



Financial Statements
June 30, 2019

Rancho Santiago Community
College District

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2019

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 14, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 71, the Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program on page 72, the Schedule of the District's Proportionate Share of the Net Pension Liability on pages 73 through 74, and the Schedule of District Contributions on page 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 2, 2019



USING THIS ANNUAL REPORT

The purpose of this annual report is to provide readers with information about the activities programs and financial condition of Rancho Santiago Community College District (the District) as of June 30, 2019. The report consists of three basic financial statements: the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows and provides information about the District as a whole. This section of the annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section. Responsibility for the completeness and accuracy of this information rests with the District management.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

BOARD OF TRUSTEES:

Claudia C. Alvarez • Arianna P. Barrios • John R. Hanna • Zeke Hernandez • Lawrence R. "Larry" Labrado • Nelida Mendoza Yanez • Phillip E. Yarbrough

CHANCELLOR:

Marvin Martinez

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL HIGHLIGHTS

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

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

THE DISTRICT AS A WHOLE

Statement of Net Position

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

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

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The Statement of Net Position as of June 30, 2019 and 2018, is summarized below:

Table 1

	2019	2018	Change
ASSETS			
Current Assets			
Cash and investments	\$ 355,604,262	\$ 358,804,753	\$ (3,200,491)
Accounts receivable	19,668,310	17,209,178	2,459,132
Other current assets	3,259,223	2,964,880	294,343
Total Current Assets	<u>378,531,795</u>	<u>378,978,811</u>	<u>(447,016)</u>
Capital Assets (net)	<u>470,263,811</u>	<u>447,983,174</u>	<u>22,280,637</u>
Total Assets	<u>848,795,606</u>	<u>826,961,985</u>	<u>21,833,621</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	927,737	1,827,405	(899,668)
Deferred outflows of resources for OPEB and pensions	102,662,947	64,125,516	38,537,431
Total Deferred Outflows of Resources	<u>103,590,684</u>	<u>65,952,921</u>	<u>37,637,763</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 952,386,290</u>	<u>\$ 892,914,906</u>	<u>\$ 59,471,384</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 144,459,423	\$ 85,855,023	\$ 58,604,400
Due to fiduciary funds	552,246	165,904	386,342
Current portion of long-term debt	21,413,927	19,634,058	1,779,869
Total Current Liabilities	<u>166,425,596</u>	<u>105,654,985</u>	<u>60,770,611</u>
Long-Term Obligations	<u>754,703,834</u>	<u>797,981,430</u>	<u>(43,277,596)</u>
Total Liabilities	<u>921,129,430</u>	<u>903,636,415</u>	<u>17,493,015</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for OPEB and pensions	47,117,942	13,223,862	33,894,080
Total Liabilities and Deferred Inflows of Resources	<u>968,247,372</u>	<u>916,860,277</u>	<u>51,387,095</u>
NET POSITION			
Net investment in capital assets	115,095,221	96,611,076	18,484,145
Restricted	116,719,788	107,745,476	8,974,312
Unrestricted (deficit)	<u>(247,676,091)</u>	<u>(228,301,923)</u>	<u>(19,374,168)</u>
Total Net Position	<u>(15,861,082)</u>	<u>(23,945,371)</u>	<u>8,084,289</u>
Total Liabilities and Net Position	<u>\$ 952,386,290</u>	<u>\$ 892,914,906</u>	<u>\$ 59,471,384</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Fiscal year ended 2019 compared to 2018:

- Total assets increased approximately \$21.8 million, a 2.6 percent increase from the prior year. The increase is mostly due to construction costs for the Science Center, Johnson Student Center, and Health Science building at Santa Ana College.
- Total current liabilities increased approximately \$60.8 million, a 57.5 percent increase from the prior year, due largely from increases in accounts payable and unearned revenue. Accounts payable increased by 41.0 percent due to the timing of payments. The District accrued \$5.3 million for construction costs incurred for the Science Center and Johnson Student Center at Santa Ana College. The District also accrued \$5.7 million in reimbursements owed to various community colleges for program expenditures related to the Strong Workforce Program, for which the District is the regional fiscal agent. Unearned revenue increased by \$41.9 million due mostly to new grant funding received for the regional Strong Workforce Program which has not been expended. The District also recorded \$6.5 million in deferred State apportionment revenue.
- Long-term obligations decreased by \$43.3 million, a 5.4 percent decrease from the prior year. The decrease is mostly due to maturing General Obligation Bonds and a change in the actuarial assumptions used to calculate the total OPEB liability which included an increase in the investment rate of return from 3.5 percent to 6.3 percent.
- Due to the provisions of GASB Statement No. 68, described in more detail in Note 12 of the financial statements, the District's net position is adjusted to reflect its "proportionate share" of CalPERS and CalSTRS net pension liabilities as a reduction to net position. Though this is an accounting requirement, districts cannot fund these pension liabilities more than required by CalPERS and CalSTRS. By backing out this accounting shift, the District's total net position would be reported as \$144,273,991 at June 30, 2019, an increase of \$15,801,026 over the previous year's adjusted total net position of \$128,472,965.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Table 2

	2019	2018	Change
Operating Revenues			
Tuition and fees, net	\$ 14,650,118	\$ 14,585,759	\$ 64,359
Grants and contracts	95,520,217	72,000,417	23,519,800
Bookstore sales and charges	5,350,171	5,729,488	(379,317)
Total Operating Revenues	<u>115,520,506</u>	<u>92,315,664</u>	<u>23,204,842</u>
Operating Expenses			
Salaries and benefits	208,271,490	196,768,044	11,503,446
Supplies and maintenance	84,384,098	76,251,506	8,132,592
Student aid	30,261,162	30,126,114	135,048
Depreciation	17,808,084	17,812,097	(4,013)
Total Operating Expenses	<u>340,724,834</u>	<u>320,957,761</u>	<u>19,767,073</u>
Loss on Operations	<u>(225,204,328)</u>	<u>(228,642,097)</u>	<u>3,437,769</u>
Nonoperating Revenues			
State apportionments	83,596,488	75,886,784	7,709,704
Property taxes	112,445,598	118,025,984	(5,580,386)
State and federal financial aid grants	28,610,259	29,004,167	(393,908)
Other state revenues	8,352,303	7,433,052	919,251
Net interest expense	(6,988,671)	(9,211,964)	2,223,293
Other nonoperating revenues	2,270,477	3,659,806	(1,389,329)
Total Nonoperating Revenue	<u>228,286,454</u>	<u>224,797,829</u>	<u>3,488,625</u>
Other Revenues			
State and local capital income	<u>5,002,163</u>	<u>2,174,538</u>	<u>2,827,625</u>
Change in Net Position	<u>\$ 8,084,289</u>	<u>\$ (1,669,730)</u>	<u>\$ 9,754,019</u>

Fiscal year ended 2019 compared to 2018:

- State grants revenue increased by over 32.7 percent related to continued work on fiscal agent awards received for Strong Workforce Program and Key Talent Program.
- Total nonoperating revenue increased 1.55 percent from the prior year mostly due to the increase in the Cost of Living Adjustment.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

Table 3

Year ended June 30, 2019:

	Salaries & Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 93,121,819	\$ 8,125,895	\$ 1,881,562	\$ -	\$ -	\$ 103,129,276
Instructional administration	16,152,512	968,239	204,611	-	-	17,325,362
Instructional support services	10,110,422	397,714	421,136	-	-	10,929,272
Student services	33,777,586	1,904,532	119,885	-	-	35,802,003
Plant operations and maintenance	6,363,797	5,512,805	1,901,546	-	-	13,778,148
Planning, policymaking and coordinations	2,421,445	694,452	2,292,326	-	-	5,408,223
Institutional support services	30,798,090	26,068,335	575,820	-	-	57,442,245
Community services	2,328,320	27,805,468	85,788	-	-	30,219,576
Ancillary services and auxiliary operations	13,197,499	5,262,791	159,696	-	-	18,619,986
Student aid	-	1,497	-	30,261,162	-	30,262,659
Unallocated depreciation	-	-	-	-	17,808,084	17,808,084
Total	\$ 208,271,490	\$ 76,741,728	\$ 7,642,370	\$ 30,261,162	\$ 17,808,084	\$ 340,724,834

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 nonoperating, noninvesting, and noncapital financing purposes. The third part shows cash flows from capital and related financing activities and deals with the cash used for the acquisition and construction of capital and related items. The fourth part provides information from investing activities and the amount of interest received. The last section reconciles the net change in cash and cash equivalents to the ending cash and cash equivalents balance reflected on the Statement of Net Position.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Statement of Changes in Cash Position

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

Table 4

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Cash Provided by (Used in)			
Operating activities	\$ (181,648,828)	\$ (131,555,100)	\$ (50,093,728)
Noncapital financing activities	204,726,813	172,338,740	32,388,073
Capital financing activities	(32,594,846)	54,447,943	(87,042,789)
Investing activities	<u>6,316,370</u>	<u>2,386,279</u>	<u>3,930,091</u>
Net Increase (Decrease) in Cash	(3,200,491)	97,617,862	(100,818,353)
Cash, Beginning of Year	358,804,753	261,186,891	97,617,862
Cash, End of Year	<u><u>\$ 355,604,262</u></u>	<u><u>\$ 358,804,753</u></u>	<u><u>\$ (3,200,491)</u></u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Fiscal year ended 2019 compared to 2018:

As of June 30, 2019, the District had \$676.8 million in capital assets, less \$206.5 million of accumulated depreciation for net capital assets of \$470.3 million. The District continues to work on the facilities projects that are part of the \$198 million bond program under Measure Q. The District spent approximately \$40.4 million on capital assets in 2018-2019, the majority of which relate to bond proceeds. Depreciation charges totaled \$17.8 million in 2018-2019. We present more detailed information regarding our capital assets in Note 6 of the financial statements.

Table 5

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 110,212,093	\$ 38,806,643	\$ (1,520,119)	\$ 147,498,617
Buildings and improvements	458,562,333	1,848,927	(369,426)	460,041,834
Equipment	70,253,938	1,293,191	(2,335,889)	69,211,240
Subtotal	639,028,364	41,948,761	(4,225,434)	676,751,691
Accumulated depreciation	(191,045,190)	(17,808,084)	2,365,394	(206,487,880)
	<u>\$ 447,983,174</u>	<u>\$ 24,140,677</u>	<u>\$ (1,860,040)</u>	<u>\$ 470,263,811</u>

Obligations

Fiscal year ended 2019 compared to 2018:

At June 30, 2019, the District had \$776.1 million in outstanding long-term liabilities compared to \$817.6 million at June 30, 2018. The net decrease of \$41.5 million includes a \$27.4 million decrease in the Other Postemployment Benefit obligation in accordance with the most recent actuarial study of Retiree Health Liabilities dated June 22, 2019 and an increase of \$6.2 million to the District's net pension obligation. These were offset by a net decrease of \$20.6 million related to the General Obligation Bonds during the fiscal year. We present more detailed information regarding our long-term obligations in Note 10 of the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Table 6

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 441,620,717	\$ 3,828,258	\$ (24,423,703)	\$ 421,025,272
Aggregate net pension obligation	196,038,329	6,204,553	-	202,242,882
Other long-term liabilities	179,956,442	19,476,469	(46,583,304)	152,849,607
Total Long-Term Debt	<u>\$ 817,615,488</u>	<u>\$ 29,509,280</u>	<u>\$ (71,007,007)</u>	<u>\$ 776,117,761</u>
Amount due within one year				<u>\$ 21,413,927</u>

BUDGETARY HIGHLIGHTS

A new Student Centered Funding Formula (SCFF) was adopted beginning 2018-19 that includes a Base Allocation primarily based on FTES, a Supplemental Allocation based on low-income students and a Student Success Allocation based on counts of outcomes related to the Board of Governors' Vision for Success. Since its adoption there continue to be major changes to the SCFF. Due to these changes, the District's funding continues to be volatile.

At the time the 2019-2020 budget was developed, the following assumptions were made:

- The State Chancellor's Office has approved a hold harmless provision which keeps the District funded at the 2017-2018 Total Computational Revenue level plus the 2018-2019 Cost of Living Adjustment (COLA) of 2.71 percent and the 2019-2020 COLA of 3.26 percent.
- The District's health and welfare benefit premium cost as of January 2020 is estimated to increase by 3.5 percent. The District's contribution to the California State Teachers' Retirement System (CalSTRS) will increase in 2019-2020 from 16.28 percent to 17.1 percent. The District's contribution to the California Public Employees' Retirement System (CalPERS) will increase in 2019-2020 from 18.06 percent to 19.721 percent.
- As a result of a decrease in the actuarially determined Annual Required Contribution needed to fund the District's Postemployment Benefits Other Than Pensions (OPEB) liability, the District will decrease the employer payroll contribution rate of 3.63 percent to 2.75 percent of total salaries.
- The District targeted an increase to 28,177 Full-Time Equivalent Students served, however did not budget for any growth revenue.
- The full-time Faculty Obligation Number was estimated at 381. The District will recruit to replace 18 faculty vacancies and recruit 15 new faculty to meet this obligation.
- The District's 2018-2019 unrestricted ending balance increased by \$855,833, the majority of which are carried over as college-specific reserves.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- The District's budget is balanced with an ongoing net unallocated amount of \$1.8 million in the unrestricted general fund. This amount will remain unallocated until all budgeted revenue is actually earned. The District's budget also includes a 12.5 percent contingency reserve consistent with Board Policy.

ECONOMIC FACTORS

- The financial position of the District is closely tied to that of the State of California. The District receives over 90 percent of its unrestricted general fund revenues through State apportionments, local property taxes including redevelopment agency allocations, the Education Protection Account (EPA) and student paid enrollment fees which make up the District's general apportionment, the main funding support for California community colleges.
- There are concerns for community colleges in that the condition of the State's budget depends on many volatile and unpredictable economic conditions. This uncertainty coupled with the expectation of Cost of Living Adjustments (COLAs) remaining low in the foreseeable future, growth of Full Time Equivalent Students remaining tenuous, continuing cost increases related to pension obligations, and the Student Centered Funding Formula adding additional funding volatility and uncertainty necessitates a cautious approach to budget forecasts.
- Management continues to closely monitor the State budget information and operating costs of the District and will maintain a close watch over resources to ensure financial stability and retain reserve levels required by Board Policy and the State Chancellor's Office.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019**

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 109,216,435
Cash and cash equivalents - restricted	246,230,081
Investments	157,746
Accounts receivable	18,661,928
Student receivables	997,496
Due from fiduciary funds	8,886
Prepaid expenses	1,686,037
Inventories	1,573,186

Total Current Assets

378,531,795

Noncurrent Assets

Nondepreciable capital assets	147,498,617
Depreciable capital assets, net of depreciation	322,765,194

Total Noncurrent Assets

470,263,811

TOTAL ASSETS

848,795,606

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	927,737
Deferred outflows of resources related to pensions	55,187,436
Deferred outflows of resources related to OPEB	47,475,511

TOTAL DEFERRED OUTFLOWS OF RESOURCES

103,590,684

LIABILITIES

Current Liabilities

Accounts payable	28,542,014
Interest payable	5,112,984
Due to fiduciary funds	552,246
Unearned revenue	110,804,425
Compensated absences payable	633,927
Bonds payable	20,780,000

Total Current Liabilities

166,425,596

Noncurrent Liabilities

Compensated absences payable	6,350,458
Load banking	5,628,614
Bonds payable	400,245,272
Claims liability	400,000
Aggregate net OPEB liability	139,836,608
Aggregate net pension obligation	202,242,882

Total Noncurrent Liabilities

754,703,834

TOTAL LIABILITIES

921,129,430

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	13,079,627
Deferred inflows of resources related to OPEB	34,038,315

TOTAL DEFERRED INFLOWS OF RESOURCES

47,117,942

NET POSITION

Net investment in capital assets	115,095,221
Restricted for:	
Debt service	23,665,228
Capital projects	87,431,454
Educational programs	3,581,339
Other activities	2,041,767
Unrestricted (deficit)	(247,676,091)

TOTAL NET POSITION

\$ (15,861,082)

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Student Tuition and Fees	\$ 29,067,982
Less: Scholarship discount and allowance	(14,417,864)
Net tuition and fees	<u>14,650,118</u>
Grants and Contracts, Noncapital	
Federal	12,130,817
State	83,096,156
Local	293,244
Total grants and contracts, noncapital	<u>95,520,217</u>
Other Operating Revenues	<u>5,350,171</u>
TOTAL OPERATING REVENUES	<u>115,520,506</u>
OPERATING EXPENSES	
Salaries	138,794,443
Employee benefits	69,477,047
Supplies, materials, and other operating expenses and services	76,741,728
Equipment, maintenance, and repairs	7,642,370
Student financial aid	30,261,162
Depreciation	17,808,084
TOTAL OPERATING EXPENSES	<u>340,724,834</u>
OPERATING LOSS	<u>(225,204,328)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	83,596,488
Local property taxes, levied for general purposes	81,420,316
Taxes levied for other specific purposes	31,025,282
Federal financial aid grants, noncapital	23,535,989
State financial aid grants, noncapital	5,074,270
State taxes and other revenues	8,352,303
Investment income	7,065,808
Interest expense on capital related debt	(14,380,005)
Investment income on capital asset-related debt, net	325,526
Transfer to fiduciary fund	(52,100)
Loss on impairment of capital assets	(324,392)
Gain on disposal of capital assets, net	4,291
Other nonoperating revenue	2,642,678
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>228,286,454</u>
INCOME BEFORE OTHER REVENUES	<u>3,082,126</u>
OTHER REVENUES	
State revenues, capital	1,325,755
Local revenues, capital	3,676,408
TOTAL OTHER REVENUES	<u>5,002,163</u>
CHANGE IN NET POSITION	<u>8,084,289</u>
NET POSITION, BEGINNING OF YEAR	<u>(23,945,371)</u>
NET POSITION, END OF YEAR	<u>\$ (15,861,082)</u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 11,861,860
Grants and contracts, noncapital	145,175,973
Payments to or on behalf of employees	(232,711,547)
Payments to vendors for supplies and services	(81,064,123)
Payments to students for scholarships and grants	(30,261,162)
Other operating receipts (payments)	5,350,171

Net Cash Flows From Operating Activities

(181,648,828)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	88,301,494
Federal and State financial aid grants and loans	26,442,018
Property taxes - nondebt related	81,420,316
State taxes and other apportionments	8,352,303
Other nonoperating	210,682

Net Cash Flows From Noncapital Financing Activities

204,726,813

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(34,946,431)
Proceeds from capital debt	3,828,258
State revenue, capital projects	1,325,755
Local revenue, capital projects	3,676,408
Property taxes - related to capital debt	31,025,282
Principal paid on capital debt	(24,423,703)
Interest paid on capital debt	(14,305,609)
Deferred costs on issuance of refunding debt	899,668
Interest received on capital asset-related debt	325,526

Net Cash Flows From Capital Financing Activities

(32,594,846)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	6,316,370
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NET CHANGE IN CASH AND CASH EQUIVALENTS

(3,200,491)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

358,804,753

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 355,604,262

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (225,204,328)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	17,808,084
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	1,076,364
Inventories	26,330
Prepaid expenses	(320,673)
Accounts payable and accrued liabilities	4,719,894
Unearned revenue	45,791,134
Compensated absences and load banking	334,711
Deferred outflows of resources related to OPEB & pensions	(38,537,431)
Deferred inflows of resources related to OPEB & pensions	33,894,080
Aggregate net pension obligation	6,204,553
Aggregate net OPEB obligation	<u>(27,441,546)</u>
Total Adjustments	<u>43,555,500</u>
Net Cash Flows From Operating Activities	<u><u>\$ (181,648,828)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash and cash equivalents	\$ 355,446,516
Investments in local agency investment fund (LAIF)	157,746
Total Cash and Cash Equivalents	<u><u>\$ 355,604,262</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	\$ 13,398,472
California Promise Grants	14,417,864
	<u><u>\$ 27,816,336</u></u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Retiree OPEB Trust	Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,891,572	\$ 1,962,751
Investments	40,000,000	-	-
Accounts receivable	-	214,428	-
Student receivables	-	2,659	-
Due from primary government	-	552,246	-
Total Assets	<u>40,000,000</u>	<u>5,660,905</u>	<u>\$ 1,962,751</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	-	160,714	-
LIABILITIES			
Current Liabilities			
Accounts payable	-	173,038	\$ 542
Due to primary government	-	8,886	-
Unearned revenue	-	82,468	-
Due to student groups	-	-	1,962,209
Total Current Liabilities	<u>-</u>	<u>264,392</u>	<u>\$ 1,962,751</u>
Noncurrent Liabilities			
Aggregate net pension obligation	-	582,930	
TOTAL LIABILITIES	<u>-</u>	<u>847,322</u>	
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	-	11,741	
NET POSITION			
Restricted for postemployment benefits other than pensions	40,000,000	-	
Unrestricted	-	4,962,556	
Total Net Position	<u>\$ 40,000,000</u>	<u>\$ 4,962,556</u>	

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Retiree OPEB Trust	Trust Funds
ADDITIONS		
State revenues	\$ -	\$ 2,259
District contributions	47,475,511	-
Local revenues	-	2,806,725
Total Additions	<u>47,475,511</u>	<u>2,808,984</u>
DEDUCTIONS		
Academic salaries	-	20,657
Classified salaries	-	502,582
Employee benefits	-	151,717
Books and supplies	-	74,542
Services and operating expenditures	-	1,467,008
Capital outlay	-	38,922
Benefit payments	7,475,511	-
Total Deductions	<u>7,475,511</u>	<u>2,255,428</u>
OTHER FINANCING SOURCES		
Transfers from primary government	-	52,100
Change in Net Position	<u>40,000,000</u>	<u>605,656</u>
Net Position - Beginning of Year	-	4,356,900
Net Position - Ending of Year	<u>\$ 40,000,000</u>	<u>\$ 4,962,556</u>

The accompanying notes are an integral part of these financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - ORGANIZATION

Rancho Santiago Community College District (the District) was established in 1971 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two college(s) and six campuses/centers located within Orange County. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61. The District is classified as a Public Educational Institution under Internal Revenue Code Section 115 and is, therefore, exempt from Federal taxes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the District.

The District has analyzed the financial and accountability relationship with the Santa Ana College Foundation, Santiago Canyon Foundation and Rancho Santiago Canyon Foundation (the Foundations) in conjunction with GASB Statement No. 61 criteria. The Foundations are separate, not for profit organizations, and the District does provide and receive direct benefits to and from the Foundations. However, it has been determined that all criteria under GASB Statement No. 61 has not been met to require inclusion of the Foundations' financial statements into the District's annual report. Information on the Foundations may be requested through each Foundation office.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees, noncapital grants and contracts, and auxiliary activities through the bookstores.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year attributed to. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent students (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
 - Statement of Net Position - Primary Government
 - Statement of Revenues, Expenses, and Changes in Net Position - Primary Government
 - Statement of Cash Flows - Primary Government
 - Financial Statements for the Fiduciary Funds including:
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the Statement of Cash Flows. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2019, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent those amounts designated for acquisition or construction of noncurrent assets or that are segregated for the liquidation of long-term debt.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. Management has analyzed these accounts and believes all amounts are fully collectable.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight-line method.

Deferred Charge on Refunding

Deferred charge on refunding is amortized using the straight-line method over the life of the new debt or remaining life of the old debt, whichever is shorter.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

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

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenue includes (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, compensated absences, load banking, claims payable, aggregate net pension obligation, and aggregate net OPEB liability with maturities greater than one year.

Net Position

GASB Statements No. 34 and No. 35 report equity as "Net Position" and represent the difference between assets and liabilities. The net position is classified according to imposed restrictions or availability of assets for satisfaction of District obligations according to the following net asset categories:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. To the extent debt has been incurred, but not yet expended for capital assets, such accounts are not included as a component invested in capital assets.

Restricted: Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Unrestricted: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report \$116,719,788 of restricted net position.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

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

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

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

State Apportionments

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

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG) Grants, Direct Loans, and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

Investment in County Treasury - In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2019, consist of the following:

Primary government	\$ 355,604,262
Fiduciary funds	46,854,323
Total Deposits and Investments	<u><u>\$ 402,458,585</u></u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Deposits and investments of the Fiduciary Funds as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 13,344,066
Cash in revolving	142,800
Cash with fiscal agent	104,417
Cash in county investment pool	348,709,556
Investments	40,157,746
Total Deposits and Investments	<u><u>\$ 402,458,585</u></u>

Interest Rate Risk and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. District regulations require that funds that are not required for the immediate need of the District may be invested in the County Treasurer's Investment Pool, State's Local Agency Investment Fund (LAIF), or in other investments as permitted by *Government Code* Sections 53601, 53635, 53534, and 53648. These investments are restricted to invest in time deposits, U.S. Government Securities, State registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptance notes, commercial paper, negotiable certificated of deposit, and repurchase or reverse repurchase agreements. The District manages its exposure to interest rate risk by investing in the Orange County Investment Pool and LAIF. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity	Average Credit Rating
Orange County Investment Pool	\$ 348,709,556	\$ 350,038,797	310	AAAm
State Investment Pool	157,746	157,746	173	N/A
Mutual Funds	40,000,000	40,000,000	N/A	N/A
Total	<u><u>\$ 388,867,302</u></u>	<u><u>\$ 390,196,543</u></u>		

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of \$11,576,718 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Orange County Investment Pool and Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Orange County Investment Pool	\$ 350,038,797	\$ -	\$ 350,038,797
State Investment Pool	157,746	-	157,746
Mutual Funds	40,000,000	40,000,000	-
Total	<u>\$ 390,196,543</u>	<u>\$ 40,000,000</u>	<u>\$ 350,196,543</u>

All assets have been valued using a market approach, with quoted market prices.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019, for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

The accounts receivable are as follows:

	<u>Primary Government</u>
Federal Government	
Categorical aid	\$ 5,816,653
State Government	
Categorical aid	5,924,176
Lottery	1,444,564
Other State sources	428,240
Local Sources	
Property taxes	2,075,087
Interest	749,438
Other local sources	2,223,770
Total	<u>\$ 18,661,928</u>
Student receivables	<u>\$ 997,496</u>
	<u>Fiduciary Funds</u>
Local Sources	
Other local sources	<u>\$ 214,428</u>
Student receivables	<u>\$ 2,659</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated				
Land	\$ 89,964,360	\$ -	\$ -	\$ 89,964,360
Construction in progress	20,247,733	38,806,643	1,520,119	57,534,257
Total Capital Assets Not Being Depreciated	<u>110,212,093</u>	<u>38,806,643</u>	<u>1,520,119</u>	<u>147,498,617</u>
Capital Assets Being Depreciated				
Buildings and improvements	373,039,877	1,848,927	-	374,888,804
Site improvements	85,522,456	-	369,426	85,153,030
Equipment	70,253,938	1,293,191	2,335,889	69,211,240
Total Capital Assets Being Depreciated	<u>528,816,271</u>	<u>3,142,118</u>	<u>2,705,315</u>	<u>529,253,074</u>
Total Capital Assets	<u>639,028,364</u>	<u>41,948,761</u>	<u>4,225,434</u>	<u>676,751,691</u>
Less Accumulated Depreciation				
Buildings and improvements	79,766,465	7,571,868	-	87,338,333
Site improvements	49,675,045	7,448,878	45,034	57,078,889
Equipment	61,603,680	2,787,338	2,320,360	62,070,658
Total Accumulated Depreciation	<u>191,045,190</u>	<u>17,808,084</u>	<u>2,365,394</u>	<u>206,487,880</u>
Net Capital Assets	<u>\$ 447,983,174</u>	<u>\$ 24,140,677</u>	<u>\$ 1,860,040</u>	<u>\$ 470,263,811</u>

Depreciation expense for the year was \$17,808,084.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

		<u>Primary Government</u>
Accrued payroll		\$ 5,902,277
Amounts owed to other districts		6,496,035
Construction		6,986,566
Vendor payables		<u>9,157,136</u>
	Total	<u><u>\$ 28,542,014</u></u>
		<u>Fiduciary Funds</u>
Accrued payroll		\$ 63,314
Vendor payables		<u>110,266</u>
	Total	<u><u>\$ 173,580</u></u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

		<u>Primary Government</u>
Federal financial assistance		\$ 264,203
State categorical aid		101,912,584
Apportionment		4,705,006
Student fees		1,812,377
Other local		<u>2,110,255</u>
	Total	<u><u>\$ 110,804,425</u></u>
		<u>Fiduciary Funds</u>
Other local		<u>\$ 82,468</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 9 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2019, the primary government owed the fiduciary funds \$552,246 and the fiduciary funds owed the primary government \$8,886.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018-2019 fiscal year, the amount transferred to the fiduciary funds from the primary government funds amounted to \$52,100.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the 2019 fiscal year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Bonds Payable					
General obligation bonds - 2002 Election					
General obligation bonds, 2005 Series B	\$ 46,473,503	\$ 492,538	\$ 1,135,000	\$ 45,831,041	\$ 1,250,000
General obligation bonds, 2006 Series C	69,465,823	3,335,720	-	72,801,543	-
General obligation refunding bonds, 2005	33,160,000	-	5,560,000	27,600,000	6,295,000
General obligation refunding bonds, 2011	7,195,000	-	2,525,000	4,670,000	-
General obligation refunding bonds, 2012	57,400,000	-	3,245,000	54,155,000	3,550,000
General obligation refunding bonds, 2013	73,550,000	-	830,000	72,720,000	3,500,000
General obligation bonds - 2012 Election					
General obligation bonds, 2014 Series A	50,795,000	-	90,000	50,705,000	175,000
General obligation bonds, 2017 Series B	70,600,000	-	5,915,000	64,685,000	6,010,000
Premium of debt	32,981,391	-	5,123,703	27,857,688	-
Total Bonds Payable	<u>441,620,717</u>	<u>3,828,258</u>	<u>24,423,703</u>	<u>421,025,272</u>	<u>20,780,000</u>
Other Liabilities					
Compensated absences	6,934,764	49,621	-	6,984,385	633,927
Load banking	5,343,524	285,090	-	5,628,614	-
Claims liability	400,000	-	-	400,000	-
Aggregate net other postemployment benefits (OPEB) liability	167,278,154	19,141,758	46,583,304	139,836,608	-
Aggregate net pension obligation	196,038,329	6,204,553	-	202,242,882	-
Total Other Liabilities	<u>375,994,771</u>	<u>25,681,022</u>	<u>46,583,304</u>	<u>355,092,489</u>	<u>633,927</u>
 Total Long-Term Obligations	 <u>\$ 817,615,488</u>	 <u>\$ 29,509,280</u>	 <u>\$ 71,007,007</u>	 <u>\$ 776,117,761</u>	 <u>\$ 21,413,927</u>

Description of Debt

Payments on the general obligation bonds are to be made by the Bond Interest and Redemption Fund with local property tax collections. The aggregate net pension obligation, compensated absences, load banking and aggregate net other postemployment obligation will be paid by the fund for which the employee worked. The Internal Service fund makes payments for the claims liability.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Bonded Debt

2002 General Obligation Bonds

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

On February 23, 2005, the District issued General Obligation Bonds, Election of 2002, Series B of \$111,175,000 of current interest and \$8,824,867 of capital appreciation bonds. Interest ranges from 3.0 percent to 5.13 percent payable semi-annually on March 1 and September 1.

On September 21, 2006, the District issued 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 3.38 percent to 5.00 percent payable semi-annually on March 1 and September 1.

On August 4, 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 percent to 5.25 percent payable semi-annually on March 1 and September 1. The refunding proceeds were issued to pay off a portion of the Series A General Obligation Bonds.

On November 30, 2011, the District issued \$10,300,000 2011 General Obligation Refunding Bonds. Interest rates range from 2.0 percent to 5.0 percent payable semi-annually on March 1 and September 1. The net proceeds from the issuance provided for the partial refunding of \$10,495,000 of the 2003 Series A bonds.

On March 1, 2012, the District issued \$62,985,000 2012 General Obligation Refunding Bonds. Interest rates range from 2.0 percent to 5.0 percent payable semi-annually on March 1 and September 1. The net proceeds from the issuance provided for the partial refunding of \$5,860,000 of the 2003 Series A bonds and \$59,495,000 of the 2005 Series B bonds.

On January 17, 2013, the District issued \$79,130,000 2013 General Obligation Refunding Bonds. Interest rates range from 1.75 percent to 5.0 percent payable semi-annually on March 1 and September 1. The net proceeds from the issuance provided for the partial refunding of \$2,650,000 of the 2005 Series B bonds and \$80,100,000 of the 2006 Series C bonds.

2012 General Obligation Bonds

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

On October 15, 2014, the District issued General Obligation Bonds, Election 2012, Series 2014A of \$70,585,000 of current interest bonds. Interest ranges from 2.0 percent to 5.0 percent, payable semi-annually on February 1 and August 1.

On December 28, 2017, the District issued General Obligation Bonds, Election 2012, Series B of \$70,600,000 of current interest bonds. Interest ranges from 2.0 percent to 5.0 percent payable semi-annually on February 1 and August 1.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2019
2/23/2005	9/1/2029	3.00%-5.13%	\$ 119,999,867	\$ 46,473,503	\$ 492,538	\$ 1,135,000	\$ 45,831,041
9/21/2006	9/1/2031	3.38%-5.00%	120,874,329	69,465,823	3,335,720	-	72,801,543
8/4/2005	9/1/2023	3.57%-5.25%	53,559,299	33,160,000	-	5,560,000	27,600,000
11/30/2011	9/1/2022	2.00%-5.00%	10,300,000	7,195,000	-	2,525,000	4,670,000
3/1/2012	9/1/2027	2.00%-5.00%	62,985,000	57,400,000	-	3,245,000	54,155,000
1/17/2013	9/1/2026	1.75%-5.00%	79,130,000	73,550,000	-	830,000	72,720,000
10/15/2014	8/1/2044	2.00%-5.00%	70,585,000	50,795,000	-	90,000	50,705,000
12/28/2017	8/1/2041	2.00%-5.00%	70,600,000	70,600,000	-	5,915,000	64,685,000
				<u>\$ 408,639,326</u>	<u>\$ 3,828,258</u>	<u>\$ 19,300,000</u>	<u>\$ 393,167,584</u>

The 2002 Election General Obligation Bonds, Series B mature through 2030 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2020	\$ 1,220,881	\$ 29,119	\$ 1,847,050	\$ 3,097,050
2021	1,289,315	95,685	1,847,050	3,232,050
2022	1,347,065	172,935	1,847,050	3,367,050
2023	1,403,098	261,902	1,847,050	3,512,050
2024	1,456,678	363,322	1,847,050	3,667,050
2025-2029	20,369,004	1,075,996	8,792,066	30,237,066
2030	18,745,000	-	480,340	19,225,340
Total	<u>\$ 45,831,041</u>	<u>\$ 1,998,959</u>	<u>\$ 18,507,656</u>	<u>\$ 66,337,656</u>

The 2002 Election General Obligation Bonds, Series C mature through 2032 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Total
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	24,464,663	11,935,337	36,400,000
2030-2032	48,336,880	34,893,120	83,230,000
Total	<u>\$ 72,801,543</u>	<u>\$ 46,828,457</u>	<u>\$ 119,630,000</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The 2005 General Obligation Refunding Bonds mature through 2024 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 6,295,000	\$ 1,283,756	\$ 7,578,756
2021	6,515,000	947,494	7,462,494
2022	6,705,000	600,469	7,305,469
2023	5,400,000	282,713	5,682,713
2024	2,685,000	70,481	2,755,481
Total	\$ 27,600,000	\$ 3,184,913	\$ 30,784,913

The 2011 General Obligation Refunding Bonds mature through 2023 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ -	\$ 233,500	\$ 233,500
2021	-	233,500	233,500
2022	-	233,500	233,500
2023	4,670,000	116,750	4,786,750
Total	\$ 4,670,000	\$ 817,250	\$ 5,487,250

The 2012 General Obligation Refunding Bonds mature through 2027 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 3,550,000	\$ 2,473,550	\$ 6,023,550
2021	3,895,000	2,324,650	6,219,650
2022	4,250,000	2,161,750	6,411,750
2023	4,625,000	1,984,250	6,609,250
2024	5,015,000	1,766,375	6,781,375
2025-2027	32,820,000	3,746,750	36,566,750
Total	\$ 54,155,000	\$ 14,457,325	\$ 68,612,325

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The 2013 General Obligation Refunding Bonds mature through 2027 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 3,500,000	\$ 3,295,650	\$ 6,795,650
2021	4,280,000	3,140,050	7,420,050
2022	5,170,000	2,951,050	8,121,050
2023	2,545,000	2,796,750	5,341,750
2024	11,540,000	2,515,050	14,055,050
2025-2027	45,685,000	3,642,375	49,327,375
Total	\$ 72,720,000	\$ 18,340,925	\$ 91,060,925

The 2012 Election General Obligation Bonds, Series 2014A mature through 2045 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 175,000	\$ 2,178,587	\$ 2,353,587
2021	255,000	2,167,838	2,422,838
2022	340,000	2,152,963	2,492,963
2023	430,000	2,133,712	2,563,712
2024	530,000	2,109,713	2,639,713
2025-2029	4,395,000	9,995,938	14,390,938
2030-2034	8,055,000	8,609,537	16,664,537
2035-2039	12,580,000	6,619,156	19,199,156
2040-2044	19,200,000	3,000,525	22,200,525
2045	4,745,000	94,900	4,839,900
Total	\$ 50,705,000	\$ 39,062,869	\$ 89,767,869

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The 2012 Election General Obligation Bonds, Series 2017B mature through 2042 as follows:

Fiscal Year	Principal	Current Interest to Maturity	Total
2020	\$ 6,010,000	\$ 2,416,200	\$ 8,426,200
2021	5,080,000	2,194,400	7,274,400
2022	995,000	2,067,925	3,062,925
2023	880,000	2,021,050	2,901,050
2024	1,010,000	1,973,800	2,983,800
2025-2029	7,390,000	8,911,875	16,301,875
2030-2034	11,985,000	6,870,000	18,855,000
2035-2039	17,530,000	4,324,150	21,854,150
2040-2042	13,805,000	854,300	14,659,300
Total	\$ 64,685,000	\$ 31,633,700	\$ 96,318,700

Compensated Absences

At June 30, 2019, the liability for compensated absences was \$6,984,385, of which \$633,927 is considered current.

Load Banking

At June 30, 2019, the liability for load banking was \$5,628,614.

Aggregate Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported an aggregate net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 138,984,339	\$ 47,475,511	\$ 34,038,315	\$ 61,510,210
Medicare Premium Payment (MPP) Program	852,269	-	-	(111,843)
Total	\$ 139,836,608	\$ 47,475,511	\$ 34,038,315	\$ 61,398,367

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	414
Active employees	977
	<hr/>
	1,391
	<hr/> <hr/>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Faculty Association (FARSCCD), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2018-2019, the District contributed \$47,475,511 to the Plan, of which \$7,475,511 was used for current premiums and \$40,000,000 was used to fund an OPEB Trust that was opened in the current year.

Total OPEB Liability of the District

The District's total OPEB liability of \$138,984,339 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2017.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	6.30 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the long-term return on plan assets assuming 100 percent funding through the trust, using the building block method.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 167,278,154
Service cost	7,767,432
Interest	10,522,057
Change of assumptions	(38,293,105)
Benefit payments	(8,290,199)
Net change in total OPEB liability	(28,293,815)
Balance at June 30, 2018	<u>\$ 138,984,339</u>

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2018, the financial reporting investment rate of return was increased from 3.5 percent in 2017 to 6.3 percent in 2018.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (5.3%)	\$ 148,050,524
Current discount rate (6.3%)	138,984,339
1% increase (7.3%)	126,619,092

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.0%)	\$ 125,817,662
Current healthcare cost trend rate (4.0%)	138,984,339
1% increase (5.0%)	150,334,409

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 47,475,511	\$ -
Changes of assumptions	-	34,038,315
Total	<u>\$ 47,475,511</u>	<u>\$ 34,038,315</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred inflows of resources will be amortized over a closed five-year period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (4,254,790)
2021	(4,254,790)
2022	(4,254,790)
2023	(4,254,790)
2024	(4,254,790)
Thereafter	(12,764,365)
	<u>\$ (34,038,315)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$852,269 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.2227 percent and 0.2292, respectively, resulting in a net decrease in the proportionate share of 0.0065 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(111,843).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 942,652
Current discount rate (3.87%)	852,269
1% increase (4.87%)	770,659

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 777,183
Current Medicare costs trend rates (3.7% Part A and 4.1% Part B)	852,269
1% increase (4.7% Part A and 5.1% Part B)	933,022

Aggregate Net Pension Obligation

At June 30, 2019, the liability for the aggregate net pension obligation amounted to \$202,242,882. See Note 12 for additional information.

NOTE 11 - RISK MANAGEMENT

Property and Liability Insurance Coverages

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical claims; and natural disasters. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risk of loss. The Self-Insurance Fund provides coverage for up to a maximum of \$25,000 for each general liability claim and \$10,000 for each property damage claim. Prior to August 1, 2017, workers' compensation was 100 percent insured coverage. Effective August 1, 2017, the District became self-insured for its workers' compensation liability for the first \$150,000 of each claim and the remainder continues to be insured through a Joint Powers Authority Risk Pool (JPA). The District participates in a JPA to provide excess insurance coverage about the self-insured retention level for workers' compensation, property, and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation	Property and Liability
Liability Balance, July 1, 2017	\$ 400,000	\$ -
Claims and changes in estimates	48,759	160,473
Claims payments	(48,759)	(160,473)
Liability Balance, June 30, 2018	400,000	-
Claims and changes in estimates	261,819	(65,041)
Claims payments	(261,819)	65,041
Liability Balance, June 30, 2019	<u>\$ 400,000</u>	<u>\$ -</u>
Assets Available to Pay Claims at June 30, 2019	<u>\$ 2,786,591</u>	<u>\$ 4,885,774</u>

Joint Powers Authority Risk Pools

The District participates in two Joint Powers Agreement (JPA) entities: the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Schools Excess Liability Fund (SELF).

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

SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

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

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

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Primary Government

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 114,011,608	\$ 30,852,042	\$ 12,184,461	\$ 12,883,218
CalPERS	88,231,274	24,335,394	895,166	15,948,552
Total	<u>\$ 202,242,882</u>	<u>\$ 55,187,436</u>	<u>\$ 13,079,627</u>	<u>\$ 28,831,770</u>

Fiduciary Funds

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalPERS - Misc. Plan (Associated Students)	\$ 582,930	\$ 160,714	\$ 11,741	\$ 90,467

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Benefits Provided

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

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

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.21%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the District's total contributions were \$12,340,579.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	\$ 114,011,608
State's proportionate share of net pension liability associated with the District	65,276,978
Total	<u>\$ 179,288,586</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1241 percent and 0.1266 percent, respectively, resulting in a net decrease in the proportionate share of 0.0025 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$12,883,218. In addition, the District recognized pension expense and revenue of \$7,668,573 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,340,579	\$ -
Net change in proportionate share of net pension liability	445,907	6,138,213
Differences between projected and actual earnings on the pension plan investments	-	4,390,167
Differences between expected and actual experience in the measurement of the total pension liability	353,546	1,656,081
Changes of assumptions	17,712,010	-
Total	<u>\$ 30,852,042</u>	<u>\$ 12,184,461</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 953,229
2021	(691,689)
2022	(3,683,179)
2023	(968,528)
Total	<u>\$ (4,390,167)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,812,242
2021	1,812,242
2022	1,812,243
2023	2,277,945
2024	3,352,394
Thereafter	(349,897)
Total	<u>\$ 10,717,169</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 167,013,664
Current discount rate (7.10%)	114,011,608
1% increase (8.10%)	70,067,760

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, and the Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.000%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions were \$8,774,454.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$88,231,274. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.3309 percent and 0.3292 percent, respectively, resulting in a net increase in the proportionate share of 0.0017 percent.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$15,948,552. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,774,454	\$ -
Net change in proportionate share of net pension liability	243,623	895,166
Differences between projected and actual earnings on the pension plan investments	723,694	-
Differences between expected and actual experience in the measurement of the total pension liability	5,784,119	-
Changes of assumptions	8,809,504	-
Total	<u>\$ 24,335,394</u>	<u>\$ 895,166</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,632,235
2021	629,476
2022	(2,017,238)
2023	(520,779)
Total	<u>\$ 723,694</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 5,683,025
2021	6,272,656
2022	1,986,399
Total	<u>\$ 13,942,080</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 128,460,515
Current discount rate (7.15%)	88,231,274
1% increase (8.15%)	54,855,359

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

Plan Description

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, the Miscellaneous Risk Pool Actuarial Valuation. The report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The CalPERS Miscellaneous Risk Pool is closed to new entrants and no current employees are covered by the plan.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS) - Miscellaneous Risk Pool	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 60
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	60
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required unfunded liability payment to CalPERS	\$83,058	\$0

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above, and the total District contributions for CalPERS was \$83,058.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS Miscellaneous Risk Pool net pension liability \$582,930. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0155 percent and 0.0150 percent, respectively, resulting in a net increase in the proportionate share of 0.0005 percent.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

For the year ended June 30, 2019, the District recognized pension expense of \$90,467 for CalPERS Miscellaneous Risk Pool. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 83,058	\$ -
Net change in proportionate share of net pension liability	17,036	-
Differences between projected and actual earnings on the pension plan investments	2,078	-
Differences between expected and actual experience in the measurement of the total pension liability	10,637	-
Changes of assumptions	47,905	11,741
Total	<u>\$ 160,714</u>	<u>\$ 11,741</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 16,195
2021	3,449
2022	(13,786)
2023	(3,780)
Total	<u>\$ 2,078</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 33,596
2021	27,599
2022	2,642
Total	<u>\$ 63,837</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and services

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Discount Rate

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

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

Discount Rate	CalPERS Miscellaneous Risk Pool Net Pension Liability
1% decrease (6.15%)	\$ 936,347
Current discount rate (7.15%)	582,930
1% increase (8.15%)	291,190

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Plan Fiduciary Net Position

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

Public Agency Retirement Services (PARS)

Plan Description

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2019, in the amount of \$5,455,641 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Spent to Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Johnson Student Center - SAC	\$ 12,097,424	\$ 43,180,258	FY 2021
Science Center - SAC	38,623,078	19,720,782	FY 2020
	<u>\$ 50,720,502</u>	<u>\$ 62,901,040</u>	

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

NOTE 14 - SUBSEQUENT EVENTS

On September 5, 2019, the District issued the Election of 2012 General Obligation Bonds, Series 2019C for \$56,815,000. The proceeds of the bonds will be used to finance the construction, acquisition, furnishing and equipping of District facilities located within Santa Ana College Improvement District No. 1; to make a deposit into the debt service fund of the District; and pay certain costs of issuance. The bonds will be repaid by the District through August 1, 2039, with semi-annual interest payments at rates between 1.12 percent to 4.00 percent.



REQUIRED SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 7,767,432	\$ 7,559,545
Interest	10,522,057	5,660,197
Changes of assumptions	(38,293,105)	-
Benefit payments	<u>(8,290,199)</u>	<u>(7,971,345)</u>
Net changes in total OPEB liability	<u>(28,293,815)</u>	<u>5,248,397</u>
Total OPEB Liability - beginning	<u>167,278,154</u>	<u>162,029,757</u>
Total OPEB Liability - ending	<u><u>\$ 138,984,339</u></u>	<u><u>\$ 167,278,154</u></u>
Covered-employee payroll	<u>N/A¹</u>	<u>N/A¹</u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019**

Year ended June 30,	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.2227%</u>	<u>0.2292%</u>
District's proportionate share of the net OPEB liability	<u>\$ 852,269</u>	<u>\$ 964,112</u>
District's covered-employee payroll	<u>N/A¹</u>	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A¹</u>	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>-0.40%</u>	<u>0.01%</u>

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.1241%</u>	<u>0.1266%</u>	<u>0.1280%</u>
District's proportionate share of the net pension liability	<u>\$ 114,011,608</u>	<u>\$ 117,449,600</u>	<u>\$ 103,527,680</u>
State's proportionate share of the net pension liability associated with the District	<u>65,276,978</u>	<u>69,482,757</u>	<u>58,945,139</u>
Total	<u><u>\$ 179,288,586</u></u>	<u><u>\$ 186,932,357</u></u>	<u><u>\$ 162,472,819</u></u>
District's covered-employee payroll	<u>\$ 71,577,651</u>	<u>\$ 68,831,638</u>	<u>\$ 66,264,977</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>159.28%</u>	<u>170.63%</u>	<u>156.23%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>	<u>70%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.3309%</u>	<u>0.3292%</u>	<u>0.3293%</u>
District's proportionate share of the net pension liability	<u>\$ 88,231,274</u>	<u>\$ 78,588,729</u>	<u>\$ 65,036,954</u>
District's covered-employee payroll	<u>\$ 43,613,412</u>	<u>\$ 41,959,850</u>	<u>\$ 39,539,715</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>202.30%</u>	<u>187.30%</u>	<u>164.49%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>	<u>74%</u>

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.1367%</u>	<u>0.1355%</u>
\$ 92,009,654	\$ 79,176,119
<u>48,662,964</u>	<u>47,809,959</u>
<u><u>\$ 140,672,618</u></u>	<u><u>\$ 126,986,078</u></u>
<u>\$ 63,390,631</u>	<u>\$ 60,347,491</u>
<u>145.15%</u>	<u>131.20%</u>
<u>74%</u>	<u>77%</u>
<u>0.3469%</u>	<u>0.3555%</u>
<u>\$ 51,129,735</u>	<u>\$ 40,363,347</u>
<u>\$ 38,369,484</u>	<u>\$ 37,323,667</u>
<u>133.26%</u>	<u>108.14%</u>
<u>79%</u>	<u>83%</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018	2017
CalPERS - Miscellaneous Risk Pool			
District's proportion of the net pension liability	0.0155%	0.0150%	0.0131%
District's proportionate share of the net pension liability	\$ 582,930	\$ 589,281	\$ 521,364
District's covered-employee payroll*	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	78%	75%	78%

* The plan has no active members and, therefore, no covered-employee payroll.

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

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0110%</u>	<u>0.0064%</u>
<u>\$ 405,612</u>	<u>\$ 397,446</u>
<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>
<u>78%</u>	<u>80%</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018	2017
CalSTRS			
Contractually required contribution	\$ 12,340,579	\$ 10,328,655	\$ 8,659,020
Contributions in relation to the contractually required contribution	12,340,579	10,328,655	8,659,020
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 75,802,082</u>	<u>\$ 71,577,651</u>	<u>\$ 68,831,638</u>
Contributions as a percentage of covered-employee payroll	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>
CalPERS			
Contractually required contribution	\$ 8,774,454	\$ 6,773,599	\$ 5,827,384
Contributions in relation to the contractually required contribution	8,774,454	6,773,599	5,827,384
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 48,579,637</u>	<u>\$ 43,613,412</u>	<u>\$ 41,959,850</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>
CalPERS - Miscellaneous Risk Pool			
Contractually required contribution	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll*	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

* The plan has no active members and, therefore, no covered-employee payroll.

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

See accompanying note to required supplementary information.

2016	2015
\$ 7,110,232	\$ 5,629,088
<u>7,110,232</u>	<u>5,629,088</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 66,264,977	\$ 63,390,631
<u>10.73%</u>	<u>8.88%</u>
\$ 4,684,270	\$ 4,516,472
<u>4,684,270</u>	<u>4,516,472</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 39,539,715	\$ 38,369,484
<u>11.847%</u>	<u>11.771%</u>
\$ -	\$ -
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>
<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - Changes of assumptions and other inputs reflect a change in the discount rate from 3.5 percent to 6.3 percent since the previous valuation.

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

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

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

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

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

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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



SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION JUNE 30, 2019

Rancho Santiago Community College District was established in 1971 and is comprised of an area of approximately 193 square miles located in Orange County. There were no changes in the boundaries of the District during the current year. The District currently operates two colleges: Santa Ana College and Santiago Canyon College, as well as the Orange County Regional Sheriff's Training Academy, the Digital Media Center, and two continuing education centers: Orange Education Center and Centennial Education Center. The District's colleges are accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Phillip E. Yarbrough	President	2022
Claudia C. Alvarez	Vice President	2020
Zeke Hernandez	Clerk	2020
Arianna P. Barrios	Member	2020
John R. Hanna	Member	2022
Lawrence R. "Larry" Labrado	Member	2022
Nelida Mendoza	Member	2020
Elizabeth M. Weber	Student Trustee	2019

ADMINISTRATION

Raul Rodriguez, Ph.D.*	Chancellor
Dr. Linda Rose, Ed.D.	President of Santa Ana College
John Hernandez, Ph.D.	President of Santiago Canyon College
Tracie Green	Vice Chancellor, Human Resources
Enrique Perez, J.D.	Vice Chancellor, Educational Services
Peter Hardash	Vice Chancellor, Business Operations and Fiscal Services

*- Retired as of June 30, 2019.

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 21,283,760	\$ -
Federal Pell Grant Program-Administrative Allowance	84.063		2,348	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	84.007		651,776	-
Administrative Allowance	84.007		1,198	-
Federal Work-Study Program	84.033		388,492	-
Federal Direct Loan	84.268		1,576,453	-
Total Student Financial Assistance Cluster			23,904,027	-
TRIO Cluster				
Student Support Services	84.042A		530,536	-
Student Support Services - Veterans	84.042A		226,624	-
Talent Search	84.044A		323,543	-
Upward Bound	84.047A		378,791	-
Upward Bound - Math and Science	84.047M		357,495	-
Upward Bound - Veterans	84.047V		274,172	-
Total TRIO Cluster			2,091,161	-
Migrant Education - College Assistance Program	84.149A		482,990	-
Child Care Access Means Parents in School (CCAMPIS)	84.335A		6,481	-
Passed through California Department of Education				
Adult Education: Adult Secondary Education (Section 231)	84.002	13978	350,156	-
Adult Basic Education: Adult Basic Education & ELA (Section 231)	84.002A	14508	1,565,195	-
Adult Education: English Literacy & Civics Education- Local Grant	84.002A	14109	712,614	-
Adult Basic Education: Institutionalized Adults (Section 225)	84.002	13971	187,761	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act, Perkins Title I, Part C	84.048A	18-C01-042	713,291	-
CTE Transitions	84.048A	18-C01-042	78,304	-
LAOC Regional Consortium (Title I, Part B)	84.048	18-208-001	2,099,080	1,648,335
Passed through CSU Fullerton Auxiliary Services Corporation				
Regional Alliance in STEM Education	84.031C	S-6386-SAC	48,821	-
Total U.S. Department of Education			32,239,881	1,648,335
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Early Head Start	93.600		1,991,330	-
Passed through The Foundation for California Community Colleges				
Youth Empowerment Strategies for Success (YESS)	93.674	YP-092-17	21,189	-
TANF Cluster				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families	93.558	[1]	104,894	-
Total TANF Cluster			104,894	-

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Passed Through to Subrecipients
Child Care and Development Fund (CCDF) Cluster				
Passed through California Department of Education				
Child Development: Federal Child Care, Center-based	93.596	13609	\$ 213,329	\$ -
Child Development: Federal Child Care, Center-based	93.575	15136	98,057	-
Passed through Chabot-Las Positas Community College District				
CA Early Childhood Mentor Program	93.575	CN180198	1,007	-
Passed through Yosemite Community College District				
Child Development Training Consortium	93.575	18-19-2885	28,862	-
Total Child Care and Development Fund (CCDF) Cluster			<u>341,255</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>2,458,668</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education				
		04369-CACFP-		
Child and Adult Care Food Program	10.558	30-CC-CS	301,099	-
Passed through CSU Fullerton Auxiliary Services Corporation				
Urban Agriculture Community Research Experience (U-ACRE 3.0)	10.223	S-6286-SAC	19,070	-
Total U.S. Department of Agriculture			<u>320,169</u>	<u>-</u>
U.S. SMALL BUSINESS ADMINISTRATION				
Passed through California State University, Fullerton				
California Small Business Development Center (SBDC)	59.037	[1]	356,344	-
Total U.S. Small Business Administration			<u>356,344</u>	<u>-</u>
NATIONAL SCIENCE FOUNDATION				
Research and Development Cluster				
NSF - ATE OC Biotechnology Collaborative	47.076		121,198	60,478
NSF - STEM Scholars Academy	47.076		119,539	111,164
Passed through University of California, Irvine				
NSF - IUSE	47.076	2014-3117	13,567	-
Passed through Consulting for Environment System Technology				
NSF - CFEST	47.041	CFEST-SCC-06	1,822	-
Passed through CSU Fullerton Auxiliary Services Corporation				
Transitioning Math Majors into Teaching	47.076	S-6668-SAC	11,019	-
Total Research and Development Cluster			<u>267,145</u>	<u>171,642</u>
Total National Science Foundation			<u>267,145</u>	<u>171,642</u>
Total Federal Program Expenditures			<u>\$ 35,642,207</u>	<u>\$ 1,819,977</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
AB 1725 - Faculty and Staff Diversity	\$ 50,000	\$ 42,404	\$ 92,404
AB77 Handicapped (DSPS)	1,810,822	166,406	1,977,228
Adult Education - Data and Accountability	-	18,440	18,440
Adult Education Block Grant	-	2,170,117	2,170,117
Adult Education Program	3,066,565	-	3,066,565
Basic Skills	3,000,000	2,577,318	5,577,318
Board Financial Assistance Program - SFA Admin	1,058,396	-	1,058,396
CA Apprenticeship Initiative FA	1,100,000	-	1,100,000
CA Career Pathways Trust	-	353,033	353,033
CAL Grants	2,686,407	45,257	2,731,664
Cal Recycle Bev Container	-	169,409	169,409
California College Promise	1,123,285	-	1,123,285
CalWORKs	570,519	-	570,519
Campus Safety and Sexual Assault	-	52,477	52,477
CDS C-B Reserve	-	-	-
Certified Nurse Assistant Program	147,500	-	147,500
Child Development: California State Preschool Program	4,381,739	-	4,381,739
Child Dev Center - CSPP - Tax Bailout	253,791	-	253,791
Child and Adult Care Food Program	16,238	-	16,238
College Textbook Affordability	49,000	-	49,000
Community College Completion	-	183,750	183,750
Cooperative Agencies Resources for Education (CARE)	297,243	-	297,243
CSPP/QRIS Block Grant IV	66,000	-	66,000
CSUF/SBDC GO biz TAEP	100,000	-	100,000
CTE Data Unlocked	22,080,000	4,910,079	26,990,079
CTE SWP-Local II	3,198,043	3,577,617	6,775,660
CTE SWP-Regional II	30,503,761	-	30,503,761
Data Science Tool Fiscal Agent	3,500,000	-	3,500,000
Dreamer Emergency Aid	-	117,333	117,333
DSN ICT Coast CCD	39,569	-	39,569
Econ Dev DSN Retail Hospitality	-	55,195	55,195
Econ Dev DSN Retail Hospitality Boot Camp	-	48,075	48,075
Econ Dev-DSN ICT/Dig Med	235,000	22,607	257,607
Edu Futures Initiative SAC	240,000	220,040	460,040
EWD Key Talent Admin and FA	17,800,000	-	17,800,000
Extended Opportunities Program and Services (EOPS)	2,264,784	-	2,264,784
Family PACT	66,953	-	66,953
Financial Aid Technology	364,997	-	364,997
Guided Pathways	1,270,161	-	1,270,161

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 92,404	\$ -	\$ 22,194	\$ -	\$ 70,210	\$ 70,210
1,829,011	-	42,680	14,442	1,771,889	1,771,889
18,440	-	-	-	18,440	18,440
2,170,117	-	42,881	-	2,127,236	2,127,236
3,066,565	-	1,900,653	-	1,165,912	1,165,912
1,641,333	1,079,250	765,485	8	1,955,090	1,955,090
1,058,396	-	189	-	1,058,207	1,058,207
440,000	-	336,142	-	103,858	103,858
148,506	177,651	-	-	326,157	326,157
2,714,456	1,829	1,672	-	2,714,613	2,714,613
22,946	134,424	-	-	157,370	157,370
1,123,285	-	786,252	-	337,033	337,033
572,258	-	10,548	-	561,710	561,710
52,477	-	52,477	-	-	-
141,375	-	141,375	-	-	-
147,500	-	128,656	-	18,844	18,844
4,079,156	133,777	-	-	4,212,933	4,212,933
253,791	-	-	-	253,791	253,791
16,238	-	-	-	16,238	16,238
41,650	-	41,650	-	-	-
183,750	-	-	-	183,750	183,750
147,242	-	3,926	-	143,316	143,316
66,000	-	66,000	-	-	-
30,307	68,887	-	-	99,194	99,194
4,910,270	-	2,246	-	4,908,024	4,908,024
6,775,660	-	5,627,234	-	1,148,426	1,148,426
30,448,524	-	28,874,911	-	1,573,613	1,573,613
1,400,000	2,016,036	-	-	3,416,036	3,416,036
117,333	-	-	-	117,333	117,333
24,065	-	-	24,065	-	-
55,195	-	-	-	55,195	55,195
48,075	-	48,075	-	-	-
57,607	-	-	-	57,607	57,607
385,040	21,484	49,295	-	357,229	357,229
7,120,000	-	512,093	-	6,607,907	6,607,907
2,265,563	-	3,383	779	2,261,401	2,261,401
66,953	-	-	-	66,953	22,096
364,997	-	358,519	-	6,478	6,478
1,270,162	-	938,517	-	331,645	331,645

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
Hunger Free Campus	\$ 228,006	\$ 53,444	\$ 281,450
ICT/DM DSN Chabot - Las Positas	35,000	-	35,000
Innovation and Effectiveness (SCC)	200,000	199,030	399,030
Instructional Equipment CY	121,631	-	121,631
Instructional Equipment PY	-	484,379	484,379
IT Data Service Program FA	481,000	-	481,000
K12 SWP Pathway Improvement	39,276,907	-	39,276,907
Mental Health Support	244,731	-	244,731
MESA CCCP	74,515	10,612	85,127
Nursing Program Support	-	207,358	207,358
Puente Project	4,500	-	4,500
QRIS Block Grant	357,370	-	357,370
RHT DSN Chabot - Las Positas	35,000	-	35,000
Santa Ana Middle College High School	100,000	54,747	154,747
SBDC - Go Biz	50,000	-	50,000
Sector Navigator Info CMU Tech	372,000	-	372,000
Sector Navigator RHT	372,000	-	372,000
Song Brown Act	325,000	74,459	399,459
Staff Development - One time	-	122,431	122,431
Strong Workforce	-	31,017,650	31,017,650
Strong Workforce CTE	-	14,626,363	14,626,363
Strong Workforce Program	2,468,508	1,026,123	3,494,631
Student Equity	3,024,219	474,808	3,499,027
Student Success and Support - Credit	6,978,297	1,198,704	8,177,001
Student Success and Support - Non Credit	2,514,578	49,800	2,564,378
Student Success Completion	2,084,280	-	2,084,280
Student Success Completion PY	-	88,000	88,000
SWP K12 and K14 TAP	12,000,000	-	12,000,000
Telecommunication Technology Infrastructure (TTIP)	-	3,912	3,912
Textbook Affordability	-	14,501	14,501
VRC Grant Program	200,000	-	200,000
VRC Ongoing Funding	143,663	-	143,663
Zero Textbook Cost Degree	152,000	-	152,000
	<u>\$ 173,183,978</u>	<u>\$ 64,435,878</u>	<u>\$ 237,619,856</u>
Total State Programs			

See accompanying note to supplementary information.

Program Revenues					
Cash Received	Accounts Receivable	Unearned Revenue	Accounts Payable	Total Revenue	Program Expenditures
\$ 299,266	\$ -	\$ 245,823	\$ 22,982	\$ 30,461	\$ 30,461
34,353	-	-	-	34,353	34,353
399,030	-	247,187	-	151,843	151,843
121,631	-	-	-	121,631	28,963
-	-	-	-	-	484,379
192,400	-	192,400	-	-	-
39,276,907	-	39,276,907	-	-	-
244,731	-	228,549	-	16,182	16,182
29,806	54,782	-	-	84,588	84,588
207,358	-	-	-	207,358	207,358
6,900	-	6,037	-	863	863
357,370	-	248,039	-	109,331	109,331
26,606	-	-	-	26,606	26,606
-	105,651	-	-	105,651	105,651
17,629	24,119	-	-	41,748	41,748
207,007	135,239	-	-	342,246	342,246
31,244	228,476	-	-	259,720	259,720
158,850	53,976	-	-	212,826	212,826
122,431	-	122,431	-	-	-
31,017,651	-	17,708,418	-	13,309,233	13,309,233
14,626,363	-	906,807	-	13,719,556	13,719,556
1,026,123	-	1,339	-	1,024,784	1,024,784
3,499,027	-	684,016	-	2,815,011	2,815,011
8,177,001	-	365,820	-	7,811,181	7,811,181
2,564,378	-	88,280	-	2,476,098	2,476,098
2,317,204	-	377,279	-	1,939,925	1,939,925
378,085	-	290,085	-	88,000	88,000
-	1,687,606	-	-	1,687,606	1,687,606
3,912	-	3,822	-	90	90
14,501	-	7,185	-	7,316	7,316
80,000	-	73,420	-	6,580	6,580
143,663	-	81,687	-	61,976	61,976
146,385	989	-	-	147,374	147,374
<u>\$ 181,094,459</u>	<u>\$ 5,924,176</u>	<u>\$ 101,912,584</u>	<u>\$ 62,276</u>	<u>\$ 85,043,775</u>	<u>\$ 85,390,629</u>

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 FOR THE YEAR ENDED JUNE 30, 2019**

CATEGORIES	<u>*Revised Reported Data</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2018 only)			
1. Noncredit**	434.73	-	434.73
2. Credit	350.26	-	350.26
B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)			
1. Noncredit**	16.30	-	16.30
2. Credit	28.82	-	28.82
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	12,753.02	-	12,753.02
(b) Daily Census Contact Hours	955.80	-	955.80
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	5,001.23	-	5,001.23
(b) Credit	3,158.98	-	3,158.98
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Procedure Courses	1,690.95	-	1,690.95
(b) Daily Census Procedure Courses	1,514.79	-	1,514.79
(c) Noncredit Independent Study/Distance Education Courses	20.64	-	20.64
D. Total FTES	<u>25,925.52</u>	<u>-</u>	<u>25,925.52</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	1,962.22	-	1,962.22
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	4,157.29	-	4,157.29
2. Credit	467.36	-	467.36
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	4,532.43	-	4,532.43
Centers FTES			
1. Noncredit**	2,829.61	-	2,829.61

* Annual report was revised as of November 1, 2019.

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

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 29,055,030	\$ -	\$ 29,055,030	\$ 29,055,030	\$ -	\$ 29,055,030
Other	1300	29,240,110	-	29,240,110	29,240,110	-	29,240,110
Total Instructional Salaries		58,295,140	-	58,295,140	58,295,140	-	58,295,140
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	13,504,967	-	13,504,967
Other	1400	-	-	-	2,088,503	-	2,088,503
Total Noninstructional Salaries		-	-	-	15,593,470	-	15,593,470
Total Academic Salaries		58,295,140	-	58,295,140	73,888,610	-	73,888,610
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	26,062,083	-	26,062,083
Other	2300	-	-	-	1,230,612	-	1,230,612
Total Noninstructional Salaries		-	-	-	27,292,695	-	27,292,695
Instructional Aides							
Regular Status	2200	408,486	-	408,486	408,486	-	408,486
Other	2400	1,902,734	-	1,902,734	1,902,734	-	1,902,734
Total Instructional Aides		2,311,220	-	2,311,220	2,311,220	-	2,311,220
Total Classified Salaries		2,311,220	-	2,311,220	29,603,915	-	29,603,915
Employee Benefits	3000	29,760,603	-	29,760,603	59,290,619	-	59,290,619
Supplies and Material	4000	-	-	-	1,479,896	-	1,479,896
Other Operating Expenses	5000	5,163,935	-	5,163,935	16,472,438	-	16,472,438
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		95,530,898	-	95,530,898	180,735,478	-	180,735,478

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	\$ 3,309,893	\$ -	\$ 3,309,893	\$ 3,309,893	\$ -	\$ 3,309,893
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	4,165,618	-	4,165,618
Objects to Exclude							
Rents and Leases	5060	-	-	-	647,137	-	647,137
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2019**

	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799			
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	\$ -	\$ -	\$ -	\$ 5,277,791	\$ -	\$ 5,277,791
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		3,309,893	-	3,309,893	13,400,439	-	13,400,439
Total for ECS 84362, 50 Percent Law		\$ 92,221,005	\$ -	\$ 92,221,005	\$ 167,335,039	\$ -	\$ 167,335,039
Percent of CEE (Instructional Salary Cost/Total CEE)		55.11%		55.11%	100.00%		100.00%
50% of Current Expense of Education					\$ 83,667,520		\$ 83,667,520

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA)
EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 25,493,388
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 25,493,388	-	-	\$ 25,493,388
Total Expenditures for EPA		\$ 25,493,388	-	-	\$ 25,493,388
Revenues Less Expenditures					\$ -

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2019**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance:

General Funds	\$ 42,340,385
Special Revenue Funds	4,985,039
Capital Project Funds	108,634,817
Debt Service Funds	28,778,212
Internal Service Funds	(31,441,811)
Fiduciary Funds	1,151,235

Total Fund Balance - All District Governmental Funds

\$ 154,447,877

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	676,751,691	
Accumulated depreciation is	<u>(206,487,880)</u>	470,263,811

In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred. (5,112,984)

Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities. 927,737

Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.

Deferred outflows of resources related to pensions at year-end consist of:

Pension contributions subsequent to measurement date	21,115,033
Net change in proportionate share of net pension liability	689,530
Differences between projected and actual earnings on pension plan investments	723,694
Differences between expected and actual experience in the measurement of the total pension liability	6,137,665
Changes of assumptions	<u>26,521,514</u>

Total Deferred Outflows of Resources Related to Pensions

55,187,436

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION, Continued
JUNE 30, 2019**

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds.		
Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	\$ (7,033,379)	
Differences between projected and actual earnings on pension plan investments	(4,390,167)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(1,656,081)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (13,079,627)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to measurement date.		
		47,475,511
Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period and is not reported in the District's funds.		
Deferred inflows of resources related to OPEB at year-end consist changes of assumptions.		
		(34,038,315)
Aggregate net pension obligation is not due and payable in the current period, and is not reported as liability in the funds.		
		(202,242,882)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable, net of premium	377,299,690	
Compensated absences (vacations)	6,984,385	
Aggregate net other postemployment benefits (OPEB) liability	139,836,608	
Less compensated absences already recorded in the funds	(633,927)	
Less net OPEB liability already recorded in the funds	(77,522,692)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest on those bonds to date is:	<u>43,725,582</u>	<u>(489,689,646)</u>
Total Net Position		<u><u>\$ (15,861,082)</u></u>

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2019.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily Child Care Access Means Parents in School (CCAMPIS) funds have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the Statement of Net Position - Primary Government.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position:		\$ 35,666,806
Child Care Access Means Parents in School (CCAMPIS)	84.335A	(24,599)
Total Expenditures of Federal Awards		<u>\$ 35,642,207</u>

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

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

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's audited financial statements.

Proposition 30 Education Protection Account (EPA) Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.



INDEPENDENT AUDITOR'S REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 2, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements as identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with State laws and regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the 2018-2019 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2019.

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

- Section 421 Salaries of Classroom Instructors (50 Percent Law)
- Section 423 Apportionment for Activities Funded From Other Sources
- Section 424 State General Apportionment Funding System
- Section 425 Residency Determination for Credit Courses
- Section 426 Students Actively Enrolled
- Section 427 Dual Enrollment (CCAP and Non-CCAP)
- Section 430 Scheduled Maintenance Program
- Section 431 Gann Limit Calculation
- Section 435 Open Enrollment
- Section 439 Proposition 39 Clean Energy Fund
- Section 444 Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 Disabled Student Programs and Services (DSPS)
- Section 479 To Be Arranged Hours (TBA)
- Section 490 Proposition 1D and 51 State Bond Funded Projects
- Section 491 Education Protection Account Funds

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.042A, 84.044A, 84.047A, 84.047M, 84.047V	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,069,266</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.