
- Inventory and other assets is mainly bookstore inventory, bookstore inventory decreased by approximately \$1 million due to cancellation of intersession terms. Classes were also reduced 10% to 15% for the Spring 2009 term essentially due to budget cuts.
- Long-term liabilities – current portion increased by approximately \$3.3 million mainly due to increase in other post-employment benefits.
- Bonds payable – current portion decreased by approximately \$2.7 million due to the principal payments for the bond obligations.

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 expenses incurred whether paid or not, 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, 2009

The Statement of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2009 and 2008 is summarized below:

	(in thousands)		2008 to 2009
REVENUES	2009	2008	Change
Operating revenues:			
Net tuition and fees	\$ 9,126	\$ 9,957	-8%
Grants and contracts, non-capital	44,763	39,686	13%
Auxiliary enterprise, net	<u>7,349</u>	<u>8,061</u>	-9%
Total operating revenues	<u>61,238</u>	<u>57,704</u>	6%
EXPENSES			
Operating expenses			
Salaries	116,614	122,616	-5%
Employee benefits	36,405	31,988	14%
Supplies, materials, other operating expenses and services	33,100	35,803	-8%
Financial aid	11,717	8,662	35%
Utilities	4,082	4,346	-6%
Depreciation	<u>10,837</u>	<u>10,316</u>	5%
Total operating expenses	<u>212,755</u>	<u>213,731</u>	0%
Operating income (loss)	<u>(151,517)</u>	<u>(156,027)</u>	-3%
NONOPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	91,562	89,318	3%
Local property taxes	42,660	43,812	-3%
State taxes and other revenues	4,714	4,791	-2%
Investment income	4,454	11,533	-61%
Other nonoperating revenues/(expenses), net	<u>(15,363)</u>	<u>(14,039)</u>	9%
Total nonoperating revenues (expenses)	<u>128,027</u>	<u>135,415</u>	-5%
Income before other revenues, expenses, gains or losses	(23,490)	(20,612)	14%
Apportionments & property taxes, capital	24,535	18,054	36%
Investment & other income, capital	<u>422</u>	<u>1,038</u>	-59%
Increase (decrease) in net assets	1,467	(1,520)	-197%
NET ASSETS			
Net assets-beginning of year	<u>146,791</u>	<u>148,311</u>	-1%
Net assets-end of year	<u>\$ 148,258</u>	<u>\$ 146,791</u>	1%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

Fiscal year ended 2009 compared to 2008

- More students were processed for Financial Aid funding compared to the previous fiscal year. Therefore, expenses in this area have increased by approximately \$3 million overall and approximately \$2.8 million of that relates to Pell Grant entitlements.
- Investment income decreased by approximately \$7.1 million primarily due to the District spending down bond proceeds for various construction projects and reduced interest income earned from the County Treasury.
- Apportionment & property taxes, capital increased by approximately \$6.5 million mainly due to the local assistance and capital outlay claim reimbursement programs. There was a total increase of approximately \$5.3 million between State capital projects funding and the reimbursement claim programs.

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. This part 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 cash provided/(used) to the ending cash balance reflected on the Statement of Net Assets.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

	(in thousands)	
	Fiscal year ended June 30,	
	<u>2009</u>	<u>2008</u>
Cash Provided By (Used In):		
Operating activities	\$ (137,061)	\$ (147,901)
Noncapital financing activities	148,125	155,644
Capital financing activities	(46,180)	(46,440)
Investing activities	<u>4,896</u>	<u>9,934</u>
Net decrease in cash	(30,222)	(28,763)
Cash - Beginning of year	<u>244,928</u>	<u>273,691</u>
Cash - End of year	<u>\$ 214,706</u>	<u>\$ 244,928</u>

- 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, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	(in thousands)	
	Balances for fiscal year ended June 30,	
	<u>2009</u>	<u>2008</u>
Land	\$ 84,875	\$ 84,875
Buildings & improvements	180,802	160,174
Construction in progress	82,863	70,694
Equipment	<u>59,938</u>	<u>57,818</u>
Capital assets, gross	408,478	373,561
Less: accumulated depreciation	<u>92,945</u>	<u>83,906</u>
Capital assets, net	<u>\$ 315,533</u>	<u>\$ 289,655</u>

Fiscal year ended 2009 compared to 2008

As of June 30, 2009, the District had \$408.5 million in capital assets, less \$92.9 million accumulated depreciation for net capital assets of \$315.5 million. The District continues to work on the facilities projects that are part of the \$337 million bond master plan. The District spent approximately \$36.7 million on capital assets in 2008-09, of which \$28.8 million relates to bond proceeds, \$4.2 million relates to State Bond Funding and the remaining \$3.7 million is equipment. Depreciation charges totaled \$10.8 million in 2008-09.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

Some of the major capital additions during the 2008-09 fiscal year included:

(in thousands)

1. Construction, Santiago Canyon College - Maintenance & Operations Facility	\$5,408
2. Replacement of fire alarm systems - Santa Ana College	1,491
3. Construction, Santa Ana College - Maintenance & Operations Facility	3,640
4. Construction and remodeling in progress, various Santa Ana College & Santiago Canyon College multiple buildings and infrastructure	3,147
5. Construction, Two story classroom building - Santa Ana College	3,825
6. Equipment & Technology Equipment Purchases	3,922
7. Construction, Science Building - Santiago Canyon College	13,430

Debt Administration

Long-Term Debt

	(in thousands)	
	Balances for fiscal year ended June 30,	
	<u>2009</u>	<u>2008</u>
Notes payable	\$ 76	\$ 106
Bond obligations	339,811	342,423
Other accrued liabilities	<u>37,471</u>	<u>33,213</u>
 Total	 377,358	 375,742
Less: due within one year	<u>11,897</u>	<u>11,637</u>
 Total long-term liabilities	 <u>\$ 365,461</u>	 <u>\$ 364,105</u>

Fiscal year ended 2009 compared to 2008

At June 30, 2009, the District had \$365.5 million in outstanding long-term debt compared to \$364.1 million at June 30, 2008. The majority of the increase was due to other post-employment benefits obligation.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ending June 30, 2009

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 with student paid enrollment fees essentially make up the District's general apportionment, the main funding support for California community colleges.
- The State of California is still currently in a precarious financial condition due to the nationwide recession and the mortgage, real estate, banking and unemployment crisis. The State budget for fiscal year 2009-10 provided a reduction for California community colleges of over \$800 million by reducing categorical programs funding levels and reducing FTES base funding.
- According to the 2009-10 State budget, student enrollment fees have increased from \$20 to \$26 per unit for 2009-10.

RSCCD Budget

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

- The 2009-10 State budget for community colleges contains no Cost of Living Allowance (COLA) increase.
- The District will experience a cashflow constraint in excess of \$18 million due to deferral repayments from the State.
- The 2009-10 FTES workload reduction (negative growth) for the District amounts to \$4.7 million.
- The 2009-10 reduction in categorical funding for the District amounts to approximately \$10 million.
- The District has budgeted the employer's share of the PERS contribution at 9.428% for 2009-10, an increase from 9.306%.
- Salary negotiations for 2009-10 have not been settled with the exception of the CSEA bargaining unit. Due to the economic situation of the State, no monetary increases are being negotiated at this time.
- The 2009-10 RSCCD adopted budget reflects a 3% State apportionment deficit (\$4.5 million) in anticipation of mid-year State funding reductions for 2009-10 fiscal year.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ending June 30, 2009

Capital Improvements:

- The District will complete construction of the maintenance and operations facility at Santiago Canyon College during 2009-10.
- The District has commenced construction on the new child development facility at Santa Ana College during 2009-10.
- The District will commence work on the humanities building, gymnasium pool complex and new surface parking lot at Santiago Canyon College during 2009-10.
- The District will be completing the Science Center at Santiago Canyon College during 2009-10. It is planned to be open for the Spring 2010 semester.

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, 2009

	<u>Primary Government</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 202,223,307	\$ 1,161,661
Investments in local agency investment fund	147,011	
Investments		5,730,992
Accounts receivable, net	23,997,757	136,644
Due from fiduciary funds	430,482	
Due from District Foundation		32,222
Inventory	1,402,465	
Prepaid expenses	126,687	
Capitalized fees	199,307	
Total Current Assets	<u>228,527,016</u>	<u>7,061,519</u>
Non-Current Assets:		
Restricted cash and cash equivalents	12,336,292	
Capitalized fees	3,560,153	
Capital assets, net of accumulated depreciation	315,533,303	2,685
Total Non-Current Assets	<u>331,429,748</u>	<u>2,685</u>
TOTAL ASSETS	<u>\$ 559,956,764</u>	<u>\$ 7,064,204</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 8,995,514	\$ 23,961
Accrued liabilities	8,517,632	
Due to District		128,411
Due to fiduciary funds	546,300	
Due to affiliated foundations		32,222
Deferred revenue	8,598,272	
Compensated absences	6,947,089	
Bonds payable	3,695,833	
Estimated liability for open claims and IBNR's	736,148	
Other post-employment benefits	8,171,157	
Notes payable	30,222	
Total Current Liabilities	<u>46,238,167</u>	<u>184,594</u>
Non-Current Liabilities:		
Bonds payable	336,115,205	
Other post-employment benefits	29,300,179	
Notes payable	45,223	
Total Non-Current Liabilities	<u>365,460,607</u>	<u>-</u>
TOTAL LIABILITIES	<u>411,698,774</u>	<u>184,594</u>
NET ASSETS		
Invested in capital assets, net of related debt	118,273,827	
Restricted for:		
Capital projects	13,063,437	
Debt service	4,683,346	
Scholarships and loans		1,530,728
Other special purposes	300,506	4,703,407
Unrestricted	<u>11,936,874</u>	<u>645,475</u>
TOTAL NET ASSETS	<u>148,257,990</u>	<u>6,879,610</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 559,956,764</u>	<u>\$ 7,064,204</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COUNTY COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	Primary Government	Component Units
OPERATING REVENUES		
Tuition and fees (gross)	\$ 13,212,905	\$
Less: Scholarship discounts and allowances	(4,086,638)	
Net tuition and fees	9,126,267	
Grants and contracts, non-capital:		
Federal	21,152,950	198,488
State	20,592,586	
Local	3,016,937	1,527,768
Sales	7,349,344	
TOTAL OPERATING REVENUES	61,238,084	1,726,256
OPERATING EXPENSES		
Salaries	116,613,808	
Employee benefits	36,404,966	
Supplies, materials, and other operating expenses and services	32,899,716	1,778,663
Transfer to agency funds	200,600	
Financial aid	11,716,634	
Utilities	4,082,215	
Depreciation	10,836,667	
TOTAL OPERATING EXPENSES	212,754,606	1,778,663
OPERATING LOSS	(151,516,522)	(52,407)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	91,561,631	
Local property taxes	42,659,651	
State taxes and other revenue	4,713,780	
Interest and investment income, non-capital	4,453,948	(186,344)
Interest expense	(15,766,282)	
Other non-operating revenue	403,721	(835,534)
TOTAL NON-OPERATING REVENUES (EXPENSES)	128,026,449	(1,021,878)
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(23,490,073)	(1,074,285)
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
State apportionments, capital	5,389,576	
Interest and investment income, capital	421,945	
Local property taxes and other revenues	19,145,873	
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	24,957,394	-
INCREASE (DECREASE) IN NET ASSETS	1,467,321	(1,074,285)
NET ASSETS, BEGINNING OF YEAR	146,790,669	7,953,895
NET ASSETS, END OF YEAR	\$ 148,257,990	\$ 6,879,610

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

	<u>Primary Government</u>	<u>Component Units</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 10,381,449	\$
Federal grants and contracts	20,681,766	
State grants and contracts	21,653,203	
Local grants and contracts	13,983,903	1,355,135
Sales	7,561,562	
Payments to suppliers	(41,229,461)	(756,970)
Payments to/on-behalf of employees	(157,069,220)	
Payments to/on-behalf of students	(12,815,911)	(524,093)
Net amounts due to fiduciary funds	<u>(209,086)</u>	<u></u>
Net cash provided (used) by operating activities	<u>(137,061,795)</u>	<u>74,072</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionments and receipts	85,234,931	
Property taxes	57,576,914	
State tax and other revenues	<u>5,312,933</u>	<u></u>
Net cash provided by non-capital financing activities	<u>148,124,778</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital investments	424,437	
State apportionment for capital purposes	3,894,043	
Purchases of capital assets	(32,289,710)	(1,480)
Principal and interest paid on capital debt	<u>(18,209,128)</u>	<u></u>
Net cash used by capital and related financing activities	<u>(46,180,358)</u>	<u>(1,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	4,895,822	
Reinvested interest and dividends		(21,541)
Purchase of investments		(1,898,216)
Proceeds on the sale of investments	<u></u>	<u>1,640,207</u>
Net cash provided (used) by investing activities	<u>4,895,822</u>	<u>(279,550)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,221,553)	(206,958)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>244,928,163</u>	<u>1,368,619</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 214,706,610</u>	<u>\$ 1,161,661</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, 2009

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	<u>Primary Government</u>	<u>Component Units</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (151,516,522)	\$ (52,407)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	10,836,667	
Investment income (expense)		(1,021,878)
Unrealized gain on investments		1,161,250
Changes in assets and liabilities:		
Receivables, net	(906,958)	58,393
Inventory	938,502	
Prepaid expense	(25,592)	5,000
Accounts payable and accrued liabilities	2,777,865	(20,522)
Deferred revenue	407,946	(3,000)
Compensated absences	434,783	
Due to District	<u>(8,486)</u>	<u>(52,764)</u>
Net cash provided (used) by operating activities	<u>\$ (137,061,795)</u>	<u>\$ 74,072</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

	Agency Fund	Trust Funds
ASSETS		
Cash and cash equivalents	\$ 1,842,023	\$ 834,030
Accounts receivable:		
Miscellaneous	350	84,921
Due from District		546,300
Prepaid expenses		891
TOTAL ASSETS	\$ 1,842,373	\$ 1,466,142
LIABILITIES		
Accounts payable	\$ 175	\$ 77,419
Due to District		430,482
Deferred revenue		1,055
Funds held in trust	1,842,198	
TOTAL LIABILITIES	1,842,373	508,956
TOTAL NET ASSETS	-	957,186
TOTAL LIABILITIES AND NET ASSETS	\$ 1,842,373	\$ 1,466,142

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, 2009

	<u>Trust Funds</u>
ADDITIONS	
Interest and investment income	\$ 10,278
Other local revenues	<u>2,013,926</u>
TOTAL ADDITIONS	<u>2,024,204</u>
DEDUCTIONS	
Salaries and benefits	669,721
Other operating expenses	1,259,448
Capital outlay	<u>170,561</u>
TOTAL DEDUCTIONS	2,099,730
Deficiency of additions over deductions	<u>(75,526)</u>
OTHER SOURCES	
Transfer in from governmental funds	<u>200,600</u>
TOTAL OTHER SOURCES	<u>200,600</u>
CHANGES IN NET ASSETS	125,074
NET ASSETS - BEGINNING OF YEAR	<u>832,112</u>
NET ASSETS - END OF YEAR	<u>\$ 957,186</u>

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009

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, 2009

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, 2009

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, superceded 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, 2009

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. Accounts receivable are recorded net of estimated uncollectible amounts. The District recognized for budgetary and financial reporting purposes any 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, 2009, 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, 2009

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

Accounts payable consists of amounts due to vendors.

9. Accrued Liabilities

Accrued liabilities consist of salaries and benefits payable and deferred summer pay of \$8,517,632.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

C. BASIS OF ACCOUNTING (continued)

10. 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.

11. 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, 2009

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

C. BASIS OF ACCOUNTING (continued)

12. 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.

13. 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 2010 will be recorded in the year computed by the State.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

C. BASIS OF ACCOUNTING (continued)

14. 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.

15. 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 \$1,290,000 for STRS.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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

C. BASIS OF ACCOUNTING (continued)

16. 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*.

17. 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, 2009

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

C. BASIS OF ACCOUNTING (continued)

18. 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, 2009, \$5,727,115 of the District's bank balance of \$6,314,042 was exposed to credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in District's name	<u>\$5,727,115</u>
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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 cost which approximates fair value. The fair market value of the District's deposits in this pool as of June 30, 2009, as provided by the pool sponsor, was \$211,066,977.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. 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 \$147,011 as of June 30, 2009. 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, 2009 consists of the following:

Federal and State	\$22,210,017
Miscellaneous, net	<u>1,787,740</u>
	<u>\$23,997,757</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009:

	<u>Balance</u> July 1, 2008	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> June 30, 2009
Land	\$ 84,875,123	\$	\$	\$ 84,875,123
Buildings and improvements	160,173,800	20,628,397		180,802,197
Equipment	57,818,410	3,922,347	(1,803,094)	59,937,663
Construction in progress	70,693,489	32,724,703	(20,554,938)	82,863,254
Totals	<u>373,560,822</u>	<u>57,275,447</u>	<u>(22,358,032)</u>	<u>408,478,237</u>
 <u>Accumulated Depreciation</u>				
Less accumulated depreciation for:				
Buildings and improvements	39,351,125	4,125,702		43,476,827
Equipment	44,555,432	6,710,965	(1,798,290)	49,468,107
Total of accumulated depreciation	<u>83,906,557</u>	<u>10,836,667</u>	<u>(1,798,290)</u>	<u>92,944,934</u>
 Net Capital Assets	 <u>\$ 289,654,265</u>	 <u>\$ 46,438,780</u>	 <u>\$ (20,559,742)</u>	 <u>\$ 315,533,303</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 - LEASES:

A. 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>
2009-10	\$ 645,002
2010-11	520,368
2011-12	344,742
2012-13	<u>3,553</u>
Total	<u>\$1,513,665</u>

Current year expenditures for operating leases including year-to-year agreements were approximately \$1,382,000. 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, 2009

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, 2009 for the original Series A issuance is \$27,050,000. The amount of refunded debt to be paid from the escrow account at June 30, 2009 for Series A is \$49,170,000.

The outstanding bonded debt for Rancho Santiago Community College District at June 30, 2009 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2009
2003A	3/21/2003	2.5 - 5.0	2028	\$ 96,125,000	\$ 28,705,000	\$	\$ 1,655,000	\$ 27,050,000
Series B	3/10/2005	3.0 - 5.13	2030	119,999,867	118,640,711		1,709,268	116,931,443
Accreted Interest					1,306,504	583,038	80,732	1,808,810
Series C	9/21/2006	3.38 - 5.0	2032	120,874,329	120,874,329		2,010,000	118,864,329
Accreted Interest					680,769	2,997,606		3,678,375
Refunding Bond	8/5/2005	3.57 - 5.25	2024	53,559,299	53,559,299			53,559,299
Accreted Interest					292,521	153,258		445,779
				<u>\$ 390,558,495</u>	<u>\$ 324,059,133</u>	<u>\$ 3,733,902</u>	<u>\$ 5,455,000</u>	<u>322,338,035</u>
							Bond Premium	20,256,200
							Deferred Charge on Refunding	(2,783,197)
							Total Bonds Payable	<u>\$ 339,811,038</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 7 - GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2009, are as follows:

Series A

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Total</u>
2010	\$ 1,800,000	\$ 1,009,388	\$ 2,809,388
2011	1,960,000	952,988	2,912,988
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
2015-2019	8,135,000	2,495,525	10,630,525
2020-2024	5,070,000	1,485,094	6,555,094
2025-2028	3,150,000	358,875	3,508,875
	<u>\$ 27,050,000</u>	<u>\$ 8,718,546</u>	<u>\$ 35,768,546</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>
2010	\$ 949,324	\$ 5,360,602	\$ 55,676	\$ 6,365,602
2011	1,218,440	5,365,310	86,560	6,670,310
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
2015-2019	15,808,200	26,590,975	2,416,800	44,815,975
2020-2024	25,095,560	24,617,335	4,704,440	54,417,335
2025-2029	49,702,113	15,130,828	2,837,887	67,670,828
2030	18,745,000	480,340		19,225,340
	<u>\$ 116,931,443</u>	<u>\$ 93,641,479</u>	<u>\$ 10,628,557</u>	<u>\$ 221,201,479</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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>
2010	\$	\$ 3,806,488	\$	\$ 3,806,488
2011		3,806,488		3,806,488
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
2015-2019	5,880,000	18,186,461		24,066,461
2020-2024	29,200,000	15,463,331		44,663,331
2025-2029	59,309,627	32,471,419	24,640,373	116,421,419
2030-2032	22,859,702	54,975,140	60,370,298	138,205,140
	<u>\$ 118,864,329</u>	<u>\$ 140,055,126</u>	<u>\$ 85,010,671</u>	<u>\$ 343,930,126</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>
2010	\$	\$ 2,552,713	\$	\$ 2,552,713
2011	569,282	2,552,713	110,718	3,232,713
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
2015-2019	22,325,000	10,424,869		32,749,869
2020-2024	27,600,000	3,184,913		30,784,913
	<u>\$ 53,559,299</u>	<u>\$ 26,373,347</u>	<u>\$ 1,095,702</u>	<u>\$ 81,028,348</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 8 - LONG-TERM DEBT:

A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below:

	Beginning Balance July 1, 2008	Additions	Deductions	Ending Balance June 30, 2009	Amount Due in One Year
General Obligation Bond:					
Series 2003A - Current Interest	\$ 28,705,000	\$	\$ 1,655,000	\$ 27,050,000	\$ 1,800,000
Series 2003A - Bond Premium	945,863		59,116	886,747	59,116
Series B - Current Interest	110,115,000		1,345,000	108,770,000	760,000
Series B - Capital Appreciation	8,525,711		364,268	8,161,443	189,324
Series B - Capital Appreciation Accreted Interest	1,306,504	583,038	80,732	1,808,810	55,676
Series B - Bond Premium	8,456,566		399,523	8,057,043	399,523
Series C - Current Interest	86,255,000		2,010,000	84,245,000	
Series C - Capital Appreciation	34,619,329			34,619,329	
Series C - Capital Appreciation Accreted Interest	680,769	2,997,606		3,678,375	
Series C - Bond Premium	7,269,800		313,804	6,955,996	313,804
Refunding Bond - Current Interest	49,925,000			49,925,000	
Refunding Bond - Capital Appreciation	3,634,299			3,634,299	
Refunding Bond - Capital Appreciation Accreted Interest	292,521	153,258		445,779	
Refunding Bond - Bond Premium	4,660,350		303,936	4,356,414	303,936
Deferred Charge on Refunding	(2,968,743)		(185,546)	(2,783,197)	(185,546)
Total bond payable	342,422,969	3,733,902	6,345,833	339,811,038	3,695,833
Notes payable	105,667		30,222	75,445	30,222
Total bond and notes payable	342,528,636	3,733,902	6,376,055	339,886,483	3,726,055
Other liabilities:					
Other Post-Employment Benefits (OPEB)	33,213,784	4,257,552		37,471,336	8,171,157
Total long term liabilities	\$ 375,742,420	\$ 7,991,454	\$ 6,376,055	\$ 377,357,819	\$ 11,897,212

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 2008-09 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, 2009

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 2008-09 was 9.428% 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>
2007	\$5,063,576	100%	\$3,315,895	100%
2008	5,496,829	100%	3,704,254	100%
2009	5,266,829	100%	3,816,514	100%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$716,086 during the fiscal year. The total amount of covered compensation was \$9,547,781. Total contributions made are 100% of the amount of contributions required for fiscal year 2008-09.

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 \$25,927 for 2009. (The maximum for most employees is \$15,854 for fiscal year 2009). Currently 360 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, 2009

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 2009, the District contributed \$4,790,124 to the plan, consisting of \$3,913,605 for premiums and \$876,519 of an additional charge to prefund the liability. Total member contributions were \$48,191.

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)	\$ 8,034,079
Interest on net OPEB obligation	1,660,689
Adjustment to annual required contribution	<u>(1,523,611)</u>
Annual OPEB cost (expense)	8,171,157
Contributions made	<u>(3,913,605)</u>
Change in net OPEB obligation	4,257,552
Net OPEB obligation - Beginning of Year	33,213,784
Net OPEB obligation - End of Year	<u><u>\$ 37,471,336</u></u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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>
6/30/2008	\$ 7,960,894	47.2%	\$ 33,213,784
6/30/2009	8,171,157	47.9%	37,471,336

Funding Status and Funding Progress

As of February 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$80,643,026 and the unfunded actuarial accrued liability (UAAL) was \$80,643,026. The covered payroll (annual payroll of active employees covered by the plan) was \$122,846,428, and the ratio of the UAAL to the covered payroll was 65.6%. 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, 2009, the fund's cash balance was \$23,283,431.

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 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, 2009

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, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0 percent 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, 2009, was twenty-three years.

NOTE 11 - JOINT POWERS AGREEMENT:

The District participates in three joint powers agreement (JPA) entities; the Alliance of Schools for Cooperative Insurance Programs (ASCIP); Schools Excess Liability Fund (SELF); and Schools Alliance for Worker's Compensation Excess II (SAWCXII).

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, 2009

NOTE 11 - JOINT POWERS AGREEMENT:

SAWCXII arranges for and provides a self-funded or additional insurance for excess workers' compensation insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested.

Each JPA, except SELF, is governed by a board consisting of a representative from each member district. Each 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, SELF and SAWCXII for the most current information available is as follows:

	ASCIP 6/30/2008 <u>(Audited)</u>	SELF 6/30/2008 <u>(Audited)</u>	SAWCXII 6/30/2008 <u>(Audited)</u>
Total assets	\$215,712,557	\$238,680,000	\$ 27,015,305
Total liabilities	<u>130,986,429</u>	<u>189,962,000</u>	<u>20,791,306</u>
Retained earnings	<u>\$ 84,726,128</u>	<u>\$ 48,718,000</u>	<u>\$ 6,223,999</u>
Total revenues	\$180,665,803	\$ 41,599,000	\$ 3,284,228
Total expenditures	<u>160,805,930</u>	<u>22,991,000</u>	<u>2,079,907</u>
Net increase in retained earnings	<u>\$ 19,859,873</u>	<u>\$ 18,608,000</u>	<u>\$ 1,204,321</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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). 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, 2009, the District accrued the claims liability in accordance with GASB Statement No. 10, for claims that occurred when the District was self-insured. The amount of liability is estimated at \$736,148. 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>459,254</u>	<u>1,065</u>	<u>21,312</u>	<u>439,007</u>
	<u>\$ 756,395</u>	<u>\$ 1,065</u>	<u>\$ 21,312</u>	<u>\$ 736,148</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009 is \$366,664.

NOTE 14 - FUNCTIONAL EXPENSE:

	Salaries & Benefits	Supplies, Materials & Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional Activities	\$ 70,787,213	\$ 3,915,951	\$	\$	\$ 74,703,164
Academic Support	14,646,356	383,752			15,030,108
Student Services	25,325,061	1,086,115			26,411,176
Operation & Maintenance of Plant	4,839,601	2,130,058			6,969,659
Institutional Support Services	25,340,688	4,994,918			30,335,606
Community Services & Economic Development	3,292,930	291,147			3,584,077
Ancillary Services & Auxiliary Operations	8,285,143	2,963,548			11,248,691
Physical Property & Related Acquisitions	501,782	13,967,268			14,469,050
Student Aid			11,716,634		11,716,634
Other Outgo		7,449,774			7,449,774
Depreciation Expense				10,836,667	10,836,667
Total	\$ 153,018,774	\$ 37,182,531	\$ 11,716,634	\$ 10,836,667	\$ 212,754,606

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 will not be material.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 15 - COMMITMENTS AND CONTINGENCIES:

C. Purchase Commitments

As of June 30, 2009, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$28,690,000. 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 2009 were \$535,043 and \$14,732, respectively. Both have been reflected in the financial statements as donated services and facilities.

The RSCCDF distributes scholarship funds to the Foundations. The amount of scholarship funds accrued but not yet distributed for fiscal year 2009 was \$2,000. In addition, the RSCCDF distributed in equal shares the net proceeds from an annual fundraising event to SACF and SCCF in the amount of \$76,385 in fiscal year 2009.

REQUIRED SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS

For the Fiscal Year Ended June 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (Entry Age Normal Method) (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funding Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2/1/2008	\$ -	\$ 80,643,026	\$ 80,643,026	0.0%	\$ 122,846,428	65.6%

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, 2009, the fund's cash balance was \$23,283,431.

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, 2009

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, 2009

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 and four continuing education centers: Orange Education Center, Marketplace Education Center, Centennial Education Center and the Anaheim Hills Center.

BOARD OF TRUSTEES

<u>Member</u>	<u>Office</u>	<u>Term Expiration</u>
R. David Chapel	President	December 2012
Lawrence R. “Larry” Labrado	Vice President	December 2010
Brian E. Conley	Clerk	December 2012
John R. Hanna	Member	December 2010
Lisa Woolery	Member	December 2012
Mark McLoughlin	Member	December 2012
Phillip E. Yarbrough	Member	December 2010
Gloria Holguin	Student Trustee	May 2010

DISTRICT EXECUTIVE OFFICERS

Dr. Edward Hernandez, Jr.	Chancellor
Dr. Erlinda Martinez	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, 2009

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Education			
Direct			
<i>Financial Aid Cluster</i>			
College Work Study	84.033		\$ 254,546
Perkins Loan	84.038		106,060
Pell Grant	84.063		9,679,227
Pell Grant - Financial Aid Administrative Allowance	84.063		18,385
S.E.O.G.	84.007		294,744
Academic Competitiveness Grant	84.375		165,475
Total Financial Aid Cluster			10,518,437
<i>Adult Basic Education (ABE) Cluster</i>			
Adult Basic Education	84.002		170,755
ABE - English Literacy/Civics Education	84.002		1,205,443
ABE - ESL	84.002		1,550,455
ABE - Family Literacy	84.002		197,325
ABE - Secondary Education	84.002		96,220
Total Adult Basic Education Cluster			3,220,198
<i>TRIO Cluster</i>			
Student Support Services	84.042		250,371
Talent Search	84.044		316,667
Upward Bound	84.047		279,423
Total TRIO Cluster			846,461
Business & International Education Program	84.153		76,776
Child Care Access Means Parents in School	84.335A		74,146
Gear Up III Program	84.334		928,920
Migrant Education - College Assistance Migrant Program	84.149		520,712
Title III - Strengthening Institutions	84.031		399,369
Title V	84.031		650,535
<i>Total direct from U.S. Department of Education</i>			2,650,458
Passed through Program 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	126,389
CTE - Title I-C	84.048	99-C01-046	1,166,222
Passed through Program from Department of Rehabilitation			
Job Development Training Placement Program	84.126	(1)	361,037
Passed through Program from California Community College Chancellor's Office (CCCCO)			
Caltrans - CA Construction Contracting Program	20.205	07-311-002	21,375
Caltrans - CA Construction Contracting Program - Yr2	20.205	08-311-002	32,670
Passed through Program from Coast Community College District (CCCD)			
Tech Prep Regional Coordination Grant	84.048	P0315457	15,010
Passed through Program from University of California, Irvine (UCI):			
Gear Up II Program	84.344	P334A020290	63,472
<i>Total passed through from U.S. Department of Education</i>			1,786,175

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, 2009

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Health and Human Services (HHS):			
<i>Direct:</i>			
Head Start	93.600		143,649
EMT/Nursing Continuing Ed	93.887		26,398
<i>Total direct from U.S. Department of Health and Human Services</i>			170,047
<i>Passed through Program from California Department of Education (CDE):</i>			
CCDF Capacity Project/ Infant Toddler	93.575	CCAP8242	4,015
Child Development Instructional Materials	93.575	CIMS8394	3,506
CCDF School Age Resource	93.575	CSCC8211	2,000
<i>Passed through Program from California Community College Chancellor's Office (CCCCO):</i>			
Temporary Assistance to Needy Families (TANF)	93.558	(1)	123,106
<i>Total passed through from U.S. Department of Health and Human Services</i>			132,627
U.S. Department of Housing and Urban Development (HUD):			
<i>Direct:</i>			
Hispanic Serving Institutions Assisting Communities (HSIAC)	14.514		20,993
<i>Total direct from U.S. Department of Housing and Urban Development</i>			20,993
U.S. Department of Labor (DOL):			
<i>Passed through Program from California Community College Chancellor's Office (CCCCO):</i>			
Workforce Investment Act (WIA) - Nursing Grant	17.258	(1)	439,873
<i>Total passed through from U.S. Department of Labor.</i>			439,873
U.S. Department of Agriculture (USDA):			
<i>Direct:</i>			
Partnership for Transfer Success in USDA Career Majors	10.223		65,544
<i>Total direct from U.S. Department of Agriculture:</i>			65,544
<i>Passed through Program from California Department of Education (CDE):</i>			
Child and Adult Care Food Program	10.558	(1)	325,901
<i>Total passed through from U.S. Department of Agriculture:</i>			325,901
Corporation for National and Community Services (CNCS):			
<i>Passed through Program from Foundation for California Community Colleges</i>			
Americorps	94.006	(1)	37,702
<i>Total Passed through from Corporation of National and Community Services</i>			37,702
National Science Foundation (NSF):			
<i>Passed through Program from Consulting for Environmental System Technology, Inc.:</i>			
NSF - CFEST	47.041	0631394	268
<i>Passed through Program from California State Fullerton (CSF):</i>			
NSF - TESTUP	47.076	0757113	118,450
<i>Total Passed through from National Science Foundation</i>			118,718

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, 2009

<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		101,734
Passed through Program from California State University, Fullerton			
California Small Business Development Center (SBDC)	59.037	03CBE006	370,215
<i>Total U.S. Small Business Administration</i>			<u>471,949</u>
US Department of State, Bureau of Educational & Cultural Affairs			
Passed through Program from Kirkwood Community College			
Community Colleges for International Development	NA	S-ECAAS-07CA-039-CS	451,704
Total Federal Awards			<u>\$ 21,256,787</u>
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			\$ 21,256,787
Expenditures in excess of revenues related to Perkins Program			(103,837)
Total Federal Awards			<u>\$ 21,152,950</u>
Student Financial Aid Loan Programs:			
<u>Loans Outstanding</u>			
Rancho Santiago Community College District had the following loan balance outstanding as of 6/30/09:			
Perkins Program			<u>\$ 348,612</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, 2009

Program Name	Program Revenues				Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Deferred Revenue			
State Categorical Aid Programs:						
AB1725-Faculty and Staff Diversity	\$ 49,929	\$	\$ 26,574	\$	23,355	\$ 23,355
AB77-Handicapped	2,472,550		120,499		2,352,051	2,352,051
Basic Skills	2,431,232		1,923,832		507,401	507,401
CA Math Diagnostic Testing		24,473			24,473	24,473
California High School Exit Exam Program		181,810			181,810	181,810
Cal Grant	973,886	1,356	23,769		951,473	951,473
CalWorks	611,611				611,611	611,611
Care Program	129,815		12,467		117,348	117,348
Career Technical Education Community Collaborative II	1,119,700		958,812		160,888	160,888
Career Exploration and Development	48,903				48,903	48,903
Career Technical Education and Economic Development	375,315		14,924		360,391	360,391
Career Technical Holding Account	175,000		175,000		-	-
Child Development Center	3,581,537	157,573			3,739,110	3,739,110
Economic Development Program Workplace Learning Resource Center	667,779	215,316	22,506		860,589	860,589
Extended Opportunity Program and Services (EOPS)	2,257,953		192,449		2,065,504	2,065,504
Matriculation-Non Credit	2,904,654		239,604		2,665,050	2,665,050
Matriculation-Credit	2,760,661		473,384		2,287,277	2,287,277
Naturalization Services Program (Performance based)	112,017		19,369		92,648	92,648
Santa Ana Middle College High School	48,738	70,872			119,610	119,610
Santiago Canyon College MESA CCP (s/b Santa Ana College)	29,213	32,383			61,596	61,596
Song Brown Family Physician Training Act	30,467	25,177			55,644	55,644
State Fund for Instructional Equipment	669,915		336,764		333,151	333,151
Student Financial Aid Administration	1,019,177		79,856		939,321	939,321
Teacher Preparation Pipeline Partners	80,000	116,716			196,716	196,716
Telecommunication Technology Infrastructure Program (TTIP)	333,534		238,434		95,100	95,100
Transfer and Articulation	8,000		6,257		1,743	1,743
Total State Programs	\$ 22,891,586	\$ 825,676	\$ 4,864,500	\$	\$ 18,852,763	\$ 18,852,763

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, 2009**

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2008 only)			
1. Noncredit ¹	2,006.16		2,006.16
2. Credit	2,295.67		2,295.67
B. Summer Intersession (Summer 2009 - Prior to July 1, 2009)			
1. Noncredit ¹			
2. Credit			
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,724.64		14,724.64
(b) Daily Census Contact Hours	850.59		850.59
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit ¹	9,695.79		9,695.79
(b) Credit	3,461.49		3,461.49
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	962.86		962.86
(b) Daily Census Contact Hours	313.19		313.19
(c) Noncredit Independent Study/Distance Education Courses			
D. Total FTES	34,310.39		34,310.39
Supplemental Information (subset of above information)			
E. In-Service Training Courses (FTES)	2,837.89		2,837.89
H. Basic Skills courses and Immigrant Education			
(a) Noncredit ¹	4,927.70		4,927.70
(b) Credit	650.65		650.65
<u>CCFS 320 Addendum</u>			
CDCP Noncredit FTES			
Centers FTES			
(a) Noncredit ¹	2,283.75		2,283.75
(b) Credit			

¹ Including Career Development and College Preparation (CDCP) FTES

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, 2009

The audit resulted in no adjustments to the fund balances reported on the June 30, 2009 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 (CCFS-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, 2009

Description	Special Revenue Funds				Bond Interest and Redemption Fund		Internal Service Funds			Total
	General Fund	Child Development Fund	Bookstore Fund		Redemption Fund		Self-Insurance Fund	Other Internal Service Fund		
REVENUES:										
Federal Revenues	\$ 10,575,712	\$ 409,569	\$	\$	\$ 105,509	\$	\$	\$	\$ 10,167,669	\$ 21,152,950
State Revenues	111,677,566	4,096,922			14,994,755				988,000	122,257,573
Local Revenues	54,264,085	498,344	8,190,525		8,190,525		3,566,475	5,520,214	45,492	95,159,465
TOTAL REVENUES	<u>176,517,363</u>	<u>5,004,835</u>	<u>8,190,525</u>		<u>15,100,264</u>		<u>3,566,475</u>	<u>5,520,214</u>	<u>11,201,161</u>	<u>238,569,988</u>
EXPENDITURES										
Academic Salaries	68,289,273	2,220,334								70,509,607
Classified Salaries	43,352,018	1,213,444	1,123,555				148,068			45,837,085
Employee Benefits	33,833,267	1,269,737	344,897				51,124	8,171,157		43,670,182
Supplies and Materials	2,359,893	277,174	6,218,587	3,646			300			8,859,600
Other Operating Expenses and Services	24,610,025	78,739	320,994	233,249			3,251,023	23,283		28,656,887
Capital Outlay	2,197,803	67,119	48,403	35,319,706			43,193			37,676,224
TOTAL EXPENDITURES	<u>174,642,279</u>	<u>5,126,547</u>	<u>8,056,436</u>	<u>-</u>	<u>-</u>	<u>35,556,601</u>	<u>3,493,708</u>	<u>8,194,440</u>	<u>139,374</u>	<u>235,209,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,875,084	(121,712)	134,089	(22,087,450)	15,100,264		72,767	(2,674,226)	11,061,587	3,360,403
NET OTHER FINANCING SOURCES (USES)	(695,368)	(14,319)	(200,600)	(18,185,937)	446,596				(11,175,647)	(29,825,275)
NET INCREASE (DECREASE) IN FUND BALANCE	1,179,716	(136,031)	(66,511)	(3,085,673)	(21,640,854)		72,767	(2,674,226)	(114,060)	(26,464,872)
BEGINNING FUND BALANCE:	15,687,397	205,342	4,439,464	7,797,431	177,255,854		5,019,758	(10,453,709)	1,588,542	201,540,079
ENDING FUND BALANCE	<u>\$ 16,867,113</u>	<u>\$ 69,311</u>	<u>\$ 4,372,953</u>	<u>\$ 4,711,758</u>	<u>\$ 155,615,000</u>		<u>\$ 5,092,525</u>	<u>\$ (13,127,935)</u>	<u>\$ 1,474,482</u>	<u>\$ 175,075,207</u>
RECONCILIATION TO INCREASE IN NET ASSETS										
Net Decrease in Fund Balance	\$ (26,464,872)									315,533,303
Capitalized assets	36,720,509									(6,223,497)
Depreciation expense	(10,836,667)									(339,811,038)
Increase in compensated balances	(389,691)									3,759,460
Principal payments of notes payable	30,222									(75,445)
Principal debt payments	5,374,268									
Bond accrued interest	767,454									
Bond accreted interest	(3,733,902)									
INCREASE IN NET ASSETS	<u>\$ 1,467,321</u>									<u>\$ 148,257,990</u>

RECONCILIATION TO NET ASSETS

Capital assets, net	315,533,303
Compensated balances, long term	(6,223,497)
Bond payable	(339,811,038)
Bond issuance cost	3,759,460
Notes payable balance	(75,445)
NET ASSETS	<u>\$ 148,257,990</u>

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

June 30, 2009

	<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	\$ 665,388	\$ 405,842	\$ 90,431	\$ 1,161,661
Accounts receivable	7,785	8,916	119,943	136,644
Due from District Foundation	16,111	16,111		32,222
Investments, at fair value	2,570,410	431,472	2,729,110	5,730,992
Capital assets, net of accumulated depreciation	2,685			2,685
TOTAL ASSETS	<u>\$ 3,262,379</u>	<u>\$ 862,341</u>	<u>\$ 2,939,484</u>	<u>\$ 7,064,204</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 15,448	\$ 881	\$ 7,632	\$ 23,961
Due to District			128,411	128,411
Due to affiliated foundations			32,222	32,222
TOTAL LIABILITIES	<u>15,448</u>	<u>881</u>	<u>168,265</u>	<u>184,594</u>
NET ASSETS				
Unrestricted	<u>295,615</u>	<u>316,939</u>	<u>32,921</u>	<u>645,475</u>
Temporarily restricted				
Scholarships	1,164,351	366,377		1,530,728
Programmatic support	1,290,297	178,144	10,915	1,479,356
Endowment grant	496,668		2,727,383	3,224,051
Total temporarily restricted	<u>2,951,316</u>	<u>544,521</u>	<u>2,738,298</u>	<u>6,234,135</u>
TOTAL NET ASSETS	<u>3,246,931</u>	<u>861,460</u>	<u>2,771,219</u>	<u>6,879,610</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,262,379</u>	<u>\$ 862,341</u>	<u>\$ 2,939,484</u>	<u>\$ 7,064,204</u>

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COUNTY COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2009

	Unrestricted Funds				Temporarily Restricted Funds			
	Santa Ana College Foundation	Santiago Canyon College Foundation	Rancho Santiago Community College District Foundation	Total	Santa Ana College Foundation	Santiago Canyon College Foundation	Rancho Santiago Community College District Foundation	Total
Support and revenue								
Support:								
Contributions	\$ 39,358	\$ 17,681	\$ 956	\$ 57,995	\$ 324,671	\$ 127,427	\$ 20,000	\$ 472,098
Contributions from affiliated foundation		30,478		30,478	38,193	7,715		45,908
Fundraising	59,720		193,998	253,718	77,456	40,340		117,796
Donated services	215,896	287,100	32,047	535,043				
Grant							198,488	198,488
Donated facilities	6,782	7,950		14,732				14,732
Total support	321,756	343,209	227,001	891,966	440,320	175,482	218,488	834,290
Revenue								
Interest and dividends	12,031	3,758	139	15,928	7,822	17,312		7,822
Interest and dividends from investments	2,320	4,229		6,549	48,925			66,237
Realized gain on investments	(6,324)	(45,005)		(51,329)	(96,892)	(22,822)		(96,892)
Unrealized gain (loss) on investments	(9,323)	(22,185)		(31,508)	(91,766)			(114,588)
Other revenue			11,437	11,437		(5,510)		11,437
Total Revenue	(1,296)	(59,203)	11,576	(48,923)	(131,911)	(5,510)		(137,421)
Total support and revenue before net assets released from restrictions	320,460	284,006	238,577	843,043	308,409	169,972	218,488	696,869
Net Assets released from restrictions	540,488	183,262	217,988	941,738	(540,488)	(183,262)	(217,988)	(941,738)
Total support and revenue after net assets released from restrictions	860,948	467,268	456,565	1,784,781	(232,079)	(13,290)	500	(244,869)
Expenses								
Program services	543,657	321,988	315,016	1,180,661				1,180,661
Supporting services:								
Management and general	122,040	103,261	12,069	237,370				237,370
Fundraising	180,710	65,475	114,447	360,632				360,632
Total expenses	846,407	490,724	441,532	1,778,663				1,778,663
Endowment Grant Investment Loss							(835,534)	(835,534)
Change in net assets	14,541	(23,456)	15,033	6,118	(232,079)	(13,290)	(835,034)	(1,074,285)
Net assets								
Net assets-beginning of year	281,074	340,395	17,888	639,357	3,183,395	557,811	3,573,332	7,953,895
Net assets-end of year	\$ 295,615	\$ 316,939	\$ 32,921	\$ 645,475	\$ 2,951,316	\$ 544,521	\$ 2,738,298	\$ 6,879,610

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,

	(Budget) 2010		2009		2008		2007	
	Amount	%	Amount	%	Amount	%	Amount	%
GENERAL FUND:								
Revenue								
Federal	\$ 14,255,279	8.25	\$ 10,575,712	6.03	\$ 10,155,001	5.46	\$ 9,814,246	5.78
State	100,956,478	58.40	111,677,566	63.69	112,736,592	60.63	114,997,375	67.70
County and Local	50,095,258	28.98	54,264,085	30.95	54,429,952	29.27	52,172,506	30.72
Other Financing Sources	141,595	0.08					166,506	0.10
Total Revenue	<u>165,448,610</u>	<u>95.71</u>	<u>176,517,363</u>	<u>100.67</u>	<u>177,321,545</u>	<u>104.30</u>	<u>177,150,633</u>	<u>104.30</u>
Expenditures								
Academic Salaries	61,758,680	35.73	68,289,273	38.95	72,841,818	39.18	65,564,470	38.60
Classified Salaries	39,307,043	22.74	43,352,018	24.72	44,900,692	24.15	40,833,720	24.04
Employee Benefits	35,499,627	20.54	33,833,267	19.30	33,782,005	18.17	29,802,007	17.55
Supplies and Materials	2,789,766	1.61	2,359,893	1.35	2,981,972	1.60	3,169,437	1.87
Other Operating Expenses and Services	28,008,292	16.20	23,107,919	13.18	24,052,269	12.94	23,242,161	13.68
Capital Outlay	3,471,249	2.01	2,197,803	1.25	3,584,721	1.93	4,443,192	2.62
Other Uses	2,031,853	1.18	2,197,474	1.25	3,791,484	2.04	2,788,259	1.64
Total Expenditures	<u>172,866,510</u>	<u>100.00</u>	<u>175,337,647</u>	<u>100.00</u>	<u>185,934,961</u>	<u>100.00</u>	<u>169,843,246</u>	<u>100.00</u>
Change in Fund Balance	<u>\$ (7,417,900)</u>	<u>(4.29)</u>	<u>\$ 1,179,716</u>	<u>0.67</u>	<u>\$ (8,613,416)</u>	<u>(4.63)</u>	<u>\$ 7,307,387</u>	<u>4.30</u>
Ending Fund Balance	<u>\$ 9,449,213</u>	<u>5.47</u>	<u>\$ 16,867,113</u>	<u>9.62</u>	<u>\$ 15,687,397</u>	<u>8.44</u>	<u>\$ 24,300,813</u>	<u>14.31</u>
Full-Time Equivalent Students (Factored)	<u>30,644</u>		<u>34,310</u>		<u>32,841</u>		<u>31,471</u>	
Total Long-Term Debt	<u>\$ 376,514,079</u>		<u>\$ 377,357,819</u>		<u>\$ 375,742,420</u>		<u>\$ 377,729,837</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, 2009

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, 2009 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.

B. 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	\$ 340,543
Gear-up III	84.334	264,217
Title V HIS Coop	84.031	50,132
CTE Tech Prep	84.048	30,000
Head Start	93.600	<u>17,328</u>
		<u>\$ 702,220</u>

C. Schedule of Workload Measures for State General Apportionment and Annual Hours of Instruction

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

D. 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, 2009**

NOTE 1 - PURPOSE OF SCHEDULES: (continued)

E. 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 Systems 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.

F. Combining Statements for Discretely Presented Component Units

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

G. 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 AUDITORS' 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, 2009 and have issued our report thereon dated November 2, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

**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***

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 2, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO 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 are applicable to each of its major federal programs for the year ended June 30, 2009. 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.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-1.

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, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, we do not believe the significant deficiency described above is a material weakness.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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.

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 2, 2009

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 basic financial statements of Rancho Santiago Community College District, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 2, 2009.

Our examination was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit, we performed an audit for compliance as required in Part II, State and Federal Compliance Requirements for those programs identified in the California Department of Finance's 2008 transmittal of audit requirements for community colleges. The objective of the examination of compliance applicable to the Rancho Santiago Community College District is to determine with reasonable assurance:

- Whether the District's salaries of classroom instructors equal or exceed 50 percent of the District's current expense of education in accordance with Section 84362 of the Education Code.
- Whether the District has the appropriate documentation to support the FTES, if any, that are claimed for 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.
- Whether the District has acted to ensure that the residency of each student is properly classified and that only the attendance of California residents is claimed for apportionment purposes.

REPORT ON STATE COMPLIANCE

- Whether the District claimed for apportionment purposes only the attendance of students actively enrolled in a course section as of the census date.
- Whether District has complied with all requirements necessary to claim FTES for the attendance of concurrently enrolled K-12 pupils.
- Whether the District had local funds to support at least 75 percent of the credit matriculation activities and that all matriculation expenditures are consistent with the District's State approved matriculation plan.
- Whether the Gann Limit Calculation was properly calculated and supported by adequate documentation.
- Whether the District is reporting the total amount that students should have paid for enrollment fees for the purpose of determining the District's share of annual apportionment.
- Whether the District expended CalWORKS program State and TANF funds to provide specialized student support services, curriculum development, or instruction to eligible CalWORKS students.
- Whether the District spent an amount equal to or greater than the amount provided by the State for scheduled maintenance and special repairs. Funds provided by the State must be to supplement, not supplant, District scheduled maintenance funds.
- 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 has 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.

In our opinion, Rancho Santiago Community College District complied with the compliance requirements for the state programs listed and tested above. Nothing came to our attention as a result of the aforementioned procedures to indicate that Rancho Santiago Community College District had not complied with the terms and conditions of state assisted educational programs not selected for testing.

Our examination of compliance made for the purposes set forth in the preceding paragraph of this report would not necessarily disclose all instances of noncompliance.

REPORT ON STATE COMPLIANCE

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 2, 2009

FINDINGS AND RECOMMENDATIONS

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS

June 30, 2009

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: Unqualified

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>
84.007, 84.033, 84.038 and 84.063	Financial Aid Cluster
84.042, 84.044 and 84.047	Trio Cluster
N/A	Community Colleges for International Development

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 637,704

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, 2009

There were no findings and questioned costs related to the financial statements for the fiscal year ended June 30, 2009.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

June 30, 2009

FINDING 09-1 – ALLOWABLE COSTS – Compensation for Personal Services

CFDA Title and Number: 84.042 and 84.044 – TRIO Student Support Services and TRIO Talent Search, respectively

Federal Award Number and Year: P042A060491-08 and P044A040471-07

Name of Federal Agency: U.S. Department of Education

Name of Pass-through Agency: Not Applicable

Compliance Requirement: B. Allowable Costs/Cost Principles

Finding: OMB Circular A-21 requires that an after-the-fact documentation be completed in addition to the maintenance of payroll records. The District maintains time records for employees whose positions are funded by Federal programs; however, the required after-the-fact documentation is not prepared to support time and effort for employees whose salaries are charged to multiple projects. During our audit we noted that after-the-fact documentation was not properly completed by employees, including lack of signature by employees and/or their supervisor. This documentation is important to the program; if it is identified over the course of a quarter that the time actually charged to the program varies from the actual duties performed, the District should align the amount charged to the program to the actual time and effort provided.

Questioned Costs: Includes salaries and benefits for all multi-funded permanent professional or professional staff of approximately \$138,000.

Recommendation: Employees that are charged to multiple programs should track their time on a daily basis and record it on the after-the-fact documentation. The form should be completed daily and include all programs they are assigned to. The employees and/or the supervisor should sign the documentation at the end of the month certifying that the document is accurate. On a quarterly basis, a designated person should compare the actual time and effort provided by the employee to the allocation charged to the program. Variances between the actual and the budget, if greater than 10%, should be adjusted to the actual time and effort provided.

District Response: The District will ensure that the established procedures for the required “after the fact documentation” of the time spent by employees whose positions are funded by Federal programs are adhered to by the program staff. The program administrators and directors will be reminded of the importance of completing the *Employee Time Reports* accurately and timely on a regular basis and the need to have an actual time and effort study done to support their *Employee Time Report*.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2009

FINDING 08-1 – HEALTH FEES

Finding: Per the Contract District Audit Manual, when the health fee is mandatory the method to apply for an exemption should be indicated in the course catalog or schedule of classes. At Santa Ana College and Santiago Canyon College, it was noted that the health fee is mandatory, however, there is no place near the stated fee that indicates the method or means to file for an exemption.

Questioned Costs: Not Applicable

Recommendation: It is our understanding that the District has revised the colleges' course catalog to reflect this required information.

Current Status: Implemented.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2009

FINDING 08-2 – MINIMUM CONDITIONS – “STANDARDS OF SCHOLARSHIP”

Finding: Districts may claim apportionment for one repetition for the attendance of a student repeating a course in which a student receives a grade if the student is repeating the course to alleviate substandard work, there were extenuating circumstances or there has been a significant lapse of time between attempts (CCR 58161). Districts may allow additional repetitions, however, they should not grant credit and should not report the students for apportionment purposes. Districts must establish a limit on the amount of remedial coursework a community college student may take. No student shall receive more than 30 semester units (or 45 quarter units) of credit in remedial coursework. Students that exhaust the unit limitation should be referred to appropriate adult noncredit education services. (CCR 55756.5).

We noted the following when reviewing course repetition procedures:

- There should be a policy in effect on the limitations of remedial course work. No policy related to this was noted in the course catalog and schedule of classes.
- Per discussion with personnel, the District does not have a method to track students taking remedial courses.
- At Santa Ana College and Santiago Canyon College, it was noted that the system currently being used is limited to three years or nine semesters of data. The District has been doing a separate reconciliation of those students. Differences noted were insignificant to the total FTES.

Questioned Costs: Not determined

Recommendation:

- It is our understanding that the District has revised the catalog to provide the policy on the limitations of remedial course work.
- The District should implement a procedure or method on the system to track students taking remedial courses to identify those that are close to exceeding or who have exceeded. A petition should be filed with admissions and records similar to those for substandard grade repetitions.
- The District is currently underway to implement a new system for their student information database.

Current Status: The first bullet point has been implemented. The second and third bullet points are resolved with the District's new system.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2009

FINDING 08-3 – ANTI-FRAUD PROGRAMS

Finding: In accordance with the auditing standard (SAS 99) related to our consideration of fraud, we were required to assess the organization’s anti-fraud program. Although the District has processes and procedures in place, we believe that additional controls and policies would strengthen the District’s programs and bring it into alignment with the recommendations issued by the American Institute of Certified Public Accountants in their document entitled “Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud”. The following recommendations are the result of interviews with a sample of management and employees regarding the culture of the organization and the intricacies of the current antifraud program.

Recommendation:

We believe the District should consider the following:

- 1) Develop a training program to communicate the organizational-wide code of ethics (BP 7020) to all employees; the training should also include the red flags related to fraud and how to communicate such concerns. This demonstrates the District’s commitment to fraud awareness throughout the entity. This program should be ongoing with training provided throughout the organization at least annually. Employees should complete an annual confirmation of the training.
- 2) Conduct an analysis of the role internal audit has in developing and implementing an anti-fraud program. To ensure objectivity and provide open communication with those charged with governance, internal audit should make presentations and provide updates to the audit committee. Additional items to consider include whether the organizational structure provides a sufficient level of authority and oversight of the operations of internal audit and whether tools are sufficient to enable the internal audit staff to analyze and utilize computer assisted techniques. In the review of objectives, we believe attention should be given to provide a greater emphasis on risk-assessment in the financial accounting system including the payroll and attendance accounting systems.

Current Status:

- 1) Implemented.
- 2) The internal auditor’s duties have been reassigned to special projects.