Financial Statements
June 30, 2023

Rancho Santiago Community College District

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Rancho Santiago Community College District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. As a result of implementing the standard, there was no effect on the business-type activates beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and other required supplementary schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 1, 2023

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, 2023. 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, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

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

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

THE DISTRICT AS A WHOLE

Statement of Net Position

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

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

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

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

The Statement of Net Position as of June 30, 2023 and 2022, is summarized below:

Table 1

	2023	2022 as restated	Change
Assets			
Cash and investments	$ 391,441,695	$ 373,631,254	$ 17,810,441
Receivables	22,863,774	20,745,385	2,118,389
Other current assets	1,594,149	2,103,704	(509,555)
Lease receivables	92,401	31,555	60,846
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	541,443,290	526,773,604	14,669,686
Total assets	957,435,309	923,285,502	34,149,807
Deferred Outflows of Resources	90,667,684	73,625,576	17,042,108
Liabilities			
Accounts payable and accrued liabilities	131,509,277	120,807,283	10,701,994
Current portion of long-term liabilities	32,878,697	30,995,785	1,882,912
Noncurrent portion of long-term liabilities	665,391,307	617,657,334	47,733,973
Total liabilities	829,779,281	769,460,402	60,318,879
Deferred Inflows of Resources	64,058,849	140,621,089	(76,562,240)
Net Position			
Net investment in capital assets	198,391,162	191,832,951	6,558,211
Restricted	151,841,382	153,545,482	(1,704,100)
Unrestricted (deficit)	(195,967,681)	(258,548,846)	62,581,165
Total net position	$ 154,264,863	$ 86,829,587	$ 67,435,276

Fiscal year ended 2023 compared to 2022:

- Total assets increased approximately $34.1 million, a 3.7% increase from the prior year. Cash and investments increased by $17.8 million mostly due to cashflows from noncapital financing activities including property taxes and state apportionment, and interest received from investments. Accounts receivable increased by $2.1 million largely due to an increase in the student receivable balance as the colleges strive to grow enrollment. Capital assets, right-to-use leased assets, and right-to-use subscription IT assets increased by approximately $14.7 due to $28.9 million in capital additions mostly due to construction costs for the Health Sciences Building at Santa Ana College offset by $16.6 million in depreciation of capital assets, and $2.8 million in new right-to-use leased assets offset by $695,309 in amortization of right-to-use leased assets.

- Total current liabilities increased approximately $12.6 million, an 8.3% increase from the prior year. This was mostly attributed to an increase in unearned state revenue related to the COVID Recovery Block Grant.

- Long-term liabilities increased by $47.7 million, a 7.7% increase from the prior year. The increase is mostly due to significant increases in the District's pension and OPEB liabilities during the current year.

- Due to the provisions of GASB Statement No. 68, described in more detail in Note 11 of the financial statements, the District's net position is adjusted to reflect its "proportionate share" of CalPERS and CalSTRS net pension liabilities as a reduction to net position. Though this is an accounting requirement, districts cannot fund these pension liabilities more than required by CalPERS and CalSTRS. By backing out this accounting shift, the District's total net position would be reported as $317,661,823 at June 30, 2023, an increase of $55,598,812 over the previous year's adjusted total net position of $262,063,011.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

Operating Results for the Year

Table 2

	2023	2022*	Change
Operating Revenues			
Tuition and fees, net	$ 13,771,103	$ 12,651,862	$ 1,119,241
Grants and contracts, noncapital	96,263,478	99,069,428	(2,805,950)
Other operating revenues	3,221,553	2,798,698	422,855
Total operating revenues	113,256,134	114,519,988	(1,263,854)
Operating Expenses			
Salaries and benefits	210,089,433	173,172,474	36,916,959
Supplies, services, equipment, and maintenance	75,725,132	68,897,021	6,828,111
Student financial aid	53,455,110	52,835,371	619,739
Depreciation and amortization	18,651,961	16,476,288	2,175,673
Total operating expenses	357,921,636	311,381,154	46,540,482
Operating loss	(244,665,502)	(196,861,166)	(47,804,336)
Nonoperating Revenues (Expenses)			
State apportionments	89,057,504	83,665,203	5,392,301
Property taxes	137,378,490	127,067,508	10,310,982
Student financial aid grants	49,208,464	50,190,105	(981,641)
Other state revenues	9,630,958	7,185,509	2,445,449
Net interest expense	519,924	(14,904,265)	15,424,189
Other nonoperating revenues	5,388,930	5,016,435	372,495
Total nonoperating revenue (expenses)	291,184,270	258,220,495	32,963,775
Other Revenues (Losses)			
State and local capital income	20,916,508	24,250,788	(3,334,280)
Loss on disposal of capital assets	-	(1,377)	1,377
Total other revenues (losses)	20,916,508	24,249,411	(3,332,903)
Change in net position	$ 67,435,276	$ 85,608,740	$ (18,173,464)

* The revenues and expenses for the year ended June 30, 2022 were not restated to show the effects of the implementation of GASB Statement No. 96 for comparative purposes.

Fiscal year ended 2023 compared to 2022:

- Salaries and benefits expenses increased by 21.3% due to significant increases in the OPEB and pension liabilities. These liabilities were measured as of June 30, 2022, which resulted in decreased valuations of their respective plan assets.

- Supplies, services, equipment, and maintenance increased by $6.8 million (9.9%) largely due to an increase in non-capital expenditures related to building improvements.

- Property taxes increased by $10.3 million (8.1%) due to an increase in taxable property values in the County of Orange and in increase in Educational Revenue Augmentation Fund (ERAF) revenues.

- Net interest revenue increased by $15.4 million (103.5%) due to the high interest rates and a lower unrealized loss on the fair market value of deposits held by the Orange County Treasury compared to prior year.

- State and local capital income decreased by $3.3 million (13.7%) due to a decrease in Scheduled Maintenance and Special Repair Program revenues and Community College Construction Act revenues.

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, 2023:

	Salaries and Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation and Amortization	Total
Instructional activities	$ 90,706,900	$ 9,419,207	$ -	$ 2,586,072	$ -	$ 102,712,179
Instructional administration	17,913,372	823,119	-	261,563	-	18,998,054
Instructional support services	10,206,217	271,677	-	331,327	-	10,809,221
Student services	38,260,614	1,877,502	-	477,456	-	40,615,572
Plant operations and maintenance	6,022,171	6,686,331	-	91,309	-	12,799,811
Planning, policymaking, and coordinations	3,017,396	915,129	-	1,656	-	3,934,181
Institutional support services	27,518,366	29,657,459	-	1,057,813	-	58,233,638
Community services and economic development	1,535,688	6,676,277	-	25,710	-	8,237,675
Ancillary services and auxiliary operations	13,589,978	6,837,891	-	301,740	-	20,729,609
Student aid	-	1,325	53,455,110	-	-	53,456,435
Physical property and related acquisitions	1,318,731	517,808	-	6,906,761	-	8,743,300
Unallocated depreciation and amortization	-	-	-	-	18,651,961	18,651,961
Total	$ 210,089,433	$ 63,683,725	$ 53,455,110	$ 12,041,407	$ 18,651,961	$ 357,921,636

Changes in Cash Position

The Statement of Cash Flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they come due, and the need for external financing.

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

- Operating activities consist of cash receipts from enrollment fees, grants and contracts, and cash payments for salaries, benefits, supplies, utilities, and other items related to the instructional program.

- Noncapital financing activities are primarily State apportionment and property taxes.

- Capital financing activities consist of purchases of capital assets (land, buildings, and equipment) and bond interest payments and receipts from Federal and State grants for capital purposes, as well as property tax revenue for bond repayments.

- Cash from investing activities is interest earned on investments through the Orange County Investment Pool and the Local Agency Investment Fund (LAIF).

Table 4

	2023	2022	Change
Net Cash Flows from			
Operating activities	$ (242,607,886)	$ (231,361,853)	$ (11,246,033)
Noncapital financing activities	249,660,821	217,883,318	31,777,503
Capital financing activities	1,607,992	(415,753)	2,023,745
Investing activities	8,983,447	(4,157,872)	13,141,319
Net Increase (Decrease) in Cash	17,644,374	(18,052,160)	35,696,534
Cash and cash equivalents, Beginning of Year	373,631,254	391,683,414	(18,052,160)
Cash and cash equivalents, End of Year	$ 391,275,628	$ 373,631,254	$ 17,644,374

Capital and Right-to-Use Assets

As of June 30, 2023, the District had approximately $809.8 million invested in total capital and right-to-use assets, less $268.4 million of accumulated depreciation and amortization for net capital assets and right-of-use assets of $541.4 million. The District spent approximately $29.0 million on capital assets in 2022-2023, the majority of which relate to state capital revenues. Depreciation and amortization charges totaled $18.7 million in 2022-2023.

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

Table 5

	2023	2022, as restated	Net Change
Land and construction in progress	$ 148,715,644	$ 123,570,674	$ 25,144,970
Buildings and improvements, net	378,302,160	391,468,760	(13,166,600)
Furniture and equipment, net	7,859,373	7,534,655	324,718
Right-to-use assets, net	6,566,113	4,199,515	2,366,598
Total	$ 541,443,290	$ 526,773,604	$ 14,669,686

Long-Term Liabilities other than OPEB and Pensions

At June 30, 2023, the District had $429.4 million in outstanding long-term liabilities compared to $455.9 million at June 30, 2022. The net decrease of $26.5 million includes payments of $26.2 million on the District's outstanding general obligation bonds. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

Table 6

	Balance July 1, 2022, as restated	Additions	Deductions	Balance June 30, 2023
General obligation bonds	$ 431,468,071	$ 4,270,014	$ (30,210,481)	$ 405,527,604
Lease liability	829,786	2,693,213	(979,201)	2,543,798
Subscription-based IT arrangements	3,140,011	1,533,805	(1,111,896)	3,561,920
Other liabilities	20,451,737	223,507	(2,859,093)	17,816,151
Total long-term liabilities	$ 455,889,605	$ 8,720,539	$ (35,160,671)	$ 429,449,473
Amount due within one year				$ 32,878,697

OPEB and Pension Liabilities

At June 30, 2023, the District had an aggregate net other postemployment benefits (OPEB) liability of $69.4 million, versus $62.9 million last year, an increase of $6.5 million or 10.3%. The District had an aggregate net pension liability of $199.4 million, versus $129.9 million last year, an increase of $69.5 million or 53.5%.

BUDGETARY HIGHLIGHTS

The 2023-2024 state budget reflects significant revenue shortfalls related to a downturn in the stock market and a budget deficit of $31.5 billion. According to the State Chancellor's Office Joint Analysis dated July 10, 2023, the state plans to address the budget deficit with some funding delays, reductions to prior year funding, internal fund shifts, and internal borrowing. Despite the budget deficit, the 2023-2024 state budget proposal includes a Cost of Living Adjustment (COLA) of 8.22% for the Student Centered Funding Formula and some categorical programs, and systemwide growth funding of 0.5%. The District was out of hold harmless in 2022-2023 and projects that in 2023-2024 it will continue to earn additional funding above the hold harmless level.

At the time the 2023-2024 budget was developed, the following assumptions were made:

- Apportionment revenue for 2023-2024 was budgeted using the Student Centered Funding Formula at the full calculated revenue, the 2023-2024 COLA of 8.22%, significant restoration funding, and an estimated deficit factor of 2.0% due to budgetary uncertainty.

- The District's health and welfare benefit premium cost as of January 2024 is estimated to increase by 3.5%. In addition, now that the District requires retirees at age 62 or older to enroll in Medicare, the District expects a savings of $2.9 million before netting new costs. The District is also currently negotiating to provide part-time faculty health benefits and is currently budgeting $1.0 million for this expense.

- The District also budgeted for a decrease in state unemployment insurance from 0.50% to 0.05%.

- The District's contribution to the California State Teachers' Retirement System (CalSTRS) will remain at 19.10%. The District's contribution to the California Public Employees' Retirement System (CalPERS) will increase in 2023-2024 from 25.37% to 26.68%.

- As a result of an increase in the actuarially determined Annual Required Contribution needed to fund the District's Postemployment Benefits Other Than Pensions (OPEB) liability, the District will increase the employer payroll contribution rate from 0% to 0.75% of total salaries.

- The District estimates 28,742 Full-Time Equivalent Students served, a 5.57% increase from prior year.

- The full-time faculty obligation (FON) for Fall 2023 is estimated to be 348. The Fall 2022 report indicated the District was 17.8 faculty under its FON. The District plans to hire 28 new faculty in 2023-2024 and 20.5 of these positions will be budgeted in the unrestricted general fund.

- The District expects a net increase of $2.52 million to SRP savings as a result of $5.51 million in new 2023-2024 budget is balanced and provides $11.6 million in additional ongoing funding. In addition, due to the Board's action to end the separate accounting of the Supplementary Retirement Plan (SRP) and Rightsizing Contingency Fund, $22.4 million in one-time accumulated funds have been added to the Board Policy Contingency bringing the current balance to approximately $54.4 million, or 13.93% of the Combined General Fund, well above the previous target of 12.5% of the Unrestricted General Fund.

- The District's 2022-2023 unrestricted ending balance increased by $10.58 million. The 2022-2023 ending fund balance is $69.99 million.

ECONOMIC FACTORS

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

- Trends affecting California community colleges include the decline in California's population, the decline in median home prices below the pandemic peak in April 2022, the decline of income tax withholdings in 2023, and the state's ongoing housing shortage which continues to be a primary constraint to growth. These factors and the Student Centered Funding Formula adding additional volatility to the District's future funding necessitates a cautious approach to budget forecasts.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Assets	
Cash and cash equivalents	$ 18,865,911
Investments	372,575,784
Accounts receivable	19,180,297
Student receivables	3,683,477
Prepaid expenses	660,096
Inventories	934,053
Lease receivables	92,401
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	
Nondepreciable capital assets	148,715,644
Depreciable capital assets, net of depreciation	386,161,533
Right-to-use leased assets, net of accumulated amortization	2,955,244
Right-to-use subscription IT assets, net of accumulated amortization	3,610,869
Total capital assets, right-to-use leased assets and right-to-use subscription IT assets, net	541,443,290
Total assets	957,435,309
Deferred Outflows of Resources	
Deferred outflows of resources related to debt refunding	12,088,394
Deferred outflows of resources related to OPEB	18,250,945
Deferred outflows of resources related to pensions	60,328,345
Total deferred outflows of resources	90,667,684
Liabilities	
Accounts payable	47,011,267
Accrued interest payable	2,968,060
Unearned revenue	81,529,950
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	32,878,697
Long-term liabilities other than OPEB and pensions, due in more than one year	396,570,776
Aggregate net other postemployment benefits (OPEB) liability	69,446,648
Aggregate net pension liability	199,373,883
Total liabilities	829,779,281
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	39,616,916
Deferred inflows of resources related to pensions	24,351,422
Deferred inflows of resources related to leases	90,511
Total deferred inflows of resources	64,058,849
Net Position	
Net investment in capital assets	198,391,162
Restricted for	
Debt service	32,292,559
Capital projects	103,505,251
Educational programs	6,089,543
Other activities	9,954,029
Unrestricted (deficit)	(195,967,681)
Total net position	$ 154,264,863

Operating Revenues	
Tuition and fees	$ 24,587,866
Less: Scholarship discounts and allowances	(10,816,763)
Net tuition and fees	13,771,103
Grants and contracts, noncapital	
Federal	18,478,783
State	76,510,958
Local	1,273,737
Total grants and contracts, noncapital	96,263,478
Other operating revenues	3,221,553
Total operating revenues	113,256,134
Operating Expenses	
Salaries	157,169,970
Employee benefits	52,919,463
Supplies, materials, and other operating expenses and services	63,683,725
Student financial aid	53,455,110
Equipment, maintenance, and repairs	12,041,407
Depreciation and amortization	18,651,961
Total operating expenses	357,921,636
Operating Loss	(244,665,502)
Nonoperating Revenues (Expenses)	
State apportionments, noncapital	89,057,504
Local property taxes, levied for general purposes	100,008,341
Taxes levied for other specific purposes	37,370,149
Federal and state financial aid grants	49,208,464
State taxes and other revenues	9,630,958
Investment income	10,534,471
Interest expense on capital related debt	(10,520,213)
Investment income on capital asset-related debt, net	505,666
Other nonoperating revenue	5,388,930
Total nonoperating revenues (expenses)	291,184,270
Income Before Other Revenues	46,518,768
Other Revenues	
State revenues, capital	15,404,981
Local revenues, capital	5,511,527
Total other revenues	20,916,508
Change In Net Position	67,435,276
Net Position, Beginning of Year	86,829,587
Net Position, End of Year	$ 154,264,863

Operating Activities	
Tuition and fees	$ 12,054,353
Federal, state, and local grants and contracts, noncapital	120,208,147
Auxiliary sales	3,221,553
Payments to or on behalf of employees	(231,143,632)
Payments to vendors for supplies and services	(93,493,197)
Payments to students for scholarships and grants	(53,455,110)
Net cash flows from operating activities	(242,607,886)
Noncapital Financing Activities	
State apportionments	93,386,043
Federal and state financial aid grants	49,208,464
Property taxes - nondebt related	100,609,769
State taxes and other apportionments	9,488,796
Other nonoperating	(3,032,251)
Net cash flows from noncapital financing activities	249,660,821
Capital Financing Activities	
Purchase of capital assets	(20,364,353)
State revenue, capital projects	15,404,981
Local revenue, capital projects	5,511,527
Property taxes - related to capital debt	37,370,149
Principal paid on capital debt	(28,345,233)
Interest paid on capital debt	(8,474,745)
Interest received on capital asset-related debt	505,666
Net cash flows from capital financing activities	1,607,992
Investing Activities	
Change in fair market value of cash in county treasury	(3,547,988)
Interest received from investments	12,531,435
Net cash flows from investing activities	8,983,447
Change In Cash and Cash Equivalents	17,644,374
Cash and Cash Equivalents, Beginning of Year	373,631,254
Cash and Cash Equivalents, End of Year	$ 391,275,628

Reconciliation of Net Operating Loss to Net Cash Flows from Operating Activities	
Operating Loss	$ (244,665,502)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization expense	18,651,961
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(3,548,050)
Student receivables	(1,594,981)
Inventories	154,290
Prepaid expenses	355,265
Lease receivables	(60,846)
Deferred outflows of resources related to OPEB	32,700
Deferred outflows of resources related to pensions	(19,215,859)
Accounts payable	(17,012,696)
Unearned revenue	27,372,505
Compensated absences	(1,029,676)
Load banking	223,507
Early retirement incentive	(1,765,281)
Aggregate net OPEB liability	6,536,967
Aggregate net pension liability	69,520,050
Deferred inflows of resources related to leases	59,291
Deferred inflows of resources related to OPEB	(15,248,865)
Deferred inflows of resources related to pensions	(61,372,666)
Total adjustments	2,057,616
Net cash flows from operating activities	$ (242,607,886)
Cash and Cash Equivalents Consist of the Following	
Cash in banks	$ 18,730,911
Cash with fiscal agent	135,000
Cash in county treasury	372,409,717
Total cash and cash equivalents	$ 391,275,628
Noncash Transactions	
Amortization of deferred outflows of resources related to debt refunding	$ 2,141,051
Amortization of debt premiums	$ 4,020,481
Accretion of interest on capital appreciation bonds	$ 4,270,014
Recognition of lease liabilities arising from obtaining right-to-use leased assets	$ 2,693,213
Recognition of subscription based IT arrangement liabilities arising from obtaining right-to-use subscription IT assets	$ 1,533,805

	Retiree OPEB Trust	Custodial Funds
Assets		
Cash and cash equivalents	$ -	$ 1,140,000
Investments	58,306,706	473,859,645
Accounts receivable	-	1,415,875
Total assets	58,306,706	476,415,520
Liabilities		
Accounts payable	-	5,603,929
Net Position		
Restricted for postemployment benefits other than pensions	58,306,706	-
Restricted for other local governments	-	470,811,591
Total net position	$ 58,306,706	$ 470,811,591

	Retiree OPEB Trust	Custodial Funds
Additions		
State revenues	$ -	$ 374,704,725
District contributions	8,358,451	-
Interest and investment income, net of fees	4,439,658	6,460,318
Total additions	12,798,109	381,165,043
Deductions		
Services and operating expenditures	-	1,800,000
Payments to other local governments	-	104,580,314
Benefit payments	5,421,393	-
Administrative expenses	125,572	-
Total deductions	5,546,965	106,380,314
Change in Net Position	7,251,144	274,784,729
Net Position - Beginning of Year	51,055,562	196,026,862
Net Position - End of Year	$ 58,306,706	$ 470,811,591

Note 1 - Organization

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

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The District has adopted accounting policies to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District, as defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board (GASB). The District has identified no component units.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. This presentation provides a comprehensive government-wide perspective of the District’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities are excluded from the primary government financial statements. The District’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as promulgated by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. For the District, operating revenues consist primarily of student fees and noncapital grants and contracts.

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

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The District's investment in the County treasury and LAIF is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in these investment pools are not required to be categorized within the fair value hierarchy.

Accounts Receivable

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

Inventories

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

Capital Assets and Depreciation

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

Right-to-use Lease Assets and Amortization

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

Right-to-use Subscription IT Assets and Amortization

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Compensated Absences and Load Banking

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

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

Debt Premiums

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Leases

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

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

Subscription-based IT Arrangements

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include bonds payable, lease payables, SBITA payables, financed purchases, early retirement incentives, claims liability, compensated absences and load banking with maturities greater than one year.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net investment in capital assets consists of capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $151,841,382 of restricted net position, and the fiduciary funds financial statements report $529,118,297 of restricted net position.

Operating and Nonoperating Revenues and Expenses

Classification of Revenues – The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB. Classifications are as follows:

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarship Discounts and Allowances

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

Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

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

Change in Accounting Principles

Implementation of GASB Statement No. 91

As of July 1, 2022, the District adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 94

As of July 1, 2022, the District adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. There was not a significant effect on the District's financial statements as a result of the implementation of the standard.

Implementation of GASB Statement No. 96

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Notes 7 and 8.

Note 3 - Deposits and Investments

Policies and Practices

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

Investment in County Treasury – In accordance with the *Budget and Accounting Manual*, the District deposits substantially all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, consist of the following:

	Primary Government	Fiduciary Funds
Cash on hand and in banks	$ 18,617,888	$ 1,140,000
Cash in revolving	113,023	-
Cash with fiscal agent	135,000	-
Investments	372,575,784	532,166,351
Total deposits and investments	$ 391,441,695	$ 533,306,351

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by primarily investing in the Orange County Educational Investment Pool and LAIF.

Specific Identification

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

Investment Type	Fair Value	Weighted Average Maturity in Days	Credit Rating
Mutual funds	$ 58,306,706	N/A	Not rated
Orange County educational investment pool	846,269,362	225	AAAm
State investment pool (LAIF)	166,067	311	Not rated
Total	$ 904,742,135		

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in LAIF is not required to be rated, nor has it been rated as of June 30, 2023.

Custodial Credit Risk

Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. District policy requires that funds that are not required for the immediate use need of the District may be invested in the County Educational Investment Pool, State's Local Agency Investment Fund (LAIF), or in other investments as permitted by *Government Code* Sections 53601, 53635, 53534, and 53648. The California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the District's bank balance of $17,751,813 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of June 30, 2023, the District's investment balance of $57,806,706 was exposed to custodial credit risk because it was uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District manages these investments according to the Board authorized irrevocable trust for OPEB.

Note 4 - Fair Value Measurements

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

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

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

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

The District's fair value measurements are as follows at June 30, 2023:

Investment Type	Fair Value	Level 1 Inputs
Mutual funds	$ 58,306,706	$ 58,306,706

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

Note 5 - Accounts Receivable

Accounts receivable as of June 30, 2023 consisted of the following:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 8,728,038	$ -
State Government		
Apportionment	79,400	-
Categorical aid	795,298	-
Lottery	1,574,268	-
Local Sources		
Property taxes	3,104,435	-
Interest	1,520,613	1,415,875
Other local sources	3,378,245	-
Total	$ 19,180,297	$ 1,415,875
Student receivables	$ 3,683,477	

Note 6 - Lease Receivables

The lease receivable is summarized below:

Lease Receivable	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
District Office Lease	$ 31,555	$ 120,682	$ (59,836)	$ 92,401

District Office Lease – 117th/118th Congress

The District leases a portion of its District Office Building located in Santa Ana, California to the 117th and 118th Congress of the United States of America. These lease term extends until January 2, 2025. Monthly lease payments are due at the end of each month. As if June 30, 2023, the District recorded $92,401 in lease receivables and $90,511 of deferred inflows of resources related to leases. During the fiscal year, the District recognized $59,836 in lease revenue and $3,668 in interest revenue related to this agreement. An interest rate of 6.37% was applied to the lease.

Note 7 - Capital Assets, Right-to-use Leased Assets, and Right-to-use Subscription IT Assets

Capital asset, right-to-use leased asset, and right-to-use subscription IT asset activity for the District for the fiscal year ended June 30, 2023, was as follows:

	Balance, July 1, 2022 as restated	Additions	Deductions	Balance, June 30, 2023
Capital Assets Not Being Depreciated				
Land	$ 89,964,360	$ -	$ -	$ 89,964,360
Construction in progress	33,606,314	25,144,970	-	58,751,284
Total capital assets not being depreciated	123,570,674	25,144,970	-	148,715,644
Capital Assets Being Depreciated				
Site improvements	87,126,916	1,578,049	-	88,704,965
Buildings and improvements	489,771,254	-	-	489,771,254
Furniture and equipment	72,151,801	2,229,277	(108,927)	74,272,151
Total capital assets being depreciated	649,049,971	3,807,326	(108,927)	652,748,370
Total capital assets	772,620,645	28,952,296	(108,927)	801,464,014
Less Accumulated Depreciation				
Site improvements	(73,983,988)	(4,856,418)	-	(78,840,406)
Buildings and improvements	(111,445,422)	(9,888,231)	-	(121,333,653)
Furniture and equipment	(64,617,146)	(1,904,559)	108,927	(66,412,778)
Total accumulated depreciation	(250,046,556)	(16,649,208)	108,927	(266,586,837)
Net capital assets	522,574,089	12,303,088	-	534,877,177
Right-to-use Leased Assets Being Amortized				
Buildings and improvements	1,273,274	2,646,782	(580,140)	3,339,916
Furniture and equipment	255,481	188,764	(228,423)	215,822
Total right-to-use leased assets being amortized	1,528,755	2,835,546	(808,563)	3,555,738
Less Accumulated Amortization				
Buildings and improvements	(564,108)	(589,138)	580,140	(573,106)
Furniture and equipment	(149,640)	(106,171)	228,423	(27,388)
Total accumulated amortization	(713,748)	(695,309)	808,563	(600,494)
Net right-to-use leased assets	815,007	2,140,237	-	2,955,244
Right-to-use Subscription IT Assets Being Amortized				
Right-to-use subscription IT assets	3,384,508	1,533,805	(146,375)	4,771,938
Accumulated amortization	-	(1,307,444)	146,375	(1,161,069)
Net right-to-use subscription IT assets	3,384,508	226,361	-	3,610,869
Total capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	$ 526,773,604	$ 14,669,686	$ -	$ 541,443,290

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

Summary

The changes in the District's long-term liabilities other than OPEB and Pensions during the year ended June 30, 2023 consisted of the following:

	Balance, July 1, 2022, as restated	Additions	Deductions	Balance, June 30, 2023	Due in One Year
General obligation bonds	$ 412,257,924	$ 4,270,014	$ (26,190,000)	$ 390,337,938	$ 28,510,000
Bond premium	19,210,147	-	(4,020,481)	15,189,666	-
Compensated absences	8,602,960	-	(1,029,676)	7,573,284	872,258
Load banking	5,403,275	223,507	-	5,626,782	-
Early retirement incentive	5,900,514	-	(1,765,281)	4,135,233	1,765,281
Financed purchases	144,988	-	(64,136)	80,852	42,465
Lease liability	829,786	2,693,213	(979,201)	2,543,798	494,554
Subscription-based IT arrangements	3,140,011	1,533,805	(1,111,896)	3,561,920	1,194,139
Claims liability	400,000	-	-	400,000	-
Total	$ 455,889,605	$ 8,720,539	$ (35,160,671)	$ 429,449,473	$ 32,878,697

Description of Long-Term Liabilities

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

General Obligation Bonds

2002 General Obligation Bonds

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

2012 General Obligation Bonds

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

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

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

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued	Accreted Interest	Redeemed	Bonds Outstanding End of Year
2/23/2005	9/1/2029	3.00-5.13%	$ 119,999,867	$ 42,924,765	$ -	$ 308,526	$ (1,665,000)	$ 41,568,291
9/21/2006	9/1/2031	3.38-5.00%	120,874,329	83,643,159	-	3,961,488	-	87,604,647
8/4/2005	9/1/2023	3.57-5.25%	53,559,299	8,085,000	-	-	(5,400,000)	2,685,000
11/30/2011	9/1/2022	2.00-5.00%	10,300,000	4,670,000	-	-	(4,670,000)	-
3/1/2012	9/1/2022	4.00%	62,985,000	4,625,000	-	-	(4,625,000)	-
1/17/2013	9/1/2023	4.00%	79,130,000	14,085,000	-	-	(2,545,000)	11,540,000
10/16/2014	8/1/2034	3.00-5.00%	70,585,000	9,000,000	-	-	(430,000)	8,570,000
12/28/2017	8/1/2041	2.00-5.00%	70,600,000	52,600,000	-	-	(880,000)	51,720,000
8/21/2019	8/1/2039	1.25-4.00%	56,815,000	53,430,000	-	-	(2,760,000)	50,670,000
9/2/2020	9/1/2027	0.235-1.106%	94,490,000	92,100,000	-	-	(2,385,000)	89,715,000
9/2/2020	8/1/2035	0.255-2.040%	48,325,000	47,095,000	-	-	(830,000)	46,265,000
				$412,257,924	$ -	$ 4,270,014	$ (26,190,000)	$ 390,337,938

The Bonds mature through 2042 as follows:

Fiscal Year	Principal (Including accreted interest to date)	Accreted Interest	Current Interest to Maturity	Total
2024	$ 28,465,522	$ 44,478	$ 7,367,143	$ 35,877,143
2025	30,810,312	314,688	6,827,912	37,952,912
2026	32,425,398	254,602	6,522,548	39,202,548
2027	34,395,000	-	6,143,446	40,538,446
2028	33,620,237	3,564,763	5,756,573	42,941,573
2029-2033	152,271,469	28,288,531	17,625,578	198,185,578
2034-2038	51,145,000	-	8,296,170	59,441,170
2039-2042	27,205,000	-	1,772,900	28,977,900
Total	$ 390,337,938	$ 32,467,062	$ 60,312,270	$ 483,117,270

Early Retirement Incentive

The District has entered into various agreements with the Public Agency Retirement Services (PARS) to provide certain benefits to employees participating in early retirement incentive programs. The District will pay $4,135,233 on behalf of the retirees through 2026 in accordance with the following schedule:

Fiscal Year	
2024	$ 1,765,281
2025	1,765,281
2026	604,671
Total	$ 4,135,233

Financed Purchases

The District has entered into various agreements for the financed purchase of copiers and other equipment. The District will pay $80,852 through 2026, with interest rates ranging from 2.59% - 7.04%, in accordance with the following schedule:

Fiscal Year	Principal	Interest to Maturity	Total
2024	$ 42,465	$ 1,677	$ 44,142
2025	33,819	587	34,406
2026	4,568	35	4,603
Total	$ 80,852	$ 2,299	$ 83,151

Lease Liability

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

Leases	Balance, July 1, 2022	Additions	Deductions	Balance June 30, 2023
Building and Sites	$ 722,746	$ 2,646,782	$ (886,659)	$ 2,482,869
Equipment	107,040	46,431	(92,542)	60,929
Total	$ 829,786	$ 2,693,213	$ (979,201)	$ 2,543,798

The District has entered into agreements to lease office space, beginning February 2013 and terminating in January 2028. Under the terms of the leases, the District makes monthly payments, which increase based on a set schedule in the lease agreement, which amounted to total principal and interest costs of $942,789, for the year ending June 30, 2023. At June 30, 2023, the District has recognized a right-to-use leased assets of $3,339,916 and lease liabilities of $2,482,869 related to these agreements. During the fiscal year, the District recorded $589,138 in amortization expense and $56,130 in interest expense for the leased office space. The District used discount rates of 2.04%-5.58% based on the estimated incremental borrowing rate for financing over a similar time period.

The District has entered into various agreements to lease copiers and equipment for periods of five years. Under the terms of the leases, the District pays monthly payments ranging from $119 to $6,729, which amounted to total principal and interest costs of $94,537 for the year ending June 30, 2023. At June 30, 2023, the District has recognized right-to-use leased assets of $215,822 and lease liabilities of $60,929 related to this agreement. During the fiscal year, the District recorded $106,171 in amortization expense and $1,995 in interest expense for the leased copiers and equipment. The District used discount rates of 2.16%-6.09% based on the estimated incremental borrowing rate for financing over a similar time period.

The District will pay $2,543,798 through 2028 in accordance with the following schedule:

Fiscal Year	Principal	Interest	Total
2024	$ 494,554	$ 128,720	$ 623,274
2025	511,200	101,315	612,515
2026	558,663	71,732	630,395
2027	603,860	39,492	643,352
2028	375,521	7,047	382,568
Total	$ 2,543,798	$ 348,306	$ 2,892,104

Subscriptions-Based IT Arrangements (SBITAs)

The District entered into various SBITAs for the use of various instructional and noninstructional needs. At June 30, 2023, the District has recognized right-to-use subscriptions IT assets of $4,771,938 and a SBITA liability of $3,561,920 related to these agreements. During the fiscal year, the District recorded $1,307,444 in amortization expense. The District is required to make annual principal and interest payments totaling $3,857,979 through March 2028. The subscriptions have an interest rates of 4.67%-6.46%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 1,194,139	$ 156,594	$ 1,350,733
2025	1,201,103	93,883	1,294,986
2026	866,131	38,323	904,454
2027	267,575	6,694	274,269
2028	32,972	565	33,537
Total	$ 3,561,920	$ 296,059	$ 3,857,979

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

For the fiscal year ended June 30, 2023, 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	$ 68,835,493	$ 18,250,945	$ 39,616,916	$ (8,522,364)
Medicare Premium Payment (MPP) Program	611,155	-	-	(156,834)
Total	$ 69,446,648	$ 18,250,945	$ 39,616,916	$ (8,679,198)

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

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

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Public Agency Retirement Services (PARS) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

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

Benefits Provided

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Faculty Association (FARSCCD), the local California School Employees Association (CSEA), and unrepresented groups. The voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, FARSCCD, CSEA and unrepresented groups are based on the availability of funds. For the measurement period of June 30, 2022, the District contributed $10,220,219 to the Plan, of which $8,227,373 was used for current premiums and $1,992,846 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
All Equities	60%
Fixed Income	40%

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense was -13.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $68,835,493 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	$ 119,891,055
Plan fiduciary net position	(51,055,562)
Net OPEB liability	$ 68,835,493
Plan fiduciary net position as a percentage of the total OPEB liability	42.58%

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

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

The discount rate was based on historic 17-year real rates of return for each asset class along with assumed long-term inflation assumption to set the discount rate. The expected investment return by investment expenses of 50 basis points.

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
All Equities	7.54%
Fixed Income	4.54%

Discount Rate

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2021	$ 119,024,411	$ 56,882,719	$ 62,141,692
Service cost	2,458,404	-	2,458,404
Interest	7,239,863	-	7,239,863
Difference between expected and actual experience	(604,250)	-	(604,250)
Contributions - employer	-	10,220,219	(10,220,219)
Net investment income	-	(7,694,362)	7,694,362
Benefit payments	(8,227,373)	(8,227,373)	-
Administrative expense	-	(125,641)	125,641
Net change in total OPEB liability	866,644	(5,827,157)	6,693,801
Balance, June 30, 2022	$ 119,891,055	$ 51,055,562	$ 68,835,493

There were no changes of assumptions and other inputs since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Net OPEB Liability
1% decrease (5.25%)	$ 77,807,197
Current discount rate (6.25%)	68,835,493
1% increase (7.25%)	60,793,118

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

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

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3.00%)	$ 58,014,339
Current healthcare cost trend rate (4.00%)	68,835,493
1% increase (5.00%)	81,247,858

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 8,358,451	$ -
Differences between expected and actual experience	378,055	13,280,025
Changes of assumptions	5,693,142	26,336,891
Net difference between projected and actual earnings on OPEB plan investments	3,821,297	-
Total	$ 18,250,945	$ 39,616,916

The deferred outflows of resources related to OPEB resulting from the District's contributions and benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 331,866
2025	563,958
2026	663,899
2027	2,261,574
Total	$ 3,821,297

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (6,706,167)
2025	(6,706,167)
2026	(6,706,173)
2027	(6,946,385)
2028	(2,786,105)
Thereafter	(3,694,722)
Total	$ (33,545,719)

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, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the District reported a liability of $611,155 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. 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 districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1855%, and 0.1925%, resulting in a net decrease in the proportionate share of 0.0070%.

For the year ended June 30, 2023, the District recognized OPEB expense of $(156,834).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Medicare Part A Premium Cost Trend Rate	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%

For the valuation as of June 30, 2021, 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 members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

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, 2022, 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, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.54%)	$ 666,276
Current discount rate (3.54%)	611,155
1% increase (4.54%)	563,427

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

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

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	$ 560,757
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	611,155
1% increase (5.50% Part A and 6.40% Part B)	668,283

Note 10 - Risk Management

Property and Liability Insurance Coverages

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

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

Claims Liabilities

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

Joint Powers Authority Risk Pools

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

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

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

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

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

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

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

Note 11 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Aggregate Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 85,899,118	$ 23,594,149	$ 15,926,068	$ 6,244,190
CalPERS - SEP	112,949,325	36,349,330	8,418,287	13,422,409
CalPERS - Misc. Plan	525,440	384,866	7,067	(296,325)
Total	$ 199,373,883	$ 60,328,345	$ 24,351,422	$ 19,370,274

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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP Defined Benefit Program provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required State contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and are detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with California Assembly Bill 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were $16,291,475.

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

At June 30, 2023, 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	$ 85,899,118
State's proportionate share of net pension liability associated with the District	43,017,943
Total	$ 128,917,061

The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.1236% and 0.1281%, respectively, resulting in a net decrease in the proportionate share of 0.0045%.

For the year ended June 30, 2023, the District recognized pension expense of $6,244,190. In addition, the District recognized pension expense and revenue of $3,469,369 for support provided by the State. At June 30, 2023, 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	$ 16,291,475	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,972,239	5,284,793
Differences between projected and actual earnings on pension plan investments	-	4,200,633
Differences between expected and actual experience in the measurement of the total pension liability	70,464	6,440,642
Changes of assumptions	4,259,971	-
Total	$ 23,594,149	$ 15,926,068

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (3,085,677)
2025	(3,342,808)
2026	(5,021,579)
2027	7,249,431
Total	$ (4,200,633)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 2,215,501
2025	(1,477,226)
2026	(1,126,148)
2027	(1,550,846)
2028	(1,720,685)
Thereafter	(763,357)
Total	$ (4,422,761)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 145,888,563
Current discount rate (7.10%)	85,899,118
1% increase (8.10%)	36,089,844

California Public Employees' Retirement System (CalPERS) – SEP

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS School Employer Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

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, 2023, are presented above and the total District contributions were $14,147,274.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $112,949,325. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.3283% and 0.3502%, respectively, resulting in a net decrease in the proportionate share of 0.0219%.

For the year ended June 30, 2023, the District recognized pension expense of $13,422,409. At June 30, 2023, 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	$ 14,147,274	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	5,607,963
Differences between projected and actual earnings on pension plan investments	13,336,243	-
Differences between expected and actual experience in the measurement of the total pension liability	510,464	2,810,324
Changes of assumptions	8,355,349	-
Total	$ 36,349,330	$ 8,418,287

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
2024	$ 2,224,061
2025	1,972,588
2026	1,007,623
2027	8,131,971
Total	$ 13,336,243

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 298,172
2025	202,473
2026	184,730
2027	(237,849)
Total	$ 447,526

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both long-term market return expectations, as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the 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 expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 163,161,019
Current discount rate (6.90%)	112,949,325
1% increase (7.90%)	71,451,205

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

Plan Description

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, the Miscellaneous Risk Pool Actuarial Valuation. The report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS Miscellaneous Risk Pool provisions and benefits in effect at June 30, 2023, are summarized as follows:

Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	60
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required unfunded liability payment to CalPERS	$ 109,802	$ -

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, 2023, are presented above, and the total District contributions for CalPERS was $109,802.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS Miscellaneous Risk Pool net pension liability totaling $525,440. The net pension liability was measured as of June 30, 2022. 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, 2022 and June 30, 2021, was 0.0112% and 0.0180%, respectively, resulting in a net decrease in the proportionate share of 0.0068%.

For the year ended June 30, 2023, the District recognized pension expense of $(296,325) for CalPERS Miscellaneous Risk Pool. At June 30, 2023 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	$ 109,802	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	114,423	-
Differences between projected and actual earnings on pension plan investments	96,247	-
Differences between expected and actual experience in the measurement of the total pension liability	10,552	7,067
Changes of assumptions	53,842	-
Total	$ 384,866	$ 7,067

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
2024	$ 15,769
2025	14,179
2026	7,432
2027	58,867
Total	$ 96,247

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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 79,500
2025	59,774
2026	32,476
Total	$ 171,750

Actuarial Methods and Assumptions

Total pension liability for the Miscellaneous Risk Pool was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2000 through June 30, 2019
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the 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 expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 853,783
Current discount rate (6.90%)	525,440
1% increase (7.90%)	255,295

Plan Fiduciary Net Position

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

Public Agency Retirement Services (PARS)

Plan Description

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $6,900,972 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 12 - Commitments and Contingencies

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2023.

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, 2023.

Construction Commitments

As of June 30, 2023, the District had approximately $6.6 million in commitments with respect to unfinished capital projects.

The projects are funded through capital project apportionments from the California State Chancellor's Office.

Note 13 - Adoption of New Accounting Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. As a result of the adoption of the new standard, the opening balances of certain assets and liabilities were restated as follows:

Primary Government	
Net Position - Beginning	$ 86,829,587
Prepaid expenses	(244,497)
Right-to-use subscription IT assets	3,384,508
Subscription-based IT arrangements	(3,140,011)
Net Position - Beginning	$ 86,829,587

Required Supplementary Information
June 30, 2023

Rancho Santiago Community College District

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 2,458,404	$ 3,074,590	$ 2,985,039
Interest	7,239,863	9,778,080	9,610,437
Changes of benefit terms	-	(15,448,386)	-
Difference between expected and actual experience	(604,250)	(10,244,662)	661,597
Changes of assumptions	-	(12,275,743)	-
Benefit payments	(8,227,373)	(9,508,350)	(8,813,301)
Net change in total OPEB liability	866,644	(34,624,471)	4,443,772
Total OPEB Liability - Beginning	119,024,411	153,648,882	149,205,110
Total OPEB Liability - Ending (a)	$ 119,891,055	$ 119,024,411	$ 153,648,882
Plan Fiduciary Net Position			
Contributions - employer	$ 10,220,219	$ 13,498,871	$ 8,813,301
Net investment income	(7,694,362)	10,854,240	2,105,695
Benefit payments	(8,227,373)	(9,508,350)	(8,813,301)
Administrative expense	(125,641)	(113,180)	(73,632)
Net change in plan fiduciary net position	(5,827,157)	14,731,581	2,032,063
Plan Fiduciary Net Position - Beginning	56,882,719	42,151,138	40,119,075
Plan Fiduciary Net Position - Ending (b)	$ 51,055,562	$ 56,882,719	$ 42,151,138
Net OPEB Liability - Ending (a) - (b)	$ 68,835,493	$ 62,141,692	$ 111,497,744
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	42.58%	47.79%	27.43%
Covered Payroll	$ 132,487,448	$ 125,706,430	$ 105,994,431
Net OPEB Liability as a Percentage of Covered Payroll	51.96%	49.43%	105.19%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

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

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 7,981,036	$ 7,767,432	$ 7,559,545
Interest	8,993,120	10,522,057	5,660,197
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(11,602,517)	-	-
Changes of assumptions	13,284,002	(38,293,105)	-
Benefit payments	(8,434,870)	(8,290,199)	(7,971,345)
Net change in total OPEB liability	10,220,771	(28,293,815)	5,248,397
Total OPEB Liability - Beginning	138,984,339	167,278,154	162,029,757
Total OPEB Liability - Ending (a)	$ 149,205,110	$ 138,984,339	$ 167,278,154
Plan Fiduciary Net Position			
Contributions - employer	$ 48,434,870	$ 8,290,199	$ 7,971,345
Net investment income	119,075	-	-
Benefit payments	(8,434,870)	(8,290,199)	(7,971,345)
Administrative expense	-	-	-
Net change in plan fiduciary net position	40,119,075	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending (b)	$ 40,119,075	$ -	$ -
Net OPEB Liability - Ending (a) - (b)	$ 109,086,035	$ 138,984,339	$ 167,278,154
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	26.89%	0.00%	0.00%
Covered Payroll	$ 102,907,215	N/A[1]	N/A[1]
Net OPEB Liability as a Percentage of Covered Payroll	106.00%	N/A[1]	N/A[1]
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2023	2022	2021	2020
Annual money-weighted rate of return, net of investment expense	-13.32%	23.46%	5.07%	0.30%

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

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1855%	0.1925%	0.2264%
Proportionate share of the net OPEB liablility	$ 611,155	$ 767,989	$ 959,334
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.94%	-0.80%	-0.71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.2285%	0.2227%	0.2292%
Proportionate share of the net OPEB liablility	$ 851,015	$ 852,269	$ 964,112
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

	2023	2022	2021	2020	2019
CalSTRS					
Proportion of the net pension liability	0.1236%	0.1281%	0.1299%	0.1292%	0.1241%
Proportionate share of the net pension liability	$ 85,899,118	$ 58,292,407	$ 125,901,477	$ 116,671,499	$ 114,011,608
State's proportionate share of the net pension liability associated with the District	43,017,943	29,330,478	64,902,227	63,652,092	65,276,978
Total	$ 128,917,061	$ 87,622,885	$ 190,803,704	$ 180,323,591	$ 179,288,586
Covered payroll	$ 82,661,359	$ 75,575,647	$ 77,188,719	$ 75,802,082	$ 71,577,651
Proportionate share of the net pension liability as a percentage of its covered payroll	103.92%	77.13%	163.11%	153.92%	159.28%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS - SEP					
Proportion of the net pension liability	0.3283%	0.3502%	0.3537%	0.3475%	0.3309%
Proportionate share of the net pension liability	$ 112,949,325	$ 71,218,714	$ 108,537,434	$ 101,278,658	$ 88,231,274
Covered payroll	$ 49,826,089	$ 50,130,783	$ 51,078,125	$ 48,579,637	$ 43,613,412
Proportionate share of the net pension liability as a percentage of its covered payroll	226.69%	142.07%	212.49%	208.48%	202.30%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS - Misc.					
Proportion of the net pension liability	0.0112%	0.0180%	0.0133%	0.0140%	0.0155%
Proportionate share of the net pension liability	$ 525,440	$ 342,712	$ 560,624	$ 602,717	$ 582,930
Covered payroll*	N/A	N/A	N/A	N/A	N/A
Proportionate share of the net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	78%	91%	78%	75%	78%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

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

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

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

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

	2023	2022	2021	2020	2019
CalSTRS					
Contractually required contribution	$ 16,291,475	$ 13,986,302	$ 12,205,467	$ 13,199,271	$ 12,340,579
Contributions in relation to the contractually required contribution	(16,291,475)	(13,986,302)	(12,205,467)	(13,199,271)	(12,340,579)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 85,295,681	$ 82,661,359	$ 75,575,647	$ 77,188,719	$ 75,802,082
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	17.10%	16.28%
CalPERS - SEP					
Contractually required contribution	$ 14,147,274	$ 11,415,157	$ 10,377,072	$ 10,073,117	$ 8,774,454
Contributions in relation to the contractually required contribution	(14,147,274)	(11,415,157)	(10,377,072)	(10,073,117)	(8,774,454)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 55,763,792	$ 49,826,089	$ 50,130,783	$ 51,078,125	$ 48,579,637
Contributions as a percentage of covered payroll	25.370%	22.910%	20.700%	19.721%	18.062%
CalPERS - Misc.					
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll*	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

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

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

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

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

Note 1 - Purpose of Schedules

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* **–** There were no changes in changes of assumptions and other inputs since the previous valuation.

Schedule of OPEB Investment Returns

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

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% 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 Term*s – There were no changes in benefit terms since the previous valuations for either CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions since the previous valuation for the CalSTRS plan from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of District Contributions for Pensions

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

Supplementary Information
June 30, 2023

Rancho Santiago Community College District

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

Board of Trustees as of June 30, 2023

Member	Office	Term Expires
David Crockett	President	2024
Sal Tinajero	Vice President	2024
Daisy Tong	Clerk	2026
Tina Arias Miller, Ed.D.	Member	2024
John R. Hanna	Member	2026
Zeke Hernandez	Member	2024
Phillip E. Yarbrough	Member	2026
Vacant	Student Trustee	

Administration as of June 30, 2023

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

Auxiliary Organizations in Good Standing

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

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

Santiago Canyon Foundation, established 1998
Master Agreement signed 1998, updated 2021
Kathleen White, Interim Executive Director

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		$ 21,906,445
Federal Pell Grant Program Administrative Allowance	84.063		14
Federal Direct Student Loans	84.268		1,850,790
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		707,600
FSEOG Administrative Allowance	84.007		5,318
Federal Work-Study Program	84.033		352,673
Subtotal Student Financial Assistance Cluster			24,822,840
TRIO Cluster			
TRIO Student Support Services	84.042A		1,268,059
TRIO Talent Search	84.044A		455,992
TRIO Upward Bound	84.047A		350,161
TRIO Upward Bound - Math & Science	84.047M		293,928
TRIO Upward Bound - Veterans	84.047V		264,847
Subtotal TRIO Cluster			2,632,987
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E		282,260
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F		15,146,513
Subtotal			15,428,773
Migrant Education - College Assistance Program	84.149A		284,307
Child Care Access Means Parents in School (CCAMPIS)	84.335A		1,827
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act (CTEA), Title I, Part C	84.048A	22-C01-870	1,145,513
Regional Collaboration and Coordination	84.048A	G0195	245,277
Subtotal			1,390,790
Passed through California Department of Education			
Adult Education: Adult Secondary Education	84.002	13978	268,495
Adult Education: Adult Basic Education & ELA	84.002A	14508	1,763,020
Adult Education: English Literacy & Civics Education	84.002A	14109	783,290
Adult Education: Institutionalized Adults	84.002	13971	251,320
Subtotal			3,066,125
Total U.S. Department of Education			47,627,649

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster			
National Science Foundation			
Cybersecurity First Responder Grant	47.076		$ 36,453
Passed through California State University Fullerton Auxiliary Services Corporation			
Transitioning Math Majors into Teaching	47.076	S-6668-SAC	27,263
U.S. Department of Education			
Systemic Design for STEM Success Grant	84.031C		352,049
Passed through California State University Fullerton Auxiliary Services Corporation			
RAISER: Regional Alliance in STEM Education Refined	84.031C	S-7709-SAC	21,447
RAISE: Regional Alliance in STEM Education	84.031C	S-6386-SAC	16,086
Subtotal Research and Development Cluster			453,298
U.S. Department of Health and Human Services			
Head Start Cluster			
Early Head Start	93.600		2,168,195
COVID-19: Early Head Start	93.600		129,000
Subtotal Head Start Cluster			2,297,195
Passed through The Foundation for California Community Colleges			
Youth Empowerment Strategies for Success (YESS)	93.674	YP-092-17-RSCCD-SAC	22,500
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families (TANF)	93.558	[1]	133,080
Child Care and Development Fund (CCDF) Cluster			
Passed through California Department of Education			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	157,158
Child Care and Development Block Grant	93.575	15136	72,245
Child Care and Development Block Grant	93.575	14551	531,423
Child Care and Development Block Grant	93.575	15554	59,089
COVID-19: Child Care and Development Block Grant	93.575	[1]	95,048
COVID-19: Child Care and Development Block Grant	93.575	15555	33,487
Passed through California Department of Social Services			
COVID-19: Child Care and Development Block Grant	93.575	[1]	37,800
Passed through Yosemite Community College District, Child Development Training Consortium			
Child Care and Development Block Grant	93.575	22-23-2855SSC	4,600
Subtotal CCDF Cluster			990,850
Total U.S. Department of Health and Human Services			3,443,625

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Small Business Administraition			
Passed through California State University Fullerton Auxiliary Services Corporation			
Small Business Development Centers	59.037	S-6464-RSCCD	$ 139,836
COVID-19: Small Business Development Centers	59.037	S-7448-RSCCD	116,836
Total U.S. Small Business Administraition			256,672
U.S. Department of Labor			
Passed through City of Santa Ana			
Technology Access Center - Job Tech Lab	17.261	A-2010-171	5,400
Total U.S. Department of Labor			5,400
U.S. Department of the Treasury			
Passed through California Community Colleges Chancellor's Office			
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	[1]	2,776,881
Total U.S. Department of the Treasury			2,776,881
U.S. Department of Homeland Security, U.S. Citizenship and Immigration			
Passed through Program from World Relief Corporation of National Association of Evangelicals			
The Citizenship and Integration Grant Program: Citizenship Instruction and Naturalization Application Services (CINAS)	97.010	WRRP22002	33,743
Total U.S. Department of Homeland Security, U.S. Citizenship and Immigration			33,743
U.S. Department of Agriculture			
SNAP Cluster			
Passed through California Department of Education			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	04369-CACFP-30-CC-CS	79,196
Subtotal SNAP Cluster			79,196
Passed through California Department of Education			
Child and Adult Care Food Program	10.558	04369-CACFP-30-CC-CS	216,669
COVID-19: Child and Adult Care Food Program	10.558	PCA15559	7,465
Subtotal			224,134
Total U.S. Department of Agriculture			303,330
Total Federal Financial Assistance			$ 54,900,598

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

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
AB 1725 - Faculty & Staff Diversity	$ 242,209	$ -	$ 141,053	$ 101,156	$ 101,155
AB77 Handicapped (DSPS)	2,380,621	-	770,807	1,609,814	1,609,814
Adult Education Block Grant	5,253,759	-	1,103,861	4,149,898	4,149,898
Adult Learner-Focused Strategic Enrollment Management (SEM) Grant Initiative	30,000	-	29,598	402	402
Basic Needs Center	612,691	-	281,717	330,974	330,974
Basic Needs Center Ongoing	878,206	-	871,169	7,037	7,037
Board Financial Assistance Program - SFA Admin (BFAP-SFAA)	1,454,179	-	436,644	1,017,535	1,017,535
CA Education Learning Lab - Closing Equity Gaps in Calculus	24,908	-	1,891	23,017	23,017
CAL Grants	3,628,450	-	97,187	3,531,263	3,531,263
California College Promise	2,384,774	-	854,236	1,530,538	1,530,539
California Education Learning Lab (CELL)	127,992	-	34,012	93,980	93,980
CalWORKs	984,188	-	222,049	762,139	762,139
Campus Safety and Sexual Assault	29,148	-	5,133	24,015	24,015
CCAP Instructional Materials for Dual Enrollment	54,139	-	50,793	3,346	3,346
CDE Center-Based Reserve - CSPP	227,660	-	227,660	-	-
CDSS Center-Based Reserve - CCTR	344,231	-	344,231	-	-
Child Development: General Child Care & Development	1,321,909	-	-	1,321,909	1,377,069
Child Development: California State Preschool Program	4,055,192	393,819	-	4,449,011	4,060,238
Child Dev Center - CSPP - Tax Bailout	297,533	-	-	297,533	297,533
Child Care Food Program- CSPP - State	4,345	1,205	-	5,550	5,550
Child Care Food Program- CCTR - State	2,304	573	-	2,877	2,877
Cooperative Agencies Resources for Education (CARE)	426,057	-	133,761	292,296	292,296
COVID Recovery Block Grant	17,504,354	-	13,647,506	3,856,848	3,856,848
COVID-19 Response Block Grant	70,860	-	-	70,860	70,860
CSAC: Golden State Education and Training Grant Program (GSETGP)	475	-	475	-	-
CSUF/SBDC GO-Biz TAEP	37,752	-	-	37,752	37,752
CSUF/SBDC GO-Biz TAP	94,827	47,515	-	142,342	142,342
CTE Data Unlocked	64,824	-	65,580	(756)	(756)
CTE SWP - Local Share	8,597,144	-	5,565,178	3,031,966	3,031,966
CTE SWP - Regional Share	21,970,750	-	14,294,854	7,675,896	7,675,896

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
Culturally Competent Faculty PD	$ 100,870	$ -	$ 100,870	$ -	$ -
Dreamer Resource Liaison Support	380,370	-	164,962	215,408	215,408
Econ Dev DSN - Retail Hospitality Boot Camp	48,075	-	48,075	-	-
Emergency Financial Aid (Supplemental)	714,778	-	265,218	449,560	449,560
Equal Employment Opportunities Innovative Best Practices	150,000	-	144,207	5,793	5,793
Equal Employment Opportunity Best Practices	208,333	-	208,333	-	-
EWD/Employer Engagement - Regional Collaboration and Coordination	1,226,140	329,850	776,412	779,578	779,578
Extended Opportunities Program and Services (EOPS)	3,589,459	-	571,417	3,018,042	3,018,042
Family PACT	847	-	-	847	3,154
Financial Aid Technology	467,041	-	381,293	85,748	85,748
Guided Pathways	1,305,606	-	972,953	332,653	332,653
Hunger Free Campus	122,115	-	-	122,115	122,115
Innovation and Effectiveness Grant	600,000	-	547,354	52,646	52,646
Instructional Equipment	-	-	-	-	989,779
K12 Strong Workforce Program Pathway Improvement Funds	340,507	-	306,178	34,329	34,329
Learning-Aligned Employment Program (LAEP)	4,209,100	-	4,197,468	11,632	11,632
LGBTQ+ Program	276,618	-	256,568	20,050	20,050
Library Services Platform	26,648	-	26,445	203	203
Local and Systemwide Technology and Data Security	250,000	-	250,000	-	-
Lottery/Prop 20 Instructional Materials (Current Year)	1,761,969	756,019	-	2,517,988	2,180,271
Lottery/Prop 20 Instructional Materials (Prior Year)	264,072	-	-	264,072	-
Mental Health Services Support	1,488,257	-	1,297,294	190,963	190,963
MESA CCCP	467,406	-	330,370	137,036	137,036
NextUp Foster Youth Support Program	150,000	-	112,070	37,930	37,930
Nursing Program Support	207,358	-	-	207,358	207,358
OC Pathways: K-16 Collaborative Grant	480,000	-	479,444	556	556
Puente Community College Programs	51,727	-	45,273	6,454	6,454
QRIS Block Grant	601,880	-	601,666	214	214
Regional Equity and Recovery Partnership (RERP) Grant	56,108	-	56,108	-	-
Retention & Enrollment Outreach	4,657,786	-	2,961,657	1,696,129	1,696,129

Program	Program Revenues: Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total Revenue	Program Expenditures
Rising Scholars Network Grant	$ 314,000	$ -	$ 213,747	$ 100,253	$ 100,253
Song Brown Act	238,910	18,355	6,862	250,403	250,403
Staff Development - One time	121,290	-	121,290	-	-
Student Equity and Achievement (SEAP)	17,969,266	-	4,392,012	13,577,254	13,577,254
Student Food and Housing Support	1,213,439	-	1,104,886	108,553	108,553
Student Housing Planning Grant	500,000	-	60,256	439,744	439,744
Student Success Completion Grant (SSCG)	6,553,612	-	2,174,048	4,379,564	4,379,564
SWP K12 & K14 TAP	2,131,939	3,981	1,515,083	620,837	620,837
SWP K12 Pathway Improvement	27,437,569	-	11,516,429	15,921,140	15,921,140
Systemwide Tech & Data Security	100,000	-	29,944	70,056	70,056
Telecommunication Technology Infrastructure (TTIP)	2,599	-	2,342	257	258
Veteran Resource Center - One-time Fund	77,917	-	31,249	46,668	46,668
Veteran Resource Center - Ongoing Funding	527,870	-	354,909	172,961	172,960
Wellness Vending Machine Pilot Program	15,000	-	15,000	-	-
Zero Textbook Cost (ZTC) Program - Implementation Grants	360,000	-	360,000	-	-
Zero Textbook Cost (ZTC) Program - Planning Grants	40,000	-	32,423	7,577	7,577
Total state programs	$ 154,911,962	$ 1,551,317	$ 76,211,510	$ 80,251,769	$ 80,308,453

CATEGORIES	**Revised Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit*	1,458.08	-	1,458.08
2. Credit	541.52	-	541.52
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit*	71.44	-	71.44
2. Credit	1,619.67	-	1,619.67
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	5,708.37	-	5,708.37
(b) Daily Census Contact Hours	717.09	-	717.09
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit*	2,923.65	-	2,923.65
(b) Credit	2,965.46	-	2,965.46
3. Alternative Accounting Procedures Census			
(a) Weekly Census Procedure Courses	3,812.11	-	3,812.11
(b) Daily Census Procedure Courses	4,203.02	-	4,203.02
(c) Noncredit Independent Study/Distance Education Courses	3,273.66	-	3,273.66
D. Total FTES	27,294.07	-	27,294.07
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	1,881.91	-	1,881.91
F. Basic Skills Courses and Immigrant Education			
1. Noncredit*	3,551.80	-	3,551.80
2. Credit	17.47	-	17.47
CCFS-320 Addendum			
CDCP Noncredit FTES	6,216.00	-	6,216.00
Centers FTES			
1. Noncredit*	6,758.94	-	6,758.94

*Including Career Development and College Preparation (CDCP) FTES.
**Annual report revised as of November 1, 2023.

		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
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 30,734,283	$ -	$ 30,734,283	$ 30,734,283	$ -	$ 30,734,283
Other	1300	36,821,058	-	36,821,058	36,821,058	-	36,821,058
Total Instructional Salaries		67,555,341	-	67,555,341	67,555,341	-	67,555,341
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	15,134,735	-	15,134,735
Other	1400	-	-	-	2,615,208	-	2,615,208
Total Noninstructional Salaries		-	-	-	17,749,943	-	17,749,943
Total Academic Salaries		67,555,341	-	67,555,341	85,305,284	-	85,305,284
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	30,746,449	-	30,746,449
Other	2300	-	-	-	1,658,863	-	1,658,863
Total Noninstructional Salaries		-	-	-	32,405,312	-	32,405,312
Instructional Aides							
Regular Status	2200	562,787	-	562,787	562,787	-	562,787
Other	2400	1,477,442	-	1,477,442	1,477,442	-	1,477,442
Total Instructional Aides		2,040,229	-	2,040,229	2,040,229	-	2,040,229
Total Classified Salaries		2,040,229	-	2,040,229	34,445,541	-	34,445,541
Employee Benefits	3000	29,226,791	-	29,226,791	61,280,564	-	61,280,564
Supplies and Material	4000	-	-	-	1,295,421	-	1,295,421
Other Operating Expenses	5000	6,333,414	-	6,333,414	21,713,976	-	21,713,976
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		105,155,775	-	105,155,775	204,040,786	-	204,040,786

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ 2,947,056	$ -	$ 2,947,056	$ 2,947,056	$ -	$ 2,947,056
Student Health Services Above Amount Collected	6441	-	-	-	63,934	-	63,934
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	4,350,756	-	4,350,756
Objects to Exclude							
Rents and Leases	5060	-	-	-	669,262	-	669,262
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110 Reported Data	Audit Adjustments	Revised Data	ECS 84362 B Total CEE AC 0100 - 6799 Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ 5,483,139	$ -	$ 5,483,139
Capital Outlay	6000						
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		2,947,056	-	2,947,056	13,514,147	-	13,514,147
Total for ECS 84362, 50% Law		$ 102,208,719	$ -	$ 102,208,719	$ 190,526,639	$ -	$ 190,526,639
Percent of CEE (Instructional Salary Cost/Total CEE)		53.66%		53.66%	100.00%		100.00%
50% of Current Expense of Education					$ 95,263,320		$ 95,263,320

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				$ 13,398,042
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	$ 13,398,042	$ -	$ -	$ 13,398,042
Total Expenditures for EPA		$ 13,398,042	$ -	$ -	$ 13,398,042
Revenues Less Expenditures					$ -

Amounts reported for governmental activities in the Statement of Net Position are different because		
Total fund balance		
General Funds	$ 76,085,479	
Special Revenue Funds	16,407,766	
Capital Project Funds	103,505,251	
Debt Service Funds	35,260,619	
Internal Service Funds	(28,069,314)	
Fiduciary Funds	529,118,297	
Total fund balance - all District funds		$ 732,308,098
Amounts held in trust on behalf of others (OPEB Trust and Custodial Funds)		(529,118,297)
The District's investment in the Orange County Educational Investment Pool is reported at fair market value in the Statement of Net Position.		(3,381,921)
Capital assets, right-to-use leased assets, and right-to-use subscription IT 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	801,464,014	
Accumulated depreciation is	(266,586,837)	
The cost of right-to-use leased assets is	3,555,738	
Accumulated amortization is	(600,494)	
The cost of right-to-use subscription IT assets is	4,771,938	
Accumulated amortization is	(1,161,069)	
Total capital assets, right-to-use leased assets and right-to-use subscription IT assets, net		541,443,290
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources at year-end consist of:		
Deferred outflows of resources related to debt refunding	12,088,394	
Deferred outflows of resources related to OPEB	18,250,945	
Deferred outflows of resources related to pensions	60,328,345	
Total deferred outflows of resources		90,667,684
Lease receivables are reported in the Statement of Net Position, but were not reported in the District's CCFS-311 report.		92,401
In governmental funds, payments made for future subscription IT asset usage are recorded as prepaid expenditures. On the government-wide statements, both an asset and liability are recognized at the inception of the arrangement		(386,830)
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(2,968,060)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	$ (348,953,952)	
Leases	(2,543,798)	
Subscription-based IT arrangements	(3,561,920)	
Compensated absences	(7,573,284)	
Less amount reported as a liability in the funds	872,258	
Fiananced purchases	(80,852)	
Early retirement incentive	(4,135,233)	
Aggregate net other postemployment benefits (OPEB) liability	(69,446,648)	
Less amount reported as a liability in the funds	81,038,311	
Aggregate net pension liability	(199,373,883)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(56,573,652)	
Total long-term liabilities		$ (610,332,653)
Deferred inflows of resources represent an acquisition of net position in a future period and is not reported in the District's funds. Deferred inflows of resources amount to and related to		
Deferred inflows of resources related to OPEB	(39,616,916)	
Deferred inflows of resources related to pensions	(24,351,422)	
Deferred inflows of resources related to leases	(90,511)	
Total deferred inflows of resources		(64,058,849)
Total net position		$ 154,264,863

Note 1 - Purpose of Schedules

District Organization

This schedule provides information about the District's governing board members, administration members, and auxiliary organizations in good standing as of June 30, 2023.

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the 10% de minimis cost rate.

Schedule of Expenditures of State Awards

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

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

FTES is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

Independent Auditor's Reports
June 30, 2023

Rancho Santiago Community College District

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the business-type activities and the aggregate remaining fund information of the Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon December 1, 2023.

Adoption of New Accounting Standard

As discussed in Note 2 and Note 13 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. As a result of implementing the standard, there was no effect on the business-type activates beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 1, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Rancho Santiago Community College District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 1, 2023

Independent Auditor's Report on State Compliance

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

Report on State Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements described in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2023.

Qualified Opinion on Section 413 - SCFF Success Allocation Metrics

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report paragraph, the Rancho Santiago Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the State programs noted in the table below for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Programs

In our opinion, the Rancho Santiago Community College District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023, except as described in the accompanying schedule of findings and questioned costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the standards and procedures identified in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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Matters Giving Rise to Qualified Opinion on Section 413 - SCFF Success Allocation Metrics

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding *Section 413 - Success Allocation Metrics*, as identified in finding 2023-001.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

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

Compliance Requirements Tested

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

Section 411	SCFF Data Management Control Environment
Section 412	SCFF Supplemental Allocation Metrics
Section 413	SCFF Success Allocation Metrics
Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Activities Funded From Other Sources
Section 424	Student Centered Funding Formula Base Allocation: FTES
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP)
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 490	Propositions 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds
Section 492	Student Representation Fee
Section 494	State Fiscal Recovery Fund
Section 499	COVID-19 Response Block Grant Expenditures

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

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

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 to be a significant deficiency.

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

The purpose of this report on State compliance is solely to describe the results of our testing based on the requirements of the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 1, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

Rancho Santiago Community College District

Financial Statements

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

Federal Awards

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

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
Student Financial Assistance Cluster	84.007, 84.033, 84.063, 84.268
COVID-19: Higher Education Emergency Relief Funds, Student Aid Portion	84.425E
COVID-19: Higher Education Emergency Relief Funds, Institutional Portion	84.425F
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs	$1,647,018
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

Unmodified for all programs except for the following program which was qualified:

Name of Program
Section 413 - SCFF Success Allocation Metrics

None reported.

None reported.

The following finding represents an instance of noncompliance and questioned costs relating to compliance with state laws and regulations.

2023-001 Section 413 – SCFF Success Allocation Metrics

Criteria or Specific Requirements

The SCFF calculates general apportionments using three calculations: (1) a base allocation, which largely reflects full-time equivalent enrollment at the district, (2) a supplemental allocation, which allocates funds based on the numbers of students who received a California College Promise Grant, students who received a Pell grant, and AB 540 students; and (3) a student success allocation, which allocates funds on the basis of outcomes related to student success.

California *Education Code* Section 84750.4(f)(1)E): Each community college district shall be granted one point for each student who successfully completes nine or more career technical education units, based on the three-year rolling average for this metric calculated pursuant to clause (ii) of subparagraph (A).

Condition

Significant Deficiency in Internal Control Over Compliance and Material Noncompliance-
We tested the 2021-2022 headcount of students completing "Nine or More Units" and noted that 4 of 25 students tested did not complete at least nine CTE units during the year. This yielded a sample error rate of 16.0% for All Students completing Nine or More CTE units.

We also noted that of the 4 students that did not complete at least nine CTE units, 2 were also reported as Promise Grant Recipients. Since the sample of 25 students included 13 Promise Grant Recipients, this yielded a sample error rate of 15.4% for Promise Grant Recipients completing Nine or More CTE units.

Questioned Costs

The California Community Colleges Chancellor's Office will make the final determination regarding questioned costs.

Context

The District earns student success allocation revenues based on a number of metrics including All Students completing Nine or More CTE Units. Additional student success allocation revenues are earned if students completing Nine or More CTE Units are also Pell Grant Recipients and or Promise Grant Recipients. The 2022-2023 P1 Exhibit C from the California Community College Chancellor's Office shows the District earned the following student success allocation revenues for students completing Nine or More CTE Units:

- $3,009,329 based on the three-year average headcount of All Students completing Nine or More CTE Units;
- $357,342 based on the three-year average headcount of Pell Grant Recipients completing Nine or More CTE Units; and
- $446,266 based on the three-year average headcount of Promise Grant Recipients completing Nine or More CTE Units.

The table below shows the headcounts for each fiscal year, the three-year average headcount, the rate assigned to each metric, and the revenues earned according to the 2022-2023 P1 Exhibit C.

Metric	Points	2019-2020	2020-2021	2021-2022	Three-Year Average (a)	Rate (b)	Revenue (a x b)
Nine or More CTE Units, All Students	1	4,104	4,762	4,510	4,458.67	$674.94	$3,009,329
Nine or More CTE Units, Pell Grant Recipients	1.5	1,310	1,395	1,493	1,399.33	$255.37	$357,342
Nine or More CTE Units, Promise Grant Recipients	1	2,554	2,647	2,663	2,621.33	$170.24	$446,266
						TOTAL:	$3,812,937

Effect

Based on extrapolating the sample error rate of 16.0% to the 2021-2022 headcount for All Students completing Nine or More CTE units, revenues earned for this metric in Fiscal Year 2022-2023 are estimated at $2,846,896. The difference between revenues reflected for this metric in the 2022-2023 P1 Exhibit C ($3,009,329) and revenues for this metric estimated by the auditor ($2,846,896) yielded questioned costs of $162,433.

Based on extrapolating the sample error rate of 15.4% to the 2021-2022 headcount for Promise Grant Recipients completing Nine or More CTE units, revenues earned for this metric in Fiscal Year 2022-2023 are estimated at $422,990. The difference between revenues reflected for this metric in the 2022-2023 P1 Exhibit C ($446,266) and revenues for this metric estimated by the auditor ($422,990) yielded questioned costs of $23,276.

The table below shows revenues generated based on extrapolation of the sample error rates.

Metric	Points	2019-2020	2020-2021	2021-2022	Three-Year Average (a)	Rate (b)	Revenue (a x b)
Nine or More CTE Units, All Students	1	4,104	4,762	3,788* Revised	4,218 Revised	$674.94	$2,846,896 Revised
Nine or More CTE Units, Pell Grant Recipients	1.5	1,310	1,395	1,493	1,399.33	$255.37	$357,342
Nine or More CTE Units, Promise Grant Recipients	1	2,554	2,647	2,253** Revised	2,484.67 Revised	$170.24	$422,990 Revised
						TOTAL:	$3,627,228

*Adjusted based on auditor's sample error rate of 16.0%.
**Adjusted based on auditor's sample error rate of 15.4%.

See tables below for headcounts by Student Success Allocation metric.

SCFF Success Allocation Metric for All Students	2021-2022 Reported Headcount	Audit Adjustment (Extrapolated from sample error rate)	Audited Headcount
Associate Degree for Transfer	1,146	-	1,146
Associate Degree	1,329	-	1,329
Baccalaureate Degrees	7	-	7
Credit Certificates	450	-	450
Transfer Level Math and English	887	-	887
Nine or More CTE Units	4,510	(722)	3,788

SCFF Success Allocation Metric for Pell Grant Recipients	2021-2022 Reported Headcount	Audit Adjustment (Extrapolated from sample error rate)	Audited Headcount
Associate Degree for Transfer	542	-	542
Associate Degree	574	-	574
Baccalaureate Degrees	5	-	5
Credit Certificates	165	-	165
Transfer Level Math and English	329	-	329
Nine or More CTE Units	1,493		1,493

SCFF Success Allocation Metric for Promise Grant Recipients	2021-2022 Reported Headcount	Audit Adjustment (Extrapolated from sample error rate)	Audited Headcount
Associate Degree for Transfer	852	-	852
Associate Degree	969	-	969
Baccalaureate Degrees	7	-	7
Credit Certificates	288	-	288
Transfer Level Math and English	501	-	501
Nine or More CTE Units	2,663	(410)	2,253

Cause

The District's internal controls and system processes were not effective to identify data issues that could lead to the incorrect reporting of students who have completed nine or more CTE units during the reporting year.

Repeat Finding (Yes or No)

No.

Recommendation

The District should establish procedures and system processes to ensure that headcounts related to the “Nine or More CTE Units” are being reported in accordance with requirements set forth by the California Community Colleges Chancellor’s Office.

Views of Responsible Officials and Corrective Action Plan

The District did not intentionally misreport the headcounts for students who have completed nine or more CTE units. The District relies on its Student Information System (SIS) to run a process that identifies the students that should be reported during each reporting term and internal control processes that verify the data prior to submission. The District determined there were issues with the SIS process that led to the reporting errors and expects a system update from its SIS vendor by December 2023. While the District waits for a system update to resolve these issues, the District has modified internal processes in the interim and added new internal controls to ensure data is accurately reported.

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