RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2017

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rancho Santiago Community College
Santa Ana, California

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

Opinion

In our opinion, the financial statements referred to the above present fairly, in all material respects, the financial position of the District as of June 30, 2017, and the results of its operations, changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary section, including the schedule of expenditures of federal awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rancho Santiago Community College
Santa Ana, California

the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary section, including the schedule of expenditures of federal awards, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 20, 2017

ACCOUNTING STANDARDS

The Rancho Santiago Community College District continues to present its financial statements in the Business-Type Activities reporting format required by statements released by the Government Accounting Standards Board (GASB) in 1999. The format prescribed by GASB focuses on the District as a whole rather than on individual funds.

The following management's discussion and analysis provides an overview of the financial position and activities of the Rancho Santiago Community College District's Financial Report for the year ended June 30, 2017. The previous year's financial statements that provide information on the District as a whole:

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

Each of these statements will be reviewed and significant events discussed.

FINANCIAL AND ENROLLMENT HIGHLIGHTS

The District ended the year with a strong General Fund ending balance. The ability to maintain a prudent reserve of 16.26% affords cash flow stability for the District without external borrowing.

Reported resident enrollments at the colleges decreased in FY 2016-2017 by 4.79% from the prior year. The primary reasons were a drop in the credit academy programs and noncredit CDCP enrollments.

Non-resident enrollment increased by 5.89% in fiscal year 2016-17. In fiscal year 2015-16 the District reported 681 FTES and in fiscal year 2016-17 it increased to 721.

STATEMENT OF NET POSITION

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The net position 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 expenditures 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.

	2017	2016	Net Change
Assets			
Current assets	$ 267,961	$ 298,830	$ (30,869)
Non-current assets	463,467	431,146	32,321
Total Assets	731,428	729,976	1,452
Deferred Outflows of Resources	38,305	33,204	5,101
Liabilities			
Current liabilities	79,526	81,069	(1,543)
Non-current liabilities	608,074	593,162	14,912
Total Liabilities	687,600	674,231	13,369
Deferred Inflows of Resources	13,169	31,403	(18,234)
Net Position			
Net investment in capital assets	109,715	109,593	122
Restricted	98,970	86,759	12,211
Unrestricted	(139,721)	(138,806)	(915)
Total Net Position	$ 68,964	$ 57,546	$ 11,418

Assets

Total Assets increased approximately $1.5 million, a percentage increase of 0.2%. The major changes affecting total assets are listed below:

- Current assets decreased approximately $30.9 million. The majority of the decrease is within cash and investments and is offset by a corresponding increase in the non-current assets of $32.3 million over the prior year due to increases in capital assets and construction cost related primarily to the Santa Ana College central plant project.

Liabilities

Total liabilities increased by approximately $13.4 million; an increase of 1.98%. The major changes affecting total liabilities are listed below:

- Current liabilities decreased approximately $1.5 million as a result of a decrease in accounts payable.

- Non-current liabilities increased by $14.9 million as a result in higher pension and net OPEB obligation offset by lower outstanding general obligation bonds.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* the District recognized deferred outflows and inflows of resources related to pensions in the District-wide financial statements. Refer to Note 8 for the District's deferred outflows and inflows of resources related to pensions.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to receivables and expenses pertaining to earned, but unused, compensated balances.

Operating Revenues	2017	2016	$ Change	% Change
Student tuition and fees	$ 31,495	$ 28,653	$ 2,842	9.92%
Less: scholarship discount & allowance	(17,017)	(14,613)	(2,404)	16.45%
Net tuition & fees	14,478	14,040	438	3.12%
Grants and contracts, noncapital:				
Federal	33,812	34,961	(1,149)	-3.29%
State	57,855	42,123	15,732	37.35%
Other operating revenues	6,145	7,154	(1,009)	-14.1%
Subtotal	97,812	84,238	13,574	16.11%
Total Operating Revenues	112,290	98,278	14,012	14.26%
Operating Expenses				
Salaries	126,728	118,339	8,389	7.09%
Benefits	56,823	46,702	10,121	21.67%
Supplies, materials, & other operating expenses	60,863	46,518	14,345	30.84%
Financial Aid	26,406	26,364	42	0.16%
Utilities	3,044	3,514	(470)	-13.38%
Depreciation	18,083	18,512	(429)	-2.32%
Total Operating Expenses	291,947	259,949	31,998	12.31%
Operating Loss	(179,657)	(161,671)	(17,986)	11.13%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	82,863	86,240	(3,377)	-3.92%
Local property taxes	71,910	63,038	8,872	14.07%
State taxes & other revenues	9,861	23,301	(13,440)	-57.68%
Investment income	1,357	1,654	(297)	-17.96%
Interest expense	(13,689)	(17,652)	3,963	-22.45%
Other	5,028	4,698	330	7.02%
Total Nonoperating Revenues (Expenses)	157,330	161,279	(3,949)	-2.45%
Gain Before Other Revenues and Losses	(22,327)	(392)	(21,935)	5595.66%
Other Revenues and (Losses)				
State and local capital income	33,745	31,617	2,128	6.73%
Change in Net Position	11,418	31,225	(19,807)	-63.43%
Net Position - Beginning	57,546	26,321	31,225	118.63%
Net Position - Ending	$ 68,964	$ 57,546	$ 11,418	19.84%

Operating Revenues

Total Operating Revenues increased by approximately $14 million, a percentage increase of 14%.

- Net tuition and fees experienced an increase of $0.4 million, approximately 3%. Fee revenue increased by $2.8 million primarily as a result of higher non-resident tuition revenue. Scholarship discounts and allowances increased by $2.4 million from higher demand in state BOGG fee waivers.

- Non-capital grants and contracts increased $14.5 million, an increase of 19%. Factors contributing to this include $1.5 million increased funding for Student Success and Student Equity programs, and $13 million for the Adult Education Block Grant program.

Operating Expenses

Total Operating Expenses increased by 12%, approximately $32 million. Items of significance affecting the changes include:

- Salaries and benefits increased by approximately $18.5 million, an increase of 11.2%, primarily as a result of negotiated salary increases, step and column increases, and higher pension contribution rates and benefit premiums.

- Supplies, materials and other operating expenses increased by $14 million, an increase of 31%. The increase was primarily related to contracted services for Career Technical Education - Enhancement Fund/Career Technical Education – Data Unlocked special projects and for capital outlay related costs.

- Utilities decreased by $0.5 million, a decrease of 13%, due to electricity costs savings.

Non-Operating Revenues (Expenses)

Non-Operating Revenues decreased by $5 million mainly due to the net effect of the following:

- Non-capital State apportionment decreased by $3.3 million, a 4% decrease. This is due to lower general state apportionment.

- The increase of $8.9 million, 14%, in local property tax reflects the growth trend of the local property tax base.

- State taxes and other revenues decreased $13.4 million, 58% decrease, due to one-time state resources for the backlog of mandated costs claims in FY 2015-2016.

- Investment income, interest expense and other non-operating revenues increased by $4 million largely as a result of lower interest expense.

Capital contributions

Capital contributions increased by 6.7%, approximately $2.1 million.

- State and local capital income increased due to higher amount of scheduled maintenance, nonresident capital outlay fee revenues and voted indebtedness levies (secured/unsecured).

- Interest and investment income for capital also increased due to improved return rates and larger cash balances in the capital outlay fund.

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:

Year ended June 30, 2017:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 87,897	$ 11,367	$ -	$ -	$ 99,264
Academic support	23,750	2,134	-	-	25,884
Student services	35,169	3,871	-	-	39,040
Plant operations and maintenance	5,587	5,437	-	-	11,024
Instructional support services	22,861	26,862	-	-	49,723
Community services and economic development	2,367	596	-	-	2,963
Ancillary services and auxiliary operations	3,985	4,193	-	-	8,178
Student aid	-	-	26,406		26,406
Physical property and related acquisitions	1,935	9,447	-	-	11,382
Depreciation	-	-	-	18,083	18,083
	$ 183,551	$ 63,907	$ 26,406	$ 18,083	$ 291,947

Year ended June 30, 2016:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 75,249	$ 6,559	$ -	$ -	$ 81,808
Academic support	14,618	551	-	-	15,169
Student services	37,487	3,106	-	-	40,593
Plant operations and maintenance	5,357	3,533	-	-	8,890
Instructional support services	19,249	12,526	-	-	31,775
Community services and economic development	2,321	589	-	-	2,910
Ancillary services and auxiliary operations	9,610	4,372	-	-	13,982
Student aid	-	-	26,364	-	26,364
Physical property and related acquisitions	1,150	18,796	-	-	19,946
Depreciation	-	-	-	18,512	18,512
	$ 165,041	$ 50,032	$ 26,364	$ 18,512	$ 259,949

STATEMENT OF CASH FLOWS

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

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows 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 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 Positions.

Statement of Changes in Cash Positions

- 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 purchasing 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).

	2017	2016	Net Change
Cash Provided by (Used in)			
Operating activities	$ (156,532)	$ (224,643)	$ 68,111
Noncapital financing activities	171,470	274,463	(102,993)
Capital financing activities	(36,253)	(19,348)	(16,905)
Investing activities	1,357	1,590	(233)
Net Decrease in Cash	(19,958)	32,062	(52,020)
Cash, Beginning of Year	281,145	249,083	32,062
Cash, End of Year	$ 261,187	$ 281,145	$ (19,958)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had approximately $452.4 million invested in net capital assets. Total capital assets of $635.7 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $183.3 million. In FY 2016- 2017, there were capital asset additions in the amount of $39.3 million. Deletions of $1.9 million are for completed construction in progress moved to buildings and equipment assets. Depreciation expense of $18.1 million was recorded for FY 2016-2017.

Note 5 to the financial statements provides additional information on capital assets. A comparison of capital assets net of depreciation is summarized below:

	2017	2016	Net Change
Land and construction in progress	$ 148,941	$ 114,067	$ 34,874
Buildings and improvements	412,453	409,987	2,466
Furniture and equipment	74,261	73,594	667
Subtotal	$ 635,655	$ 597,648	$ 38,007
Accumulated depreciation	183,295	166,502	16,793
Total Capital Assets	$ 452,360	$ 431,146	$ 21,214

Debt

At June 30, 2017, the District had $626.4 million in debt. Note 10 provides additional information on long-term liabilities. A comparison is summarized below:

	2017	2016	Net Change
General obligation bonds	$ 383,661	$ 400,596	$ (16,935)
Claims payable	400	400	-
Compensated absences	5,634	5,207	427
Load banking	4,120	3,939	181
Net OPEB obligation	64,035	58,386	5,649
Aggregate pension obligation	168,565	143,139	25,426
Total Long-Term Liabilities	$ 626,415	$ 611,667	$ 14,748
Amount due within one year			$ 18,341

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

The FY 2017-2018 state budget for community colleges included a 1.56% cost of living adjustment (COLA) on general purpose apportionments, $183.6 million base allocation increase, and 1% for growth funding statewide. The District's constrained growth rate is 0.5%, although the colleges are not expected to grow above current funding levels.

BUDGETARY HIGHLIGHTS

At the time the 2017-2018 budget was developed, in addition to the information above, the following assumptions were made:

- Total ongoing unrestricted general fund revenue was expected to increase by $6.1 million.
- CalPERS rate increases from 13.888% to 15.531%.
- CalSTRS rate increases from 12.58% to 14.43%.
- Due to the increase in the District's Other Post Employment Benefits (OPEB) liability as computed in the most recent actuarial study, the District increased its contribution to the Retiree Health Benefits Fund by $2.5 million to continue contributing the full Annual Required Contribution (ARC).

- The District cut its budget by $4 million (half ongoing and half in one-time savings) and balanced the budget year deficit of $1.3 million using the one-time savings.

ECONOMIC FACTORS

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

- There are concerns for community colleges in that the condition of the State's budget depends on many volatile and unpredictable economic factors. This uncertainty coupled with the expectation of Cost of Living Adjustments (COLAs) remaining low in the foreseeable future, growth of Full Time Equivalent Students remaining tenuous and continuing cost increases related to pension obligations 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.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, and donors for student loans and scholarships. The District's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the District's other financial statements because these assets cannot be used to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances. Questions concerning this report or requests for additional financial information should be addressed to the Rancho Santiago Community College District, attention Vice Chancellor, Business Operations and Fiscal Services, 2323 North Broadway, Santa Ana, CA 92706, (714) 480-7340.

BASIC FINANCIAL STATEMENTS

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2017

Assets	
Current assets:	
Cash and cash equivalents	$ 251,384,632
Investments in local agency investment fund	151,558
Accounts receivable, net	14,449,792
Inventory	1,381,562
Prepaid expenses	593,600
Total Current Assets	267,961,144
Non-Current Assets:	
Restricted cash and cash equivalents	9,650,701
Restricted student loan receivable	1,456,117
Capital assets, net of accumulated depreciation	452,360,088
Total Non-Current Assets	463,466,906
Total Assets	731,428,050
Deferred Outflows of Resources	
Deferred outlflows - pension	36,274,521
Deferred outlflows - refunding	2,030,451
Total Deferred Outflows of Resources	38,304,972
Total Assets and Deferred Outflows of Resources	$ 769,733,022

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2017

Liabilities		
Current Liabilities:		
Accounts payable	$	6,859,598
Accrued liabilities		6,570,253
Accrued interest payable		4,755,618
Due to fiduciary funds		20,341
Unearned revenue		42,979,140
Compensated Absences payable - current portion		748,399
Current portion of long term liabilities		17,592,284
Total Current Liabilities		79,525,633
Non-Current Liabilities		
Claims liability		400,000
Non-current portion of long term liabilities		607,674,020
Total Non-Current Liabilities		608,074,020
Total Liabilities		687,599,653
Deferred Inflows of Resources		
Deferred inflows - pensions		13,169,105
Net Position		
Net investment in capital assets		109,715,327
Restricted for:		
Capital projects		71,037,821
Debt service		22,427,981
Scholarship and loans		4,794,009
Other special purposes		710,441
Unrestricted		(139,721,315)
Total Net Position		68,964,264
Total Liabilities, Deferred Inflows of Resources and Net Position	$	769,733,022

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2017

Operating Revenues	
Tuition and fees (gross)	$ 31,494,782
Less: Scholarship discounts and allowances	(17,017,217)
Net tuition and fees	14,477,565
Grants and contracts, non-capital:	
Federal	33,812,447
State	57,855,349
Other operating revenues	6,145,050
Total Operating Revenues	112,290,411
Operating Expenses	
Salaries	126,728,087
Employee benefits	56,822,875
Supplies, materials, and other operating expenses and services	60,862,544
Financial aid	26,406,257
Utilities	3,044,341
Depreciation	18,083,453
Total Operating Expenses	291,947,557
Operating Income (Loss)	(179,657,146)
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	82,863,325
Local property taxes	71,909,721
States taxes and other revenue	9,860,734
Interest and investment income, non-capital	1,356,918
Transfer to/from fiduciary funds	578,312
Interest expense	(13,689,204)
Other nonoperating revenue	4,450,406
Total Non-Operating Revenues (Expenses)	157,330,212
Loss Before Other Revenues, Expenses, Gains and Losses	(22,326,934)
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	3,257,909
Local property taxes and revenues, capital	29,533,832
Interest and investment income, capital	805,477
Local revenue, grants and gifts, capital	147,612
Total Other Revenues, Expenses, Gains and Losses	33,744,830
Changes in Net Position	11,417,896
Net Position, Beginning of Year	57,546,368
Net Position, End of Year	$ 68,964,264

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 13,021,448
Federal grants and contracts	32,004,959
State grants and contracts	81,360,890
Payments to suppliers	(85,668,246)
Payments to/on-behalf of employees	(175,959,269)
Payments to/on-behalf of students	(26,406,257)
Other miscellaneous payments	5,114,218
Net cash used by operating activities	(156,532,257)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	83,979,857
Property taxes	71,909,721
Grants and gifts for other than capital purposes	10,551,690
Local receipts, non operating	5,028,718
Net cash provided by non-capital financing activities	171,469,986
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State apportionment for capital purposes	3,405,521
Net purchase and sale of capital assets	(36,253,207)
Interest on investments, capital funds	805,477
Local revenue for capital purposes	29,533,832
Principal paid on long-term debt	(17,171,366)
Interest paid on long-term debt	(16,572,809)
Net cash used by capital and related financing activities	(36,252,552)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,356,918
Net cash provided by investing activities	1,356,918
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,957,905)
CASH BALANCE - Beginning of Year	281,144,796
CASH BALANCE - End of Year	$ 261,186,891

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2017

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$(179,657,146)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	18,083,453
Changes in assets and liabilities:	
Receivables, net	(1,907,929)
Inventory	331,563
Prepaid expenses	1,380,767
Deferred outflows of resources	(5,100,795)
Accounts payable	(23,326,203)
Accrued liabilities	(773,205)
Unearned revenue	21,170,536
Compensated absences	426,547
Net OPEB Obligation	5,649,103
Net pension liabilities	25,425,245
Deferred inflows of resources	(18,234,193)
Net cash used by operating activities	$(156,532,257)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash and cash equivalents	$ 251,384,632
Restricted cash and cash equivalents	9,650,701
Investments in local agency investment fund	151,558
Total	$ 261,186,891

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	Trust	Agency
Assets		
Cash and cash equivalents	$ 2,864,155	$ 1,759,450
Accounts receivable	759,432	
Due from District	20,341	
Total Assets	3,643,928	1,759,450
Deferred Outflows of Resources		
Deferred outflows - pension	69,617	-
Total Deferred Outflows of Resources	69,617	-
Total Assets and Deferred Outflows of Resources	$ 3,713,545	$ 1,759,450
Liabilities		
Current Liabilities:		
Accounts payable	$ 201,666	$ 457,090
Accrued liabilities	60,806	
Funds held in trust	-	1,302,360
Total Current Liabilities	262,472	1,759,450
Non-Current Liabilities		
Non-current portion of long term liabilities	521,364	-
Total Non-Current Liabilities	521,364	-
Total Liabilities	783,836	1,759,450
Deferred Inflows of Resources		
Deferred inflows - pensions	31,108	-
Net Position		
Unrestricted	2,898,601	-
Total Net Position	2,898,601	-
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 3,713,545	$ 1,759,450

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2017

	Trust
Additions	
Sales and other local revenues	$ 3,317,295
Total Additions	3,317,295
Deductions	
Salaries	558,902
Benefits	264,972
Supplies and materials	204,213
Other operating expenses and services	1,624,986
Capital outlay	189,447
Interfund transfer out	578,312
Total Deductions	3,420,832
Net changes in net position	(103,537)
Net Position, Beginning of Year	3,002,138
Net Position, End of Year	$ 2,898,601

See accompanying notes to financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 revenues funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates two colleges 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 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.

Reporting Entity

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and a financial benefit or burden relationship is present and that the dependent unit should be reported as part of the other.

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

Due to the nature and significance of their relationship with the District, including ongoing financial support of the District or its other component units, certain organizations warrant inclusion as part of the financial reporting entity. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Santiago Community College Foundation, Santa Ana Community College Foundation and Rancho Santiago Community College District Foundation: The Foundations are separate not-for-profit corporation. The Foundation is not included as a Component Unit because the third criterion was not met; the economic resources received and held by the Foundation are not significant to the District. Separate financial statements for the Foundation may be obtained through the District.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund and the Retiree Benefits Fund, are excluded from the basic financial statements.

Basis of Accounting

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

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

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

To ensure compliance with the California Education Code, the financial resources of the District

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents, are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB.

Accounts Receivables

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

Bad debts are accounted for by the direct write-off method for student receivables, which is not materially different from the allowance method.

Inventories

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prepaid Expenses

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts designated for acquisition or construction of non-current assets or that are segregated for the liquidation of long-term debt.

Student Loans Receivable, Net

Student loans receivable consist of loan advances to students awarded under the student financial aid programs the District administers for Federal agencies. Student loans receivable are recorded net of cancelled principal. The receivables are held in trust for the awarding Federal agency.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. In determining the amount to be capitalized, interest costs are offset by interest earned on proceeds of the District's tax exempt debt restricted to the acquisition of qualifying assets.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Charge on Refunding: A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Outflows – Pensions: The deferred outflows of resources related to pensions resulted from District contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans, the effect of changes in proportion, and the difference between expected and actual experience. The deferred outflows – pensions will be deferred and amortized as detailed in Note 8 to the financial statements.

Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30. Accrued liabilities consist of salaries and benefits payable.

Unearned Revenue

Cash received for Federal and state special projects, and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures. Unearned revenue also includes summer enrollment fees received but not earned.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability in the statement of net position when incurred.

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

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave; therefore, accumulated employee sick leave benefits are not recognized as a liability of the District. The District's policy is to record sick leave as an

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

operating expense in the period taken; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions results from the difference between the estimated and actual return on pension plan investments, the effect on changes in proportion and changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Net Position

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

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

Restricted Net Position – Nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

either be expended or added to principal. The District had no restricted net position – nonexpendable.

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

State Apportionments

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

Any prior year corrections due to the recalculation in February of 2018 will be recorded in the year computed by the State.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. 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.

Real and personal property tax revenues are reported in the same manner in which the County auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis. A receivable has not been accrued in these financial statements because it is not material. Property taxes for debt service purposes cannot be estimated and have therefore not been accrued in the basic financial statements.

Classification of Revenues

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

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

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as State apportionments, taxes, and other revenue sources that are defined as nonoperating revenues by GASB.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scholarship Discounts and Allowances

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

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial risk. As of June 30, 2017, $8,376,182 of the District's bank balance of $9,028,157 was exposed to credit risk as uninsured and uncollateralized.

Cash in County Treasury

In accordance with the *Budget and Accounting Manual*, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. The District is considered an involuntary participant in the investment pool. These pooled funds are recorded at amortized cost which approximates fair value. Fair value of the pooled investments at June 30, 2017 is measured at 99.69% of amortized cost. The District's investments in the fund are considered to be highly liquid and reflected in the financial statements as cash and cash equivalents in the statement of net position.

The County is authorized to deposit cash and invest excess funds by California Government Code Sections 53601, 53635, 53534 and 53648. The county is restricted to invest time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's

NOTE 2: DEPOSITS AND INVESTMENTS

investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the county are either secured by federal depository insurance or are collateralized. The county investment pool is not required to be rated. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county investment pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the Country Treasurer follow. The method used to determine the value of the participant's equity withdrawn is based on the book value, which is amortized cost, of the participant's percentage participation on the date of such withdrawals.

The pool sponsor's annual financial report may be obtained from the Auditor-Controller County of Orange, 12 Civic Center Plaza, Room 200, Santa Ana, CA 92702.

Investments

Policies

Under provisions of California Government Code Sections 16430, 53601 and 53602 and District Board Policy Section 6320, the District may invest in the following types of investments:

- State of California Local Agency Investment Fund (LAIF)
- County Treasurer's Investment Pools
- U.S. Treasury notes, bonds, bills or certificates of indebtedness
- U.S. Government Agency guaranteed instruments
- Fully insured or collateralized certificates of deposit
- Fully insured and collateralized credit union accounts

The District did not violate any provisions of the California Government Code or District Board policy during the year ended June 30, 2017.

The District maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to $151,558 as of June 30, 2017. LAIF pools these funds with other governmental agencies and invests in various investment vehicles. These pooled funds approximate fair value. Regulatory oversight is provided by the State Pooled Money Investment Board and the Local Investment Advisory Board. LAIF is not subject to categorization to indicate the level of custodial credit risk assumed by the District at year end.

NOTE 2: DEPOSITS AND INVESTMENTS

Investment Valuation

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB require or permit in the statement of net position at the end of each reporting period.

Interest Rate Risk

Interest rate risk is the risk that changes in 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk then on issurer of an investment will not fulfill its obligations. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District follows Government Code to reduce exposure to investment credit risk.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Custodial Credit Risk

Custodial Credit Risk 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 that are in possession of an outside party. The District does not have a policy limiting the amount of securities that can be held by counterparties.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 consists of the following:

Accounts Receivable	June 30, 2017
Federal and state	$ 10,656,335
Tuition and fees, net of allowance for doubtful accounts $931,600	1,155,686
Miscellaneous	2,637,771
Total accounts receivable	$ 14,449,792

NOTE 4: INTERFUND TRANSACTIONS

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

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

The summary of changes in capital assets for the year ended June 30, 2017 is included herein.

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 89,964,360	$	$	$ 89,964,360
Construction in progress	24,102,879	36,792,665	1,918,692	58,976,852
Total capital assets not being depreciated	114,067,239	36,792,665	1,918,692	148,941,212
Capital assets being depreciated:				
Buildings and Building Improvements	325,187,184	2,436,891		327,624,075
Site improvements	84,799,950	28,690		84,828,640
Equipment	73,593,400	1,959,869	1,292,499	74,260,770
Total capital assets being depreciated	483,580,534	4,425,450	1,292,499	486,713,485
Less accumulated depreciation for:				
Buildings and Building Improvements	(70,306,766)	(6,796,242)		(77,103,008)
Site improvements	(34,812,039)	(7,448,819)		(42,260,858)
Equipment	(61,382,982)	(3,838,392)	(1,290,631)	(63,930,743)
Total accumulated depreciation	(166,501,787)	(18,083,453)	(1,290,631)	(183,294,609)
Depreciable assets, net	317,078,747	(13,658,003)	1,868	303,418,876
Governmental activities capital assets, net	$ 431,145,986	$ 23,134,662	$ 1,920,560	$ 452,360,088

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

Interest costs for the year ended June 30, 2017 was $14,195,577 of which $506,373 was capitalized. Interest earned on proceeds of the District's tax exempt debt used to offset capitalized interest was $147,612.

NOTE 6: LEASES

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

Year Ending June 30,	Lease Payment
2018	$ 590,969
2019	317,515
2020	70,861
2021	51,227
2022	39,192
Total	$ 1,069,764

Current year expenditures for operating leases is approximately $1,086,000. The District will receive no sublease rental revenues nor pay any contingent rentals for these properties.

NOTE 7: GENERAL OBLIGATION BONDS

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

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

On September 21, 2006, the District issued General Obligation Bonds, Election 2002, Series C of $86,255,000 of current interest bonds and $34,619,329 of capital appreciation bonds. Interest ranges from 3.38 percent to 5.0 percent payable semi-annually on March 1 and September 1.

On August 4, 2005, the District issued 2005 General Obligation Refunding Bonds of $49,925,000 of current interest bonds and $3,634,299 of capital appreciation bonds. Interest rates range from 3.57 percent to 5.25 percent payable semi-annually on March 1 and September 1. The refunding proceeds were issued to pay off a portion of the Series A General Obligation Bonds.

NOTE 7: GENERAL OBLIGATION BONDS

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

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

This was an advance refunding resulting in a legal defeasance of the previously issued bonds. An Escrow Fund was established to fund continued payment of the principal and interest as it becomes due. The Escrow Agreement provides for the redemption of the remaining outstanding principal of the Series A bonds on September 1, 2013, and the Series B bonds on September 1, 2015.

Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings was approximately $4,400,000.

On January 17, 2013, the District issued $79,130,000 2013 General Obligation Refunding Bonds. Interest rates range from 1.75 percent to 5.0 percent payable semi-annually on March 1 and September 1. The net proceeds from the issuance provided for the partial refunding of $2,650,000 of the 2005 Series B bonds and $80,100,000 of the 2006 Series C bonds.
This was an advance refunding resulting in a legal defeasance of the previously issued bonds. An Escrow Fund was established to fund continued payment of the principal and interest as it becomes due. The Escrow Agreement provides for the redemption of the remaining outstanding principal of the Series B and Series C bonds on September 1, 2016.

Because the transaction qualified as a legal defeasance, the obligation for the defeased bonds has been removed from the District's financial statements. The economic gain calculated as the sum of the project fund proceeds and the net present value savings was approximately $3,400,000.

On November 6, 2012, the District voters authorized the issuance and sale of general obligation bonds totaling $198,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities. On October 14, 2014, the District issued General Obligation Bonds, Election 2012, Series 2014A of $70,585,000 of current interest bonds. Interest ranges from 2.0 percent to 5.0 percent, payable semi-annually on February 1 and August 1.

NOTE 7: GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt of the District at June 30, 2017 is:

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2017
General Obligation Bonds - 2002 Election					
Series B	02/23/05	09/01/29	3.00 - 5.13%	$ 119,999,867	$ 41,302,204
Accreted Interest					5,664,467
2005 General Obligation Refunding Bonds	08/04/05	09/01/23	3.57 - 5.25%	53,559,299	39,155,000
Series C	09/21/06	09/01/31	3.38 - 5.00%	120,874,329	34,619,329
Accreted Interest					31,705,137
2011 General Obligation Refunding Bonds	11/30/11	09/01/22	2.00 - 5.00%	10,300,000	7,220,000
2012 General Obligation Refunding Bonds	03/01/12	09/01/27	2.00 - 5.00%	62,985,000	60,325,000
2013 General Obligation Refunding Bonds	01/17/13	09/01/26	1.75 - 5.00%	79,130,000	75,475,000
Total 2002 Election Bonds					295,466,137
General Obligation Bonds - 2012 Election					
General Obligation 2014, Series A	10/16/14	08/01/44	2.00 - 5.00%	70,585,000	57,025,000
Total					$ 352,491,137

The annual debt service requirements to maturity for general obligation bonds are as shown herein.

Series B

Year Ending June 30,	Principal	Interest	Accreted Interest
2018	$ 492,284	$ 2,178,425	$ 517,716
2019	522,248	2,206,567	612,752
2020	542,963	2,236,873	707,038
2021	567,919	2,278,004	817,081
2022	588,392	2,326,989	931,608
2023-2027	2,548,398	12,023,413	5,086,601
2028-2030	36,040,000	4,645,000	-
Total	$ 41,302,204	$ 27,895,271	$ 8,672,796

NOTE 7: GENERAL OBLIGATION BONDS

2005 Refunding

Year Ending June 30,	Principal	Interest
2018	$ 5,995,000	$ 2,000,038
2019	5,560,000	1,685,300
2020	6,295,000	1,449,000
2021	6,515,000	1,118,513
2022	6,705,000	776,475
2023-2024	8,085,000	439,425
Total	$ 39,155,000	$ 7,468,751

Series C

Year Ending June 30,	Principal	Interest	Accreted Interest
2018	$	$ 1,098,714	$ -
2019	-	1,086,381	-
2020	-	1,083,287	-
2021	-	1,066,361	-
2022	-	1,036,324	-
2023-2027	1,002,622	4,752,415	1,617,378
2028-2032	33,616,707	83,393,293	83,393,293
Total	$ 34,619,329	$ 93,516,775	$ 85,010,671

2011 Refunding

Year Ending June 30,	Principal	Interest
2018	$ 25,000	$ 310,000
2019	2,525,000	309,250
2020		233,500
2021		233,500
2022		233,500
2023	4,670,000	233,500
Total	$ 7,220,000	$ 1,553,250

NOTE 7: GENERAL OBLIGATION BONDS

2012 Refunding

Year Ending June 30,	Principal	Interest
2018	$ 2,925,000	$ 2,791,350
2019	3,245,000	2,674,350
2020	3,550,000	2,544,550
2021	3,895,000	2,402,550
2022	4,250,000	2,246,750
2023-2027	31,765,000	8,001,000
2028	10,695,000	534,750
Total	$ 60,325,000	$ 21,195,300

2013 Refunding

Year Ending June 30,	Principal	Interest
2018	$ 1,925,000	$ 3,451,663
2019	830,000	3,398,850
2020	3,500,000	3,365,650
2021	4,280,000	3,225,650
2022	5,170,000	3,054,450
2023-2027	59,770,000	10,378,000
Total	$ 75,475,000	$ 26,874,263

2014 Series A

Year Ending June 30,	Principal	Interest
2018	$ 6,230,000	$ 2,436,663
2019	90,000	2,187,463
2020	175,000	2,182,963
2021	255,000	2,174,213
2022	340,000	2,161,463
2023-2027	3,215,000	10,455,813
2028-2032	6,500,000	9,346,063
2033-2037	10,545,000	7,826,038
2038-2042	16,385,000	4,919,600
2043-2045	13,290,000	1,088,200
Total	$ 57,025,000	$ 44,778,479

NOTE 8: EMPLOYEE RETIREMENT PLANS

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

As of June 30, 2017, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans is as shown herein.

Primary Government

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 103,527,680	$ 17,558,281	$ 8,018,079	$ 9,225,372
CalPERS - Schools Pool Plan	65,036,954	18,716,240	5,151,026	7,097,271
Total	$ 168,564,634	$ 36,274,521	$ 13,169,105	$ 16,322,643

Fiduciary Funds

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalPERS - Associated Students Misc. Plan	$ 521,364	$ 69,617	$ 31,108	$ 91,740

The details of each plan are described herein.

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by the California State Teachers' Retirement System (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.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized herein.

Provisions and Benefits	CalSTRS-STRP Defined Benefit Program and Supplement Program	
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%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.28%	8.828%

Contributions

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. The contribution rates for each plan for the year ended June 30, 2017 are presented above and the total District contributions were $8,659,020.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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

At June 30, 2017, 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 are shown herein.

Proportionate Share of Net Pension Liability	Balance June 30, 2017
District proportionate share of net pension liability	$ 103,527,680
State's proportionate share of the net pension liability associated with the District	58,945,139
Total	$ 162,472,819

The net pension liability was measured as of June 30, 2016. 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 school districts and the State, actuarially determined. At June 30, 2016, the District's proportion was 0.1280%.

For the year ended June 30, 2017, the District recognized pension expense of $9,225,372 and revenue of $5,697,668 for support provided by the state. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 8,659,020	$
Difference between expected and actual experience		2,525,440
Difference in proportion	668,861	5,492,639
Net differences between projected and actual earnings on plan investments	8,230,400	
Total	$ 17,558,281	$ 8,018,079

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 year ended June 30, 2018. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalTRS-STRP for

NOTE 8: EMPLOYEE RETIREMENT PLANS

the June 30, 2016 measurement date is 7 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 6 years.

Year Ending June 30,	Amortization
2018	$ 855,025
2019	855,025
2020	855,025
2021	855,025
2022	(1,202,574)
2023	(1,336,344)
Total	$ 881,182

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the methods and assumptions herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 2006 through June 30, 2010
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.60%
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best

NOTE 8: EMPLOYEE RETIREMENT PLANS

estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Private equity	13%	9.30%
Real estate	13%	5.20%
Absolute return risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Fixed income	12%	0.30%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) 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 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 is shown herein.

Discount rate	Net Pension Liability
1% decrease (6.60%)	$ 148,999,680
Current discount rate (7.60%)	103,527,680
1% increase (8.60%)	65,761,280

Plan Fiduciary Net Position

Detailed information about the STRP's plan fiduciary net position is available in a separate comprehensive annual financial report for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7667 Folsom Boulevard, Sacramento, CA 95826.

NOTE 8: EMPLOYEE RETIREMENT PLANS

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool Plan and the Associated Students Miscellaneous Plan under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law.

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 5 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 52 for members hired on or after January 1, 2013), and has at least 5 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 provisions and benefits in effect at June 30, 2017, are summarized herein.

Provisions and Benefits	CalPERS-Schools Pool Plan	
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	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

NOTE 8: EMPLOYEE RETIREMENT PLANS

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 the July 1 following notice of a change in the rate. Total plan contributions are determined 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017 are as presented above and the total District contributions were $5,827,384.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Miscellaneous Risk Pool net pension liability totaling $65,036,954 and $521,364, respectively. The net pension liability was measured as of June 30, 2016. The total pension liability for CalPERS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015 and rolling forward the total pension liability to June 30, 2016. 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 school districts, actuarially determined. At June 30, 2016, the District's proportion was 0.3293%.

For the year ended June 30, 2017, the District recognized pension expense of $7,097,271 for CalPERS and $91,740 for CalPERS Miscellaneous Risk Pool. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

CalPERS

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 5,827,384	$
Difference between expected and actual experience	2,797,212	
Changes of assumptions		1,953,973
Difference in proportion		3,197,053
Net differences between projected and actual earnings on plan investments	10,091,644	
Total	$ 18,716,240	$ 5,151,026

CalPERS Miscellaneous Risk Pool

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,308	$
Changes of assumptions		27,088
Difference in proportion	39,973	
Net differences between projected and actual earnings on plan investments	27,336	4,020
Total	$ 69,617	$ 31,108

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The net differences between projected and actual earnings on the plan investments is amortized over a five year period on a straight-line basis. One fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shows above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service lift (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2016 measurement date is 3.9 years. The first year of amortization is recognize in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 2.9 years.

NOTE 8: EMPLOYEE RETIREMENT PLANS

CalPERS

Year Ending June 30,		Amortization
2018	$	361,911
2019		432,065
2020		4,310,024
2021		2,633,830
Total	$	7,737,830

CalPERS Miscellaneous Risk Pool

Year Ending June 30,		Amortization
2018	$	5,687
2019		4,611
2020		28,211
Total	$	38,509

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015 used the methods and assumptions herein, applied to all prior periods included in the measurement.

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.65%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on CalPERS specific membership data and mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized herein.

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Inflation assets	6%	3.36%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the Schools Pool Plan 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 District's proportionate share of the net pension liability was 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 is shown herein.

CalPERS

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 97,035,497
Current discount rate (7.65%)	65,036,954
1% increase (8.65%)	38,391,869

NOTE 8: EMPLOYEE RETIREMENT PLANS

CalPERS Miscellaneous Plan

Discount rate		Net Pension Liability
1% decrease (6.65%)	$	812,271
Current discount rate (7.65%)		521,364
1% increase (8.65%)		280,943

Plan Fiduciary Net Position

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

Public Agency Retirement System (PARS)

Plan Description

The Public Agency Retirement System is a defined contribution plan qualifying under sections 401(a) and 501 of the Internal Revenue Code. The plan covers part-time, seasonal and temporary employees, and employees not covered by section 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.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The District currently provides retiree and dependent medical coverage to eligible academic and classified employees. Persons retiring with more than 10 years, but less than 15 years, of service are eligible to receive medical benefits on a self-pay basis. For employees whose first paid date of contract services is on or after May 31, 1986, and who subsequently qualify for the foregoing 15 year retiree service benefit, the District will pay its portion of the insurance premium until the retiree reaches age 70. After age 70, such retirees may continue coverage at their own expense.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2016-17, the District contributed $11,722,578, including $6,754,646 for premiums; $4,967,932 was set aside for the future liability.

Annual OPEB Cost and Net OPEB Obligation

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

Annual OPEB Cost and Net OPEB Obligation	Balance June 30, 2017
Annual required contribution (ARC)	$ 11,722,578
Interest on net OPEB obligation	2,627,374
Adjustment to ARC	(1,946,203)
Annual OPEB cost	12,403,749
Contributions made, including implicit rate subsidy	(6,754,646)
Change in net OPEB obligation	5,649,103
Net OPEB obligation - beginning of year	58,386,103
Net OPEB obligation - end of year	$ 64,035,206

The District's annual OBEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal year ended 2017 was as follows:

Year Ending June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 7,567,524	83%	$ 53,639,683
2016	11,155,998	57%	58,386,103
2017	12,403,749	54%	64,035,206

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Funding Status and Funding Progress

As of February 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was $129,629,001. The covered payroll (annual payroll of active employees covered by the plan) was $110,245,828, and the ratio of the UAAL to the covered payroll was 118%.

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

Actuarial Methods and Assumptions

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

In the February 1, 2016 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 4 percent, which included a 2.75 percent inflation assumption. The initial UAAL is being amortized as a level dollar of projected payroll over a closed period of 30 years while the residual UAAL is amortized over an open 30 year period.

NOTE 10: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2017 is shown herein.

	Balance July 1, 2016	Additions	Reductions	Reclassification	Balance June 30, 2017	Amount Due in One Year
General obligation bonds	$ 338,354,935	$	$ 17,171,366	$ (6,062,036)	$ 315,121,533	$ 17,592,284
Capital appreciation interest	28,439,605	3,501,597	633,634	6,062,036	37,369,604	
Premium on general obligation bonds	33,800,841	-	2,630,531	-	31,170,310	
Total general obligation bonds	400,595,381	3,501,597	20,435,531	-	383,661,447	17,592,284
Compensated absences	5,207,225	426,547			5,633,772	748,399
Load banking	3,939,256	180,388			4,119,644	
Claims payable	400,000	39,510	39,510		400,000	
Postemployment healthcare benefits	58,386,103	5,649,103			64,035,206	
Net pension liability	143,139,389	25,425,245			168,564,634	
Total	$ 611,667,354	$ 35,222,390	$ 20,475,041	$ -	$ 626,414,703	$ 18,340,683

Liabilities are liquidated by the General Fund for governmental activities, including compensated absences, load banking, net pension liability, net OPEB obligations and claims payable. General obligation bond liabilities are liquidated through property tax collections as administered by the County Controller's office through the Bond Interest and Redemption Fund.

NOTE 11: INTERNAL SERVICE FUNDS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical claims. During the fiscal year, the District maintained an Internal Service Fund to account for and finance its uninsured risks of loss. The Self Insurance Fund provides coverage for up to a maximum of $25,000 for each general liability claim and $10,000 for each property damage claim. Workers' compensation is 100 percent insured coverage. 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 generate the liability and the Property and Liability claims are paid by the General Fund. Assets available to pay claims at June 30, 2017 are $7,899,462 for Workers' Compensation and $4,641,092 for Property and Liability.

NOTE 11: INTERNAL SERVICE FUNDS

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 400,000	$ 39,510	$ 39,510	$ 400,000
Property and liability	-	38,354	38,354	-

At June 30, 2017, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The present value of the liability is estimated at $400,000.

NOTE 12: JOINT POWERS AGREEMENTS

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

ASCIP arranges for and provides property, liability and excess workers' compensation insurance for its member school districts. The District pays a premium commensurate with the level of coverage requested. ASCIP is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA, independent of any influence by the District beyond the District's representation on the governing boards.
SELF arranges for and provides a self-funded or additional insurance for excess liability fund for approximately 1,100 public educational agencies. SELF is governed by a board of 16 elected voting members, elected alternates, and two ex-officio members. The board controls the operations of SELF, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays an annual contribution based upon that calculated by SELF's board of directors and shares surpluses and deficits proportionately to its participation in SELF.

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

The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes.

NOTE 12: JOINT POWERS AGREEMENTS

Condensed financial information for the most current fiscal year ended is shown herein:

JPA Condensed Financial Information	ASCIP 06/30/16 (Audited)	SELF 6/30/16 (Audited)
Total assets	$ 407,081,077	$ 138,820,266
Deferred outflows of resources	1,224,143	266,414
Total liabilities	222,632,775	117,306,926
Deferred inflows of resources	857,574	245,133
Net position	184,814,871	21,534,621
Total revenues	274,047,686	13,898,598
Total expenditures	246,800,516	24,553,606

NOTE 13: FUNCTIONAL EXPENSE

Operating expenses are reported by natural classification in the statement of revenues, expenses and change in net position. A schedule of expenses by function is shown herein.

Functional Expense	Instructional Salaries and Benefits	Non-Instructional Salaries and Benefits	Supplies, materials, and other operating expenses and services	Financial Aid	Depreciation	Total
Instructional activities	$ 83,699,857	$ 4,195,382	$ 11,367,370			$ 99,262,609
Academic support	160,409	23,590,205	2,134,168			25,884,782
Student services		35,169,240	3,871,448			39,040,688
Operation and maintenance of plant		5,587,473	5,437,042			11,024,515
Instructional support services		22,861,301	26,860,949			49,722,250
Community services and economic development		2,367,069	595,597			2,962,666
Ancillary services and auxiliary operations		3,985,146	4,193,179			8,178,325
Physical property and related acquisitions		1,934,879	9,447,132			11,382,011
Transfers, student aid and other outgo				26,406,257		26,406,257
Depreciation expense					18,083,453	18,083,453
Total	$ 83,860,266	$ 99,690,696	$ 63,906,885	$ 26,406,257	$ 18,083,453	$ 291,947,557

NOTE 14: COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 14: COMMITMENTS AND CONTINGENCIES

Purchase Commitments

As of June 30, 2017, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $22 million Projects will be funded through bond proceeds, state funds and general funds.

NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued pronouncements prior to June 30, 2017, that have effective dates that impact future financial presentations; however, the impact of the implementation of each of the statements below to the District's financial statements has not been assessed at this time.

Statement No. 81 – *Irrevocable Split-Interest Agreements*

This statement establishes guidance in order to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The statement is effective for the fiscal year 2017-18.

Statement No. 83 – *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations when a legally enforceable liability is associated with the retirement of a tangible capital asset. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources. The statement is effective for the fiscal year 2018-19.

Statement No. 84 – *Fiduciary Activities*

The objective of the statement is to improve guidance regarding the recognition of fiduciary activities for accounting and financial reporting purposes by establishing criteria for identifying

NOTE 15: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

fiduciary activities of all state and local governments. The statement is effective for the fiscal year 2019-20.

Statement No. 85 – *Omnibus 2017*

The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB statements. Specific topics addressed in this statement are related to blended component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The statement is effective for the fiscal year 2017-18.

Statement No. 86 – *Certain Debt Extinguishment Issues*

The objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial report for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is in-substance defeased. The statement is effective for the fiscal year 2017-18.

Statement No. 87 – *Leases*

The objective of the statement is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Inflows of resources or outflows of resources will be recognized based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The statement is effective for the fiscal year 2020-21.

REQUIRED SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2017

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.1355%	0.1367%	0.1280%
District's proportionate share of the net pension liability (asset)	$ 79,176,119	$ 92,009,654	$ 103,527,680
State's proportionate share of the net pension liability (asset) associated with the District	47,809,959	48,662,964	58,945,139
Total	$ 126,986,078	$ 140,672,618	$ 162,472,819
District's covered payroll	$ 60,347,400	$ 63,391,000	$ 66,265,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	131.20%	145.15%	156.23%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017
District's proportion of the net pension liability (assets)	0.3555%	0.3469%	0.3293%
District's proportionate share of the net pension liability (asset)	$ 40,363,347	$ 51,129,735	$ 65,036,954
District's covered payroll	$ 37,324,000	$ 38,370,000	$ 39,530,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.14%	133.25%	164.53%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%

California Public Employees' Retirement System - Miscellaneous Risk Pool	2015	2016	2017
District's proportion of the net pension liability (assets)	0.0064%	0.0110%	0.0131%
District's proportionate share of the net pension liability (asset)	$ 397,446	$ 405,612	$ 521,364
District's covered payroll *	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	80.00%	78.00%	78.40%

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

The amounts for covered payroll are reported as of the previous fiscal year to align with the measurement date of the net pension liability.

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

See the accompanying notes to the required supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017
Contractually required contribution	$ 5,629,088	$ 7,110,232	$ 8,659,020
Contributions in relation to the contractually required contribution	5,629,088	7,110,232	8,659,020
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 63,391,000	$ 66,265,000	$ 68,832,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017
Contractually required contribution	$ 4,516,472	$ 4,684,270	$ 5,827,384
Contributions in relation to the contractually required contribution	4,516,472	4,684,270	5,827,384
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 38,370,000	$ 39,530,000	$ 42,249,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.79%

California Public Employees' Retirement System - Miscellaneous Risk Pool	2015	2016	2017
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll *	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

Note: Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

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

See the accompanying notes to the required supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (Unit Credit Cost Method) (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2/1/2012	-	92,397,836	92,397,836	0%	100,628,030	92%
2/1/2014	-	82,058,965	82,058,965	0%	104,223,062	79%
2/1/2016	-	129,629,001	129,629,001	0%	110,245,828	118%

Although the plan has no segregated assets, the District does maintain a retiree benefits fund to designate resources for future retiree health care costs. At June 30, 2017, the fund's cash balance was $53,962,281.

See the accompanying notes to the required supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE EMPLOYER CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017

Year Ending June 30,	Annual Required Contribution	Percentage Contributed
2015	$ 6,297,550	83%
2016	6,409,578	57%
2017	6,754,646	54%

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Schedules of District's Proportionate Share of the Net Pension Liability – CalSTRS-STRP and CalPERS-Schools Pool Plan and Miscellaneous Plan

The schedule presents information on the District's proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the State's proportionate share of the net pension liability associated with the District. In the future, as data becomes available, 10 years of information will be presented.

Schedules of District Contributions – CalSTRS-STRP and CalPERS-Schools Pool Plan and Miscellaneous Plan

The 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, 10 years of information will be presented.

Schedule of Postemployment Healthcare Benefits Funding Progress

The schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of Postemployment Healthcare Benefits Employer Contributions

The schedule is intended to show trends about the percentage of the annual required contribution made to the plan.

SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2017

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2017 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
John R. Hanna	President	2018
Nelida Mendoza	Vice President	2020
Arianna P. Barrios	Clerk	2020
Claudia C. Alvarez	Member	2020
Zeke Hernandez	Member	2020
Lawrence R. "Larry" Labrado	Member	2018
Phillip E. Yarbrough	Member	2018
Gregory P. Pierot	Student Representative	2018

DISTRICT ADMINISTRATORS

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Direct:			
Student Financial Aid Cluster:			
Federal Work Study	84.033		$ 367,730
Perkins Loan - Administrative Expenditures	84.038		53,478
Pell Grant	84.063		19,896,282
Pell Grant - Administrative Allowance	84.063		4,591
S.E.O.G.	84.007		556,800
Direct Loans	84.268		1,616,567
Subtotal: Student Financial Aid			22,495,448
Adult Basic Education (ABE) Cluster:			
Adult Basic Education #1108 & 1109	84.002		164,361
ABE - English Literacy/Civics Education #1106	84.002		935,482
ABE - ESL #1102	84.002		1,709,031
ABE - Secondary Education #1101	84.002		414,081
Total: Adult Basic Education Cluster			3,222,955
TRIO (& Upward Bound) Cluster			
Student Support Services V (yr 1)	84.042A		232,334
Student Support Services V (yr 1)	84.042A		13,000
Student Support Services IV (yr 4-5)	84.042A		40,138
Student Support Services IV (yr 5)	84.042A		18,300
Talent Search V (yr 2-4)	84.044A		388,064
Upward Bound IV - SAC (yr 4 & 5)	84.047A		300,662
Upward Bound - Math & Science (yr 3, 4, 5)	84.047M		268,017
Upward Bound - Veterans (yr 4 & 5)	84.047V		374,537
Student Support Services Regular	84.042A		250,383
Student Support Services Veterans	84.042A		311,729
Total: TRIO (& Upward Bound) Cluster			2,197,164
Other Direct Programs			
Child Care Access Means Parents in School (CCAMPIS)	84.335A		12,936
Gear Up IV Program	84.334		96,789
Migrant Education - College Assistance Migrant Program	84.149A		401,031
Title III -Hispanic Serving Institution-ENGAGE	84.031C		731,374
Title III -Hispanic Serving Institution-STEM	84.031C		18,453
Total: Other Direct Programs			1,260,583

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
United States Department of Education			
Passed through Program from California Community College Chancellor's Office (CCCCO):			
Carl D. Perkins Career and Technical Education Act (CTE)			
CTE - CTE Transition (TechPrep), Education	84.048	99-TP-62	87,436
CTE - Title I-C VTEA	84.048	99-C01-046	894,699
LAOC Regional Consortium (Perkins Title IB)	84.048	99-C01-046	369,998
Total passed through from California Community College Chancellor's Office			1,352,133
Total: United States Department of Education			30,528,283
United States Department of Health and Human Services (HHS)			
Direct:			
Early Head Start (Award 09CH9178/02)	93.600		965,138
Early Head Start (Award 09CH9178/03)	93.600		895,045
Total: direct from U.S. Department of Health and Human Services			1,860,183
Passed through Program from California Community College Chancellor's Office (CCCCO):			
Temporary Assistance to Needy Families (TANF)	93.558	(1)	104,795
Passed through Program from Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	31,502
Passed through Program from Chabot-Las Positas Community College District			
California Early Childhood Mentor Program	93.575	(1)	997
Total: Passed through from U.S. Department of Health and Human Services			137,294
Pass through Program from Foundation for California Community Colleges (FCCC)			
YESS - Youth Empowerment Strategies for Success	93.674		19,485
Total Passed through Program from FCCC			19,485
Total: U.S. Department of Health and Human Services			2,016,963
U.S. Department of Agriculture (DOA):			
Urban Agricaulture Comm Research Experience (U-ACRE 3.0)	10.223		1,165
Total direct from U.S. Department of Agriculture			1,165
U.S. Department of Labor (DOL):			
Passed through Program from California Community College Chancellor's Office (CCCCO):			
Bridge to Engineering (SAC)	17.268		157,068
Technology Access Center - Job Tech Lab	17.261		525
Workforce Investment Act Title I-Youth CASP	17.259		4,952
Total passed through from U.S. Department of Labor:			162,546
Total U.S. Department of Labor			162,546

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
National Science Foundation (NSF):			
Direct Programs:			
NSF ATE OC Biotech Collaborative/SAC & SCC	47.076	DUE 1502064	153,628
NSF STEM Scholars Academy - SCC	47.076	DUE-1458337	138,752
Total Direct programs from National Science Foundation			292,380
Passed through Programs:			
Passed through Program from Consulting for Environment System Technology			
NSF - CFEST	47.041	`	2,878
Passed through Program from California State Fullerton (CSF):			
SAC - NSF IUSE	47.076	DUE-1432701	82,714
Total Passed through from National Science Foundation			85,592
Total National Science Foundation			377,972
U.S. Small Business Administration			
Passed through Program from California State University Fullerton:			
Ctr for Int'l Trade Dev. (CITD) State Trade Export Prog (STEP)	59.061		29,278
California Small Business Development Center (SBDC) -1322	59.037		345,190
California Small Business Development Center (SBDC) -1323	59.037		263,454
Total Passed through from California State University, Fullerton			637,922
Total U.S. Small Business Administration			637,922
Total Federal Award Expenditures			$ 33,724,850
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			$ 33,724,850
Perkins Loan - Administrative Expenditures	84.038		(53,478)
Child Care Access Means Parents in School (CCAMPIS)	84.335A		141,102
Early Head Start (Award 09CH9178/02)	93.600		(27)
Total Federal Program Revenue			$ 33,812,447

(1) Pass-Through Entity Identifying Number not readily available or not applicable

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2017

	Program Revenues						Total
Program Name	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:							
Adult Education Block Grant	$ 4,403,130	$ 2,164,711	$	$ 2,395,122	$	$ 4,172,719	$ 4,172,719
Adult Education - Data and Accountability		507,900	108,902	360,675		256,127	256,127
Basic Skills	1,890,170	712,149		1,312,291		1,290,028	1,290,028
Board Financial Assistance Program - Student Financial Aid Administration (BFAP - SFAA)	1,034,149	3,791		73,766		964,174	964,174
CalWORKS	545,758	14,946		38,894		521,810	521,810
Career Technical Education Enhancement Fund	7,700,729	4,466,593	2,222,617			14,389,939	14,389,939
Cooperative Agencies Resources for Education (CARE)	120,161		7,553			127,714	127,714
Disabled Student Program and Services (DSPS)	1,959,004	168,362		140,112		1,987,254	1,987,254
Extended Opportunities Program and Services (EOPS)	2,029,251	35,366				2,064,617	2,064,617
Full Time Student Success Grant	679,008	61,111	13,200	322,502		430,817	430,817
Instructional Equipment and Library	962,453	433,793		234,540		1,161,706	1,161,706
Proposition 39 - Clean Energy Workforce							-
Strong Workforce Local Allocation	2,468,508			2,298,038		170,470	170,470
Strong Workforce CTE	26,038,597			25,837,758		200,839	200,839
Student Success - (Equity)	3,300,538	1,771,672		722,348		4,349,862	4,349,862
Student Success and Support Program (SSSP) - Credit	6,189,029	1,697,364		791,941		7,094,452	7,094,452
Student Success and Support Program (SSSP) - Non-Credit	2,712,334	564,248		69,015		3,207,567	3,207,567
Telecommunication Technology Infrastructure Program (TTIP)		20,098		18,034		2,064	2,064
Total State Categorical Aid Programs	$ 62,032,819	$ 12,622,104	$ 2,352,272	$ 34,615,036	$ -	$ 42,392,159	$ 42,392,159

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
For the Fiscal Year Ended June 30, 2017

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2016 only)			
1. Noncredit[1]	458.12	-	458.12
2. Credit[1]	1,686.29	-	1,686.29
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit[1]	137.15	-	137.15
2. Credit[1]	38.05	-	38.05
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,724.54	-	13,724.54
(b) Daily Census Contact Hours	1,228.05	-	1,228.05
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	5,422.89	-	5,422.89
(b) Credit[1]	2,785.43	-	2,785.43
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,089.94	-	1,089.94
(b) Daily Census Contact Hours	946.85	-	946.85
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	27,517.31	-	27,517.31
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	1,888.56	-	1,888.56
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	4,944.12	-	4,944.12
(b) Credit[1]	855.35	-	855.35
CCFS 320 Addendum			
CDCP Noncredit FTES	5,163.50	-	5,163.50
Centers FTES			
(a) Noncredit[1]	2,696.22	-	2,696.22
(b) Credit[1]	-	-	-

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

The audit resulted in no adjustments to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311) based upon governmental accounting principles. In accordance with Governmental Accounting Standards Board Statements No. 34 and No. 35, the financial statements have been prepared under the full accrual basis of accounting which requires that revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Additional entries were made to comply with the governmental reporting requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

A reconciliation between the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS-311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown below and on the following page:

Unrestricted Fund Balance	$ 35,254,321
Restricted Fund Balance	3,630,181
Bond Interest and Redemption Fund Balance	24,805,790
Capital Outlay Funds Balance	71,037,820
Measure Q - Bond Construction Fund Balance	9,426,014
Self Insurance and Internal Service Funds Balance	1,391,210
All Other Funds	6,638,431
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 152,183,767

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 152,183,767
Capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets, net of accumulated depreciation are added to total net assets.	452,360,088
Deferred outlfows associated with the advance refunding of debt increases total net position reported.	2,030,451
Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	36,274,521
Compensated absences and load banking are not due and payable in the current period and therefore are not reported in the governmental funds. The short term portion of compensated absences of $748,399 and load banking of $4,119,644 are already recorded in the General Fund.	(4,885,373)
Long-term liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(383,661,447)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(168,564,634)
Deferred inflows associated with pension costs represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources results from the difference between the expended and actual experience, the difference in proportion and changes in assumptions. These amounts are deferred and amortized.	(13,169,105)
Amounts reserved for other post employment retirement plans in excess of annual required contributions is reported as a liability in the governmental funds. These amounts are recognized as assets which will apply against future required contributions.	1,151,614
Interest expense related to bonds incurred through June 30, 2017 is accrued as a current liability on the statement of net position which reduces the total net assets reported.	(4,755,618)
Total net position	$ 68,964,264

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF 50 PERCENT LAW CALCULATION
For the Fiscal Year Ended June 30, 2017

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) 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	27,875,156		27,875,156	27,875,156		27,875,156
Instructional Salaries - Other	1300	25,434,404		25,434,404	25,434,404		25,434,404
Total Instructional Salaries		53,309,560	-	53,309,560	53,309,560	-	53,309,560
Non-Instructional Salaries - Contract or Regular	1200			-	12,521,873		12,521,873
Non-Instructional Salaries - Other	1400			-	1,364,460		1,364,460
Total Non-Instructional Salaries		-	-	-	13,886,333	-	13,886,333
Total Academic Salaries		53,309,560	-	53,309,560	67,195,893	-	67,195,893
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	23,536,033		23,536,033
Non-Instructional Salaries - Other	2300			-	1,419,585		1,419,585
Total Non-Instructional Salaries		-	-	-	24,955,618	-	24,955,618
Instructional Aides - Regular Status	2200	657,681		657,681	657,681		657,681
Instructional Aides - Other	2400	1,978,286		1,978,286	1,978,286		1,978,286
Total Instructional Aides		2,635,967	-	2,635,967	2,635,967		2,635,967
Total Classified Salaries		2,635,967	-	2,635,967	27,591,585	-	27,591,585
Employee Benefits	3000	21,679,003		21,679,003	45,613,673		45,613,673
Supplies and Materials	4000			-	1,018,167		1,018,167
Other Operating Expenses	5000	4,080,449		4,080,449	16,299,592		16,299,592
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		81,704,979	-	81,704,979	157,718,910	-	157,718,910
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	2,868,168		2,868,168	2,868,168		2,868,168
Student Health Services Above Amount Collected	6441			-	154,003		154,003
Student Transportation	6491			-			-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	3,886,478		3,886,478
Objects to Exclude							
Rents and Leases	5060			-	640,665		640,665
Lottery Expenditures							
Academic Salaries	1000			-			-
Classified Salaries	2000			-			-
Employee Benefits	3000			-			-
Software	4100			-			-
Books, Magazines, & Periodicals	4200			-			-
Instructional Supplies & Materials	4300			-			-
Non-Instructional, Supplies & Materials	4400			-			-
Other Operating Expenses and Services	5000			-	4,324,568		4,324,568
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		2,868,168	-	2,868,168	11,873,882	-	11,873,882
Total for ECS 84362, 50% Law		78,836,811	-	78,836,811	145,845,028	-	145,845,028
Percent of CEE (Instructional Salary Cost/Total CEE)		54.06%	0%	54.06%	100%	0%	100%
50% of Current Expense of Education					72,922,514	-	72,922,514

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

PROPOSITION 55 EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT

For the Fiscal Year Ended June 30, 2017

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 22,186,845
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 22,186,845	$ -	$ -	$ 22,186,845
		-	-	-	-
Other Support Activities (list below)	6XXX	-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
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		-	-	-	-
Total Expenditures for EPA*		$ 22,186,845	$ -	$ -	22,186,845
Revenue less Expenditures					

*Total Expenditures for EPA may not include Administrator Salaries and Benefits or other administrative costs.

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Fiscal Year Ended June 30, 2017

Unrestricted General Fund

	(Budget) 2018 Amount	2017 Amount	2016 Amount	2015 Amount
Total Revenue	$ 177,359,213	$ 176,493,320	$ 188,116,801	$ 149,635,311
Total Expenditures	179,663,468	168,922,219	160,363,539	148,614,551
Total other sources and uses	1,745,000	9,251,069	16,736,104	2,370,325
Change in fund balance	$ (4,049,255)	$ (1,679,968)	$ 11,017,158	$ (1,349,565)
Ending fund balance	$ 31,205,062	$ 35,254,317	$ 36,934,285	$ 25,917,127
Available fund balance %	17%	21%	23%	17%
Full-time equivalent students	28,664	27,517	28,902	28,908
Total long term debt	$ 608,074,020	$ 626,414,703	$ 611,667,354	$ 599,765,454

IMPORTANT NOTES:

Available fund balance is the amount designated for general reserve and any other remaining undesignated amounts in the Unrestricted General Fund. The 2018 budget reserve balance and the 2017 reserve balance is the uncommitted fund balance reported on the June 30, 2017 CCFS-311 Annual Financial and Budget Report.

The 2018 budget is the Plan and Budget adopted by the Board of Trustees on July 17, 2017.

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

Long-term debt is reported for the District as a whole and includes debt related to all funds.

2015 amounts for state revenues and employee benefits have not been revised to include amounts for on-behalf payments.

Prior years were audited by another audit firm.

See the accompanying notes to the supplementary information.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

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 governmental for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of the 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 operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. 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. The District did not use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Schedule of State Financial Assistance - Grants

The Schedule of State Financial Assistance was prepared on the full accrual basis of accounting.

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule reports any audit adjustments made to the fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311). This schedule is prepared to show a reconciliation between the governmental fund balances reported on the June 30, 2017 Annual Financial and Budget Report (CCFS- 311), based upon the modified accrual basis of accounting, and total net position recorded on the full accrual basis of accounting is shown.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2017

NOTE 1: PURPOSE OF SCHEDULES

Reconciliation of 50 Percent Law Calculation

This schedule reports any audit adjustments made to the 50 percent law calculation (Education Code Section 84362).

Proposition 55 Education Protection Account Expenditure Report

This schedule reports how funds received from the passage of Proposition 55 Education Protection Act were expended.

Schedule of General Fund Financial Trends and Analysis

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

OTHER INDEPENDENT AUDITOR'S REPORT

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of Rancho Santiago Community College District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 20, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Purpose of this Report

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 20, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements described in the *2016-17 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2017. The District's state compliance requirements are identified in the table provided.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2016-17 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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 the laws and regulations applicable to the following items:

Section	Description	Procedures Performed
421	Salaries of Classroom Instructors (50 Percent Law)	Yes
423	Apportionment for Instructional Service Agreements/Contracts	Yes
424	State General Apportionment Funding System	Yes
425	Residency Determination for Credit Courses	Yes
426	Students Actively Enrolled	Yes
427	Dual Enrollment of K-12 Students in Community College Credit Courses	Yes
428	Student Equity	Yes
429	Student Success and Support Program (SSSP)	Yes
430	Scheduled Maintenance Program	Yes
431	Gann Limit Calculation	Yes
435	Open Enrollment	Yes
439	Proposition 39 Clean Energy Funds	Yes
440	Intersession Extension Program	Not applicable
475	Disabled Student Programs and Services (DSPS)	Yes
479	To Be Arranged Hours (TBA)	Yes
490	Proposition 1D State Bond Funded Projects	Not applicable
491	Proposition 55 Education Protection Account Funds	Yes

Opinion on State Compliance

In our opinion, the District complied with the laws and regulations of the state programs referred to above in all material respects for the year ended June 30, 2017.

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *2016-17 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 20, 2017

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2017

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:				*Unmodified*
Internal control over financial reporting:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Noncompliance material to financial statements noted?		*Yes*	X	*No*

Federal Awards

Internal control over major federal awards:				
Material weakness(es) identified?		*Yes*	X	*No*
Significant deficiency(ies) identified?		*Yes*	X	*None Reported*
Type of auditor's report issued on compliance for major federal programs:				*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		*Yes*	X	*No*

Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Aid Cluster
84.048	Career and Technical Education (CTE) Act

Dollar threshold used to distinguish between type A and type B programs:				$1,011,740
Auditee qualified as low-risk auditee?	X	*Yes*		*No*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS
June 30, 2017

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2017.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS
June 30, 2017

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for June 30, 2017.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2017

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2017.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2017

There were no findings and questioned costs related to the basic financial statements, or federal awards for the prior year. See below for update state awards for the prior year.

2016-001 CONCURRENT ENROLLMENT

Criteria: A community college district may claim FTES for the attendance of K-12 pupils who take courses offered by the district under this concurrent enrollment arrangement only if it complies with the following criteria:

- *Education Code* Sections 48800-48802, 76000-76002, and 84752.
- CCR, Title 5, Sections 51004, 51006, 51021, 53410, 55002, 55100, 58100-58108, 58050,
  58051(a) (1), 58051.5, 58052, 58056(a), 58058, 58060, and 59300 et seq.
- Legal Opinions M 98-17 and M 02-20 issued by the Chancellor's Office, California Community Colleges.
- Legal Advisory 05-01, "Questions and Answers Re. Concurrent Enrollment" - issued January 5, 2005 by the Chancellor's Office, California Community Colleges.

Condition: *Significant Deficiency* - During the testing for Santa Ana College (the College), 2 out of 25 courses tested could not be determined if the courses being offered on an high school campus was advertised for a minimum of 30 days to the general public.

Context: The District generates approximately over 1,200 FTES for concurrently enrolled students.

Effect: The FTES generated for concurrently enrolled high school students was improperly identified. The College is at risk of noncompliance for the Education Codes and Title 5 requirements related to concurrent enrolled students.

Cause: The College did not have a mechanism in place to ensure that all courses offered on high school campuses are meeting the requirement to be advertised to the general public at least 30 days prior to the start of each course.

Questioned Costs and Units: A 100% audit of courses taught at high school campuses was conducted by the College, resulting in a total of 14.50 FTES as being questioned. The Annual CCFS-320 report was amended to reflect this adjustment.

Recommendation: The College should implement a process to identify all course offerings at high school campuses and ensure that they are properly advertised to the general public at least 30 days prior to the start of each course.

Corrective Action Plan: The College has examined all course sections scheduled at high school campuses and assessed whether they were advertised to the public at least 30 days prior to the

2016-001 CONCURRENT ENROLLMENT

start of the course. In cases where the 30-day rule has not been met, these sections have been removed from apportionment reporting. The Office of the Vice President of Academic Affairs is working with Admissions and Records to generate a report of sections in jeopardy of not meeting the 30-day rule prior to the course start dates. A checklist on scheduling the College courses at high school sites has also been distributed to the deans with scheduling authority that includes the 30-day rule as a requirement. In cases where we will not meet the 30-day rule or course sections that are part of our non-AB288 dual enrollment MOUs, we will not report these sections for apportionment.

Status: Implemented.