RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
ORANGE COUNTY

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INCLUDING REPORTS ON COMPLIANCE
June 30, 2018

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, 2018, 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 above present fairly, in all material respects, the financial position of the District as of June 30, 2018, 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.

Emphasis of a Matter

During fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period.* As a result of the implementation of Statement No. 75, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

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.*

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Rancho Santiago Community College
Santa Ana, California

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 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, 2018 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, 2018

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, 2018. 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 16.79% affords cash flow stability for the District without external borrowing.

Reported resident enrollments at the colleges increased in fiscal year 2017-18 by 6.76% from the prior year. The primary reason was a shift of 1,393 summer FTES into the 2017-18 fiscal year to maintain our funding level and produce some growth.

Non-resident enrollment decreased by 7.63% in fiscal year 2017-18. In fiscal year 2016-17 the District reported 721 FTES and in fiscal year 2017-18 the District reported 666.

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.

	2018	2017	Net Change
Assets			
Current assets	$ 291,650	$ 267,961	$ 23,689
Non-current assets	535,312	463,467	71,845
Total Assets	826,962	731,428	95,534
Deferred Outflows of Resources	65,953	38,305	27,648
Liabilities			
Current liabilities	105,655	79,526	26,129
Non-current liabilities	797,981	608,074	189,907
Total Liabilities	903,636	687,600	216,036
Deferred Inflows of Resources	13,224	13,169	55
Net Position			
Net investment in capital assets	96,611	109,715	(13,104)
Restricted	107,746	98,970	8,776
Unrestricted	(228,302)	(139,721)	(88,581)
Total Net Position	$ (23,945)	$ 68,964	$ (92,909)

Assets

Total Assets increased approximately $95.5 million, a percentage increase of 13.1%. The major changes affecting total assets are listed below:

- Current assets increased approximately $23.7 million. The majority of the increase is within cash and investments and is related to booking deferred revenue for the regional Strong Workforce Program.
- Non-current assets increased approximately $71.8 million over the prior year due to increases in capital assets and construction cost related primarily to the Santa Ana College Science Center project.

Liabilities

Total liabilities increased by approximately $216.0 million; an increase of 31.4%. The major changes affecting total liabilities are listed below:

- Current liabilities increased approximately $26.1 million as a result of an increase in accounts payable and unearned grant revenue.

- Non-current liabilities increased by $189.9 million as a result in higher pension, net OPEB obligation and 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	**2018**	**2017**	**$ Change**	**% Change**
Student tuition and fees	$ 26,901	$ 31,495	$ (4,594)	-14.59%
Less: scholarship discount & allowance	(12,315)	(17,017)	4,702	-27.63%
Net tuition & fees	14,586	14,478	108	0.75%
Grants and contracts, noncapital:				
Federal	34,878	33,812	1,066	3.15%
State	66,126	57,855	8,271	14.30%
Other operating revenues	5,729	6,145	(416)	-6.77%
Subtotal	106,733	97,812	8,921	9.12%
Total Operating Revenues	121,319	112,290	9,029	8.04%
Operating Expenses				
Salaries	130,216	126,728	3,488	2.75%
Benefits	66,552	56,823	9,729	17.12%
Supplies, materials, & other operating expenses	73,060	60,863	12,197	20.04%
Financial Aid	30,126	26,406	3,720	14.09%
Utilities	3,191	3,044	147	4.83%
Depreciation	17,812	18,083	(271)	-1.5%
Total Operating Expenses	320,957	291,947	29,010	9.94%
Operating Loss	(199,638)	(179,657)	(19,981)	11.12%
Nonoperating Revenues (Expenses)				
State apportionment, non-capital	75,818	82,863	(7,045)	-8.50%
Local property taxes	85,973	71,910	14,063	19.56%
State taxes & other revenues	7,433	9,861	(2,428)	-24.62%
Investment income	2,355	1,357	998	73.54%
Interest expense	(13,245)	(13,689)	444	-3.24%
Other	3,895	5,028	(1,133)	7.02%
Total Nonoperating Revenues (Expenses)	162,229	157,330	4,899	3.11%
Gain Before Other Revenues and Losses	(37,409)	(22,327)	(15,082)	67.55%
Other Revenues and (Losses)				
State and local capital income	35,739	33,746	1,993	5.91%
Change in Net Position	(1,670)	11,419	(13,089)	-114.62%
Net Position, Beginning of Year	68,965	57,546	11,419	19.84%
Cumulative effect of change in accounting principles (see Note 14)	(91,240)	-	(91,240)	-
Net Position, Beginning of Year After Restatement	(22,275)	57,546	(79,821)	-138.71%
Net Position - Ending	$ (23,945)	$ 68,965	$ (92,910)	-134.72%

Operating Revenues

Total Operating Revenues decreased by approximately $9.0 million, a percentage decrease of 8.0%.

- Student tuition and fees experienced a decrease of $4.6 million, approximately 14.6% but was offset by an increase of $4.7 million in scholarship discounts and allowances from higher demand in state fee waivers.

- State non-capital grants and contracts increased $8.3 million, or about 14.3% over prior year due to an increase in expenditure activity on the Regional Share Workforce Program for which the District is fiscal agent. 2017-18 was the second budget year for the program.

Operating Expenses

Total Operating Expenses increased by 9.9%, approximately $29.0 million. Items of significance affecting the changes include:

- Salaries and benefits increased by approximately $13.2 million, an increase of 7.2%, 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 $12.2 million, an increase of 20.0%. The increase was primarily for contracted services expenses related to the Career Technical Education Strong Workforce Program

- Financial Aid increased $3.7 million, an increase of 14.1%, due to an increase is disbursed Pell Grants, Full-Time Student Success Grants and Cal Grants.

Non-Operating Revenues (Expenses)

Non-Operating Revenues increased by $4.9 million mainly due to the net effect of the following:

- Non-capital State apportionment decreased by $7.0 million, an 8.5% decrease. This is due to lower state apportionment with increased local property taxes that compute total computational revenue.

- The increase of $14.1 million, 19.6%, in local property tax reflects the growth trend of the local property tax base along with increasing ERAF allocation.

- State taxes and other revenues decreased $2.4 million, a 24.6% decrease, due to the significantly lower allocation for State Mandated Cost.

Capital contributions

Capital contributions increased by 5.9%, approximately $2.0 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, 2018:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 95,317	$ 24,129	$ -	$ -	$ 119,446
Academic support	23,927	1,222	-	-	25,149
Student services	34,743	1,920	-	-	36,663
Plant operations and maintenance	5,803	5,791	-	-	11,594
Instructional support services	27,818	18,265	-	-	46,083
Community services and economic development	2,334	10,881	-	-	13,215
Ancillary services and auxiliary operations	4,797	4,560	-	-	9,357
Student aid	-	-	30,126		30,126
Physical property and related acquisitions	2,029	9,483	-	-	11,512
Depreciation	-	-	-	17,812	17,812
	$ 196,768	$ 76,251	$ 30,126	$ 17,812	$ 320,957

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).

	2018	2017	Net Change
Cash Provided by (Used in)			
Operating activities	$ (131,555)	$ (156,532)	$ 24,977
Noncapital financing activities	172,339	171,470	869
Capital financing activities	54,448	(36,253)	90,701
Investing activities	2,386	1,357	1,029
Net Decrease in Cash	97,618	(19,958)	117,576
Cash, Beginning of Year	261,187	281,145	(19,958)
Cash, End of Year	$ 358,805	$ 261,187	$ 97,618

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the District had approximately $448.0 million invested in net capital assets. Total capital assets of $639.0 million consist of land, construction in progress, buildings and improvements, vehicles, data processing equipment, and other office equipment. These assets have accumulated depreciation of $191.0 million. In fiscal year 2017-18, there was $26.9 million in additions to construction in progress, $64.4 million of construction in progress moved into fixed assets, and a building impairment of $13.48 million net of accumulated depreciation. Depreciation expense of $17.8 million was recorded for fiscal year 2017-18.

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

	2018	2017	Net Change
Land and construction in progress	$ 110,212	$ 148,941	$ (38,729)
Buildings and improvements	458,562	412,453	46,109
Furniture and equipment	70,254	74,261	(4,007)
Subtotal	639,028	635,655	3,373
Accumulated depreciation	191,045	183,295	7,750
Total Capital Assets	$ 447,983	$ 452,360	$ (4,377)

Debt

At June 30, 2018, the District had $817.6 million in debt. Note 10 provides additional information on long-term liabilities. A comparison is summarized below:

	2018	2017	Net Change
General obligation bonds	$ 441,621	$ 383,661	$ 57,960
Claims payable	400	400	-
Compensated absences	6,935	5,634	1,301
Load banking	5,344	4,120	1,224
Net OPEB obligation	167,278	64,035	103,243
Aggregate pension obligation	196,038	168,565	27,473
Total Long-Term Liabilities	$ 817,616	$ 626,415	$ 191,201
Amount due within one year			$ 19,634

ECONOMIC OUTLOOK AND FACTORS AFFECTING NEXT YEAR'S BUDGET

A new Student Centered Funding Formula was adopted beginning 2018-19 that includes a Base Allocation primarily based on FTES, a Supplemental Allocation based on low-income students and a Student Success Allocation based on counts of outcomes related to the Board of Governors' Vision for Success. The rates used to calculate the allocations will change over a three-year transition period. In addition, three major categorical programs (Student Equity, Student Success and Support Program and Basic Skills Initiative) have been consolidated in order to focus on student success with a clear emphasis on equity as part of the new program. As the 2017-18 data that will be used to fund the 2018-2019 budget will not be known until later in the year, the effects on the district budget are not known. Using the 2016-17 data, the district is expected to earn $7.5 million in additional funds over the 2017-18 Total Computational Revenue level plus the 2018-19 Cost of Living Adjustment (COLA) of 2.71%. 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 2018-19 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 $8.5 million, including $2.9 million is stabilization funding due to the shift of summer FTES into 2017-18.
- CalPERS rate increases from 15.531% to 18.062%.
- CalSTRS rate increases from 14.43% to 16.28%.
- Step and Column increases were estimated at $1.3 million.
- Health and Welfare cost increases were estimated at $580,000.
- The District cut its budget by $3 million in ongoing reductions.

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.
- The new Student Centered Funding Formula will add significant funding volatility due to the added data elements that determine our apportionment revenue.
- 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, 2018

Assets	
Current assets:	
Cash and cash equivalents	$ 272,920,374
Investments in local agency investment fund	154,247
Accounts receivable, net	15,610,514
Inventory	1,599,516
Prepaid expenses	1,365,364
Total Current Assets	291,650,015
Non-Current Assets:	
Restricted cash and cash equivalents	85,730,132
Restricted student loan receivable	1,598,664
Capital assets, net of accumulated depreciation	447,983,174
Total Non-Current Assets	535,311,970
Total Assets	826,961,985
Deferred Outflows of Resources	
Deferred outlflows - pension	56,843,855
Deferred outlflows - OPEB	7,281,661
Deferred outlflows - refunding	1,827,405
Total Deferred Outflows of Resources	65,952,921
Total Assets and Deferred Outflows of Resources	$ 892,914,906

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

Liabilities	
Current Liabilities:	
Accounts payable	$ 13,543,208
Accrued liabilities	4,796,701
Accrued interest payable	5,038,588
Due to fiduciary funds	165,904
Unearned revenue	62,476,526
Compensated Absences payable - current portion	946,810
Current portion of long term liabilities	18,687,248
Total Current Liabilities	105,654,985
Non-Current Liabilities	
Claims liability	400,000
Non-current portion of long term liabilities	797,581,430
Total Non-Current Liabilities	797,981,430
Total Liabilities	903,636,415
Deferred Inflows of Resources	
Deferred inflows - pensions	13,223,862
Net Position	
Net investment in capital assets	96,611,076
Restricted for:	
Capital projects	80,363,507
Debt service	26,254,037
Scholarship and loans	1,127,932
Other special purposes	-
Unrestricted	(228,301,923)
Total Net Position	(23,945,371)
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 892,914,906

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, 2018

Operating Revenues	
Tuition and fees (gross)	$ 26,900,937
Less: Scholarship discounts and allowances	(12,315,178)
Net tuition and fees	14,585,759
Grants and contracts, non-capital:	
Federal	34,878,198
State	66,126,386
Other operating revenues	5,729,488
Total Operating Revenues	121,319,831
Operating Expenses	
Salaries	130,216,115
Employee benefits	66,551,929
Supplies, materials, and other operating expenses and services	73,060,017
Financial aid	30,126,114
Utilities	3,191,489
Depreciation	17,812,097
Total Operating Expenses	320,957,761
Operating Loss	(199,637,930)
Non-Operating Revenues (Expenses)	
State apportionments, non-capital	75,818,550
Local property taxes	85,972,908
States taxes and other revenue	7,433,052
Interest and investment income, non-capital	2,354,579
Transfer to fiduciary funds	(554,532)
Debt service - interest expense	(13,245,119)
Other nonoperating revenue	4,449,678
Total Non-Operating Revenues (Expenses)	162,229,116
Loss Before Other Revenues, Expenses, Gains and Losses	(37,408,814)
Other Revenues, Expenses, Gains and Losses	
State apportionments, capital	2,240,057
Local property taxes and revenues, capital	32,053,076
Interest and investment income, capital	1,678,576
Loss on disposal of equipment	(235,340)
Local revenue, grants and gifts, capital	2,715
Total Other Revenues, Expenses, Gains and Losses	35,739,084
Changes in Net Position	(1,669,730)
Net Position, Beginning of Year	68,964,264
Cumulative effect of change in accounting principles (see Note 14)	(91,239,905)
Net Position, Beginning of Year After Restatement	(22,275,641)
Net Position, End of Year	$ (23,945,371)

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 14,409,325
Federal grants and contracts	31,772,942
State grants and contracts	87,320,469
Payments to suppliers	(56,392,803)
Payments to/on-behalf of employees	(184,336,224)
Payments to/on-behalf of students	(30,268,661)
Other miscellaneous payments	5,939,852
Net cash used by operating activities	(131,555,100)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments and receipts	73,599,700
Property taxes	85,972,908
Grants and gifts for other than capital purposes	8,970,171
Local receipts, non operating	3,795,961
Net cash provided by non-capital financing activities	172,338,740
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State apportionment for capital purposes	2,240,057
Net purchase and sale of capital assets	(26,603,643)
Interest on investments, capital funds	1,587,271
Local revenue for capital purposes	32,055,791
Proceeds from long-term debt	75,779,680
Principal paid on long-term debt	(18,110,000)
Interest paid on long-term debt	(12,501,213)
Net cash used by capital and related financing activities	54,447,943
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2,386,279
Net cash provided by investing activities	2,386,279
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,617,862
CASH BALANCE - Beginning of Year	261,186,891
CASH BALANCE - End of Year	$ 358,804,753

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$(199,637,930)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	17,812,097
Disposal of capital assets	13,480,365
Changes in assets and liabilities:	
Receivables, net	(1,662,739)
Inventory	(217,954)
Prepaid expenses	(771,764)
Deferred outflows of resources - pensions and OPEB	(27,850,995)
Accounts payable	7,368,056
Accrued liabilities	(1,773,552)
Due to fiduciary funds	145,563
Unearned revenue	19,497,386
Compensated absences	1,300,992
Load banking	1,223,880
Net OPEB Obligation	12,003,043
Net pension liabilities	27,473,695
Deferred inflows of resources	54,757
Net cash used by operating activities	$(131,555,100)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash and cash equivalents	$ 272,920,374
Restricted cash and cash equivalents	85,730,132
Investments in local agency investment fund	154,247
Total	$ 358,804,753

See accompanying notes to financial statements

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	Trust	Agency
Assets		
Cash and cash equivalents	$ 4,578,652	$ 1,883,193
Accounts receivable	299,036	
Due from District	165,904	-
Total Assets	5,043,592	1,883,193
Deferred Outflows of Resources		
Deferred outflows - pension	97,526	-
Total Deferred Outflows of Resources	97,526	-
Total Assets and Deferred Outflows of Resources	$ 5,141,118	$ 1,883,193
Liabilities		
Current Liabilities:		
Accounts payable	$ 121,171	$ 375,301
Accrued liabilities	55,225	
Unearned revenue	13,425	
Funds held in trust	-	1,507,892
Total Current Liabilities	189,821	1,883,193
Non-Current Liabilities		
Non-current portion of long term liabilities	589,281	-
Total Non-Current Liabilities	589,281	-
Total Liabilities	779,102	1,883,193
Deferred Inflows of Resources		
Deferred inflows - pensions	5,116	-
Net Position		
Unrestricted	4,356,900	-
Total Net Position	4,356,900	-
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 5,141,118	$ 1,883,193

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, 2018

	Trust
Additions	
Sales and other local revenues	$ 3,010,040
Interfund transfer in	554,532
Total Additions	3,564,572
Deductions	
Salaries	497,665
Benefits	202,986
Supplies and materials	1,382,092
Other operating expenses and services	1,014
Capital outlay	22,516
Total Deductions	2,106,273
Net change in net position	1,458,299
Net Position, Beginning of Year	2,898,601
Net Position, End of Year	$ 4,356,900

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

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*.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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, 2018, 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 acquisition 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.

In 2017-18, the District implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the year ended June 30, 2018.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(expense/expenditure) until then. These amounts are reported in the government-wide statement of net position.

Deferred Outflows – Pensions: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. 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 and the effects of actuarially-determined changes to the pension plan. These amounts are deferred and amortized as detailed in Note 8 to the financial statements.

Deferred Outflows – OPEB: Deferred outflows of resources represent a consumption of net position by the District that is applicable to a future reporting period. The deferred outflows of resources related to OPEB resulted from District contributions to the plan subsequent to the measurement date of the actuarial valuation.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 position by the District that is applicable to a future reporting period. The deferred inflows of resources related to pensions resulted from the effects of actuarially-determined changes to the pension plan. 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net 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 2019 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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: CASH AND 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, 2018.

NOTE 2: CASH AND INVESTMENTS

Cash, Cash Equivalents and Investments in the 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, 2018 is measured at 99.58% 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 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.

Other Investments

Other investments as permitted by Government Code Sections 53600 et. seq., and in particular Government Code Sections 53601, 53601.8, 53635, and 53635.8 may be made by the Vice Chancellor, Business Operations/Fiscal Services subject to prior approval of the Governing Board.

The District maintains investments with the State of California Local Agency Investment Fund (LAIF) amounting to $154,247 as of June 30, 2018. 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

NOTE 2: CASH AND INVESTMENTS

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 3: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the following:

Accounts Receivable	June 30, 2018
Federal and state	$ 12,869,356
Tuition and fees, net of allowance for doubtful accounts $1,580,470	945,333
Miscellaneous	1,795,825
Total accounts receivable	$ 15,610,514

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, 2018 is included herein.

NOTE 5: CAPITAL ASSETS AND DEPRECIATION – SCHEDULE OF CHANGES

	Balance July 1, 2017	Transfers and Additions	Transfers and Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 89,964,360	$ -	$ -	$ 89,964,360
Construction in progress	58,976,852	26,944,315	65,673,434	20,247,733
Total capital assets not being depreciated	148,941,212	26,944,315	65,673,434	110,212,093
Capital assets being depreciated:				
Buildings and Building Improvements	327,624,075	63,389,630	17,973,828	373,039,877
Site improvements	84,828,640	693,816		85,522,456
Equipment	74,260,770	1,796,561	5,803,393	70,253,938
Total capital assets being depreciated	486,713,485	65,880,007	23,777,221	528,816,271
Less accumulated depreciation for:				
Buildings and Building Improvements	(77,103,008)	(7,156,920)	(4,493,463)	(79,766,465
Site improvements	(42,260,858)	(7,414,187)		(49,675,045
Equipment	(63,930,743)	(3,240,990)	(5,568,053)	(61,603,680
Total accumulated depreciation	(183,294,609)	(17,812,097)	(10,061,516)	(191,045,190
Depreciable assets, net	303,418,876	48,067,910	13,715,705	337,771,081
Governmental activities capital assets, net	$ 452,360,088	$ 75,012,225	$ 79,389,139	$ 447,983,174

The District has considered the accounting and financial reporting requirements for the impairment of capital assets as of June 30, 2018. Operating expenses include an impairment loss of $13,480,365, based on the net book value of the building as of June 30, 2018, due to contamination caused by underground storage tanks. Management anticipates that either remediation of the current building or construction of a new building will take place in the near future as a replacement facility.

In 2017-18, the District implemented GASB No. 89 which requires interest cost incurred before the end of the construction period to be recognized as an expense in the period in which the cost is incurred. Therefore, there is no capitalized interest for the year ended June 30, 2018.

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.

NOTE 6: LEASES

Year Ending June 30,	Lease Payment
2019	$ 317,515
2020	70,861
2021	51,227
2022	39,192
Total	$ 478,795

Current year expenditures for operating leases is approximately $600,000. 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.

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.

NOTE 7: GENERAL OBLIGATION 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.

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

The outstanding general obligation bonded debt of the District at June 30, 2018 is shown herein.

NOTE 7: GENERAL OBLIGATION BONDS

General Obligation Bonds	Date of Issue	Date of Maturity	Interest Rate %	Amount of Original Issue	Outstanding June 30, 2018
General Obligation Bonds - 2002 Election					
Series B	02/23/05	09/01/29	3.00 - 5.13%	$ 119,999,867	$ 40,809,920
Accreted Interest					5,663,583
2005 General Obligation Refunding Bonds	08/04/05	09/01/23	3.57 - 5.25%	53,559,299	33,160,000
Series C	09/21/06	09/01/31	3.38 - 5.00%	120,874,329	34,619,329
Accreted Interest					34,846,494
2011 General Obligation Refunding Bonds	11/30/11	09/01/22	2.00 - 5.00%	10,300,000	7,195,000
2012 General Obligation Refunding Bonds	03/01/12	09/01/27	2.00 - 5.00%	62,985,000	57,400,000
2013 General Obligation Refunding Bonds	01/17/13	09/01/26	1.75 - 5.00%	79,130,000	73,550,000
Total 2002 Election Bonds					287,244,326
General Obligation Bonds - 2012 Election					
General Obligation 2014, Series A	10/16/14	08/01/44	2.00 - 5.00%	70,585,000	50,795,000
General Obligation 2017, Series B	12/28/17	08/01/42	2.00 - 5.00%	70,600,000	70,600,000
Total 2012 Election Bonds					121,395,000
Total					$ 408,639,326

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
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	608,440	2,394,790	1,056,559
2024-2028	1,939,958	11,465,892	4,030,042
2029-2030	36,040,000	2,807,731	-
Total	$ 40,809,920	$ 25,716,846	$ 8,155,080

NOTE 7: GENERAL OBLIGATION BONDS

2005 Refunding

Year Ending June 30,	Principal	Interest
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	5,400,000	424,463
2024	2,685,000	14,963
Total	$ 33,160,000	$ 5,468,714

Series C

Year Ending June 30,	Principal	Interest	Accreted Interest
2019	$	$ 1,083,287	$ -
2020	-	1,066,361	-
2021	-	1,036,324	-
2022	-	1,001,320	-
2023	-	977,824	-
2024-2028	7,241,883	25,796,265	14,528,117
2029-2032	27,377,446	60,370,299	70,482,555
Total	$ 34,619,329	$ 91,331,680	$ 85,010,672

2011 Refunding

Year Ending June 30,	Principal	Interest
2019	$ 2,525,000	$ 309,250
2020		233,500
2021		233,500
2022		233,500
2023	4,670,000	233,500
Total	$ 7,195,000	$ 1,243,250

NOTE 7: GENERAL OBLIGATION BONDS

2012 Refunding

Year Ending June 30,	Principal	Interest
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	4,625,000	2,076,750
2024-2027	37,835,000	6,459,000
Total	$ 57,400,000	$ 18,403,950

2013 Refunding

Year Ending June 30,	Principal	Interest
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	2,545,000	2,847,650
2024-2027	57,225,000	7,530,350
Total	$ 73,550,000	$ 23,422,600

2014 Series A

Year Ending June 30,	Principal	Interest
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	430,000	2,144,463
2024-2028	3,785,000	10,295,063
2029-2033	7,270,000	9,053,463
2034-2038	11,510,000	7,411,875
2039-2043	17,770,000	4,174,250
2044-2045	9,170,000	556,600
Total	$ 50,795,000	$ 42,341,816

NOTE 7: GENERAL OBLIGATION BONDS

2017 Series B

Year Ending June 30,	Principal	Interest
2019	$ 5,915,000	$ 1,570,698
2020	6,010,000	2,536,400
2021	5,080,000	2,296,000
2022	995,000	2,092,800
2023	880,000	2,043,050
2024-2028	6,575,000	9,416,250
2029-2033	10,990,000	7,549,300
2034-2038	16,370,000	5,126,300
2039-2042	17,785,000	1,841,800
Total	$ 70,600,000	$ 34,472,598

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, 2018, the District's net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the retirement plans are as follows:

Pension Plan - Primary Government	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS - STRP	$ 117,449,600	$ 33,056,994	$ 10,408,782	$ 10,931,585
CalPERS - Schools Pool Plan	78,588,729	23,786,861	2,815,080	12,963,483
Total	$ 196,038,329	$ 56,843,855	$ 13,223,862	$ 23,895,068
Pension Plan - Fiduciary Funds				
Associated Students Miscellaneous Plan	$ 589,281	$ 97,526	$ 5,116	$ 87,089

The details of each plan are as shown herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

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.

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 as of the valuation date of June 30, 2017, are summarized herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Provisions and Benefits	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	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

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, 2018 are presented above and the total District contributions were $10,328,655

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

Proportionate Share of Net Pension Liability	Balance June 30, 2018
District proportionate share of net pension liability	$ 117,449,600
State's proportionate share of the net pension liability associated with the District	69,482,757
Total	$ 186,932,357

The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.1270%.

For the year ended June 30, 2018, the District recognized pension expense of $10,931,585. In addition, the District recognized revenue and corresponding expense of $6,994,107 for support

NOTE 8: EMPLOYEE RETIREMENT PLANS

provided by the state. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Deferred Outflows and Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 10,328,655	$ -
Differences between expected and actual experience	434,340	2,048,510
Changes of assumptions	21,758,910	-
Changes in proportion	535,089	5,232,262
Net differences between projected and actual earnings on pension plan investments	-	3,128,010
Total	$ 33,056,994	$ 10,408,782

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, 2019. The net difference between projected and actual earnings on 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 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 shown above represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the STRP for the June 30, 2017 measurement date is seven 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 six years.

The remaining amount will be recognized to pension expense as follows:

Year Ending June 30,	Amortization
2019	$ (249,728)
2020	4,318,462
2021	2,634,441
2022	(428,372)
2023	2,455,057
2024	3,589,697
Total	$ 12,319,557

NOTE 8: EMPLOYEE RETIREMENT PLANS

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.10%
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant and adopted by the CalSTRS Board in February 2017. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2017, the date the current experience study was approved by the board. Best 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 in the following table:

NOTE 8: EMPLOYEE RETIREMENT PLANS

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

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.10%)	$ 172,453,300
Current discount rate (7.10%)	117,449,600
1% increase (8.10%)	72,810,370

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, CalSTRS completed an experience study for the period starting July 1, 2010 and ending June 30, 2015. The experience study was adopted by the CalSTRS Board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability of the STRP changed, including the discount rate, price inflation, wage growth, mortality assumptions and the mortality tables used

NOTE 8: EMPLOYEE RETIREMENT PLANS

in the actuarial valuation of the net pension liability. The changes to the assumptions as a result of the experience study follow:

Assumptions:	As of June 30, 2017	As of June 30, 2016
Investment Rate of Return	7.10%	7.60%
Consumer Price Inflation	2.75%	3.00%
Wage Growth	3.50%	3.75%

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.

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool 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.

NOTE 8: EMPLOYEE RETIREMENT PLANS

The CalPERS provisions and benefits in effect as of the valuation date of June 30, 2017, are summarized as follows:

Provisions and Benefits	Schools Pool Plan (CalPERS)	
Hire date	On or Before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1%-2.5%	1.0%-2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	15.531%	15.531%

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, 2018 are as presented above and the total District contributions were $6,773,599

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $78,588,729. The net pension liability was measured as of June 30, 2017. 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, 2017, the District's proportion was 0.3292% for CalPERS and 0.0150% for CalPERS Miscellaneous Pool.

For the year ended June 30, 2018, the District recognized pension expense of $12,963,483 for CalPERS and $87,089 for CalPERS Miscellaneous Pool. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Pension Deferred Outflows and Inflows of Resources - Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,773,599	$
Difference between expected and actual experience	2,815,510	
Changes of assumptions	11,479,120	925,285
Changes in proportion		1,889,795
Net differences between projected and actual earnings on plan investments	2,718,632	
Total	$ 23,786,861	$ 2,815,080

Pension Deferred Outflows and Inflows of Resources - Fiduciary Funds	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,093	$
Changes of assumptions	59,588	5,116
Changes in proportion	18,935	
Net differences between projected and actual earnings on plan investments	17,910	-
Total	$ 97,526	$ 5,116

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, 2019. The net difference between projected and actual earnings on 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 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 shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred outflows of resources and deferred inflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Schools Pool Plan for the June 30, 2017 measurement date is 4.0 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 3.0 years.

The remaining amount will be recognized in pension expense as shown herein.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Year Ending June 30,	Amortization
2019	$ 3,202,818
2020	7,079,792
2021	5,404,295
2022	(1,488,723
Total - Primary Government	$ 14,198,182

Year Ending June 30,	
2019	$ 25,892
2020	49,492
2021	17,026
Total - Fiduciary Funds	$ 92,410

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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

NOTE 8: EMPLOYEE RETIREMENT PLANS

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 adjusted to account for assumed administrative expenses. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.38%
Fixed income	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.39%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and reflects the long-term expected rate of return for the Schools Pool Plan net of investment expenses and without reduction for administrative expenses. . 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 following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate - Primary Government	Net Pension Liability
1% decrease (6.15%)	$ 115,629,203
Current discount rate (7.15%)	78,588,729
1% increase (8.15%)	47,860,553
Discount rate - Fiduciary Funds	
1% decrease (6.15%)	$ 918,602
Current discount rate (7.15%)	589,281
1% increase (8.15%)	316,531

NOTE 8: EMPLOYEE RETIREMENT PLANS

Changes of Assumptions

During the fiscal year of the measurement date of June 30, 2017, the financial reporting discount rate for the Schools Pool Plan was lowered from 7.65% to 7.15%. Deferred outflows of resources for changes of assumptions represents the unamortized portion of this assumption change.

Plan Fiduciary Net Position

Detailed information about 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 Systems (PARS)

Plan Description

The Public Agency Retirement System is a defined contribution plan qualifying under sections 401(1) 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 and Eligibility

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 foregoing15 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. The plan requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units.

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Participant Type:	Number of Participants
Inactive participants currently receiving benefits	414
Inactive participants entitled to but not yet receiving benefit payments	-
Active employees	977
Total	1,391

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the fiscal year ended June 30, 2018, the District contributed $14,394,639 to the Plan, including $7,281,661 for premiums and $7,112,978 was set aside for the future liability. The amount contributed incorporated the implicit rate subsidy.

Net OPEB Liability (Asset)

The table herein shows the components of the net OPEB liability of the District:

	Balance June 30, 2018
Total OPEB liability	$ 167,278,154
Plan fiduciary net position	-
District's net OPEB liability (asset)	$ 167,278,154

Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. Liabilities in this report were calculated as of the valuation date.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the actuarial assumptions shown herein, applied to all periods included in the measurement, unless otherwise specified

Actuarial Methods and Assumptions	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Inflation	2.75%
Salary Increases	2.75%
Investment Rate of Return	3.5%
Health Care Trend Rate	4.0%

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

Mortality rates were based on the 2014 rates used by CalPERS and the 2009 rates used by STRS for the pension valuations.

The discount rate used to measure the total OPEB liability was 3.5 percent. It is assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. As of June 30, 2017 there are no plan assets.

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate and expected rate of return on assets was changed from 4.5% to 3.5%
- The initial healthcare trend rate did not change from 4.0%

Deferred Outflow

Deferred outflow of resources of $7,281,661 results from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 162,029,757	$ -	$ 162,029,757
Changes for the year:			
Service cost	7,559,545		7,559,545
Interest	5,660,197		5,660,197
Employer contributions		7,971,345	(7,971,345
Benefit payments	(7,971,345)	(7,971,345)	-
Net changes	5,248,397	-	5,248,397
Balances at June 30, 2017	$ 167,278,154	$ -	$ 167,278,154

The following presents the District's net OPEB liability calculated using the discount rate of 3.5 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

Discount rate	Net OPEB Liability (Asset)
1% decrease (2.5%)	$ 183,260,047
Current discount rate (3.5%)	167,278,154
1% increase (4.5%)	153,270,032

NOTE 9: POST EMPLOYMENT HEALTHCARE BENEFITS

The following presents the District's net OPEB liability calculated using the current healthcare cost trend rate of 4.0 percent, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current rate:

Healthcare trend rate	Net OPEB Liability (Asset)
1% decrease (3.0%)	$ 154,229,696
Current healthcare trend rate (4.0%)	167,278,154
1% increase (5.0%)	181,171,170

OPEB Expense

For the year ended June 30, 2018 the District recognized OPEB expense of $5,001,848.

NOTE 10: LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown herein.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amount Due in One Year
General obligation bonds	$ 315,121,533	$ 70,600,000	$ 17,592,284	$ 368,129,249	$ 18,687,248
Capital appreciation interest	37,369,604	3,658,189	517,716	40,510,077	
Premium on general obligation bonds	31,170,310	5,179,680	3,368,599	32,981,391	-
Total general obligation bonds	383,661,447	79,437,869	21,478,599	441,620,717	18,687,248
Compensated absences	5,633,772	1,300,992		6,934,764	946,810
Load banking	4,119,644	1,223,880		5,343,524	
Claims payable	400,000			400,000	
Postemployment healthcare benefits	64,035,206	103,242,948		167,278,154	
Net pension liability	168,564,634	27,473,695	-	196,038,329	-
Total	$ 626,414,703	$ 212,679,384	$ 21,478,599	$ 817,615,488	$ 19,634,058

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. Prior to August 1, 2017, Workers' compensation was 100 percent insured coverage. Effective August 1, 2017 the District became self-insured for its workers' compensation program for the first $150,000 of each claim and the remainder continues to be insured through a JPA. The District participates in a JPA to provide excess insurance coverage above the self-insured retention level for workers' compensation, property and liability claims. Settled claims have not exceeded the coverage provided by the JPA in any of the past three fiscal years.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. Workers' Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the General Fund. Assets available to pay claims at June 30, 2018 are $9,472,355 for Workers' Compensation and $5,156,276 for Property and Liability.

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Worker's compensation	$ 400,000	$ 48,759	$ 48,759	$ 400,000
Property and liability	-	160,473	160,473	-

At June 30, 2018, 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

NOTE 12: JOINT POWERS AGREEMENTS

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.

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

JPA Condensed Financial Information	ASCIP 06/30/17 (Audited)	SELF 6/30/17 (Audited)
Total assets	$ 432,804,369	$ 126,226,732
Deferred outflows of resources	1,683,588	353,399
Total liabilities	239,767,762	104,103,406
Deferred inflows of resources	604,583	47,698
Net position	194,115,612	22,429,027
Total revenues	271,484,105	14,247,212
Total expenditures	262,183,364	13,352,806

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.

NOTE 13: FUNCTIONAL EXPENSE

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	$ 91,076,542	$ 4,240,043	$ 24,129,627	$ -	$ -	$ 119,446,212
Academic support	134,421	23,792,365	1,221,942			25,148,728
Student services		34,743,131	1,920,614			36,663,745
Operation and maintenance of plant		5,803,158	5,790,951			11,594,109
Instructional support services		27,818,095	18,264,762			46,082,857
Community services and economic development		2,333,607	10,881,068			13,214,675
Ancillary services and auxiliary operations		4,797,327	4,559,694			9,357,021
Physical property and related acquisitions		2,029,355	9,482,848			11,512,203
Transfers, student aid and other outgo				30,126,114		30,126,114
Depreciation expense	-	-	-	-	17,812,097	17,812,097
Total	$ 91,210,963	$ 105,557,081	$ 76,251,506	$ 30,126,114	$ 17,812,097	$ 320,957,761

NOTE 14: RESTATEMENT ACCUMULATIVE EFFECT FOR CHANGE IN ACCOUNTING PRINCIPLES

The beginning net position has been restated by a reduction of $91,239,905. The beginning OPEB liability is $162,029,757; the District recorded a liability of $70,789,852 in the governmental funds resulting in the net cumulative effect of the implementation of GASB Statement No. 75 (See Note 9).

NOTE 15: 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.

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately $51.8 million Projects will be funded through bond proceeds, state funds and general funds.

NOTE 16: 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

NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

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

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.

Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Replacements*

The statement defines debt for purposes of disclosure in the notes to the financial statements. The statement requires additional disclosures related to debt obligations, including direct borrowings and direct placements. Amounts of unused lines of credit, assets pledged as collateral for debt and terms specified in debt agreements related to significant 1) events or default with finance-related consequences; 2) termination events with finance-related consequences and) subjective acceleration clauses are also required to be disclosed. The statement is effective for the fiscal year 2018-19.

NOTE 16: GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS ISSUED, NOT YET EFFECTIVE

Statement No. 90 – *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

The statement modifies previous guidance for reporting a majority equity interest in a legally separate organization and provides guidance for reporting a component unit if 100 percent equity interest is acquired in that component unit. The statement is effective for the fiscal year 2018-19.

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, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.1355%	0.1367%	0.1280%	0.1270%
District's proportionate share of the net pension liability (asset)	$ 79,176,119	$ 92,009,654	$ 103,527,680	$ 117,449,600
State's proportionate share of the net pension liability (asset) associated with the District	47,809,959	48,662,964	58,945,139	69,482,757
Total	$ 126,986,078	$ 140,672,618	$ 162,472,819	$ 186,932,357
District's covered payroll	$ 60,347,400	$ 63,391,000	$ 66,265,000	$ 68,832,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	131.20%	145.15%	156.23%	170.63%
Plan fiduciary net position as a percentage of the total pension liability	77.00%	74.00%	70.04%	69.46%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.3555%	0.3469%	0.3293%	0.3292%
District's proportionate share of the net pension liability (asset)	$ 40,363,347	$ 51,129,735	$ 65,036,954	$ 78,588,729
District's covered payroll	$ 37,324,000	$ 38,370,000	$ 39,530,000	$ 42,249,000
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.14%	133.25%	164.53%	186.01%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	73.90%	71.87%

California Public Employees' Retirement System - Miscellaneous Risk Pool	2015	2016	2017	2018
District's proportion of the net pension liability (assets)	0.0064%	0.0110%	0.0131%	0.0150%
District's proportionate share of the net pension liability (asset)	$ 397,446	$ 405,612	$ 521,364	$ 589,281
District's covered payroll *	N/A	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	N/A
Plan fiduciary net position as a percentage of the total pension liability	80.00%	78.00%	78.40%	75.39%

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

California State Teachers' Retirement System - State Teachers' Retirement Plan	2015	2016	2017	2018
Contractually required contribution	$ 5,629,088	$ 7,110,232	$ 8,659,020	$ 10,328,655
Contributions in relation to the contractually required contribution	5,629,088	7,110,232	8,659,020	10,328,655
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 63,391,000	$ 66,265,000	$ 68,832,000	$ 71,578,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

California Public Employees' Retirement System - Schools Pool Plan	2015	2016	2017	2018
Contractually required contribution	$ 4,516,472	$ 4,684,270	$ 5,827,384	$ 6,773,599
Contributions in relation to the contractually required contribution	4,516,472	4,684,270	5,827,384	6,773,599
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 38,370,000	$ 39,530,000	$ 42,249,000	$ 43,613,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.79%	15.53%

California Public Employees' Retirement System - Miscellaneous Risk Pool	2015	2016	2017	2018
Contractually required contribution	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll *	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

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 CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2018

Total OPEB Liability	2018
Service Cost	$ 7,559,545
Interest	5,660,197
Benefit Payments	(7,971,345)
Net Change in Total OPEB Liability	5,248,397
Total OPEB Liability - beginning	162,029,757
Total OPEB Liability - ending (a)	$ 167,278,154

Plan Fiduciary Net Position	2018
Contributions - Employer	$ 7,971,345
Benefit Payments	(7,971,345)
Net Change in Plan Fiduciary Net Position	-
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	$ -
Net OPEB Liability (Asset) - ending (a) - (b)	$ 167,278,154
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-employee payroll	$ 115,191,065
Net OPEB liability (asset) as a percentage of covered-employee payroll	145.22%

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.

See the accompanying notes to the required supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS
MONEY WEIGHTED RATE OF RETURN PLAN ASSETS
For the Fiscal Year Ended June 30, 2018

Year	Annual money-weighted rate of return, net of investment expense
2018	Not Applicable

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.

See the accompanying notes to the required supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF POSTEMPLOYMENT HEALTHCARE BENEFITS CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2018

OPEB Contributions	2018
Actuarially Determined Contribution (ADC)	$ -
Contributions in relation to the ADC	-
Contribution deficiency (excess)	$ -
District's covered payroll	$ 115,191,065
Contributions as a percentage of covered payroll	Not Applicable

Note: An actuarially determined contribution has not been calculated.

See the accompanying notes to the required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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 Changes in the Net OPEB Liability and Related Ratios

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

Benefit changes – None

Changes of assumptions – The discount rate and expected rate of return on assets was changed from 4.5% to 3.5% and the initial healthcare trend rate did not change from 4.0%.

Schedule of Postemployment Healthcare Benefits Money-Weighted Rate of Return on Plan Assets

This schedule is intended to show trends about the rate of return on plan assets. As of June 30, 2018, there are no plan assets as defined by GASB.

Schedule of Postemployment Healthcare Benefits Contributions

The schedule is intended to show trends about the amounts contributed in relation to the actuarially determined contribution.

SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

HISTORY AND ORGANIZATION
For the Fiscal Year Ended June 30, 2018

The Board of Trustees and the District Administrators for the fiscal year ended June 30, 2018 were as follows:

BOARD OF TRUSTEES

Member	Office	Term Expires
Nelida Mendoza	President	2020
Phillip E. Yarbrough	Vice President	2018
Claudia C. Alvarez	Clerk	2020
Arianna P. Barrios	Member	2020
John R. Hanna	Member	2018
Zeke Hernandez	Member	2020
Lawrence R. "Larry" Labrado	Member	2018
Elizabeth M. Weber	Student Representative	2019

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
Tracie Green	Vice Chancellor of Human Resources
Enrique Perez, J.D.	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, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
U.S. Department of Education			
Direct:			
Financial Aid Cluster			
Federal Work Study	84.033		$ 381,531
Pell Grant	84.063		22,038,441
Pell Grant - Administrative Allowance	84.063		4,075
S.E.O.G.	84.007		579,400
Direct Loans	84.268		1,475,491
Total Financial Aid Cluster			24,478,938
Adult Basic Education (ABE) Cluster			
ABE - Secondary Education	84.002		304,768
ABE - ESL	84.002		1,950,669
ABE - English Literacy/Civics Education	84.002		646,668
Adult Basic Education	84.002		214,714
ABE - IELCE/IET	84.002		30,000
Total Adult Basic Education Cluster			3,146,819
TRIO (& Upward Bound) Cluster			
Student Support Services V (yr 1)	84.042A		270,500
Student Support Services V (yr 1)	84.042A		32,000
Talent Search V (yr 2-5)	84.044A		416,330
Upward Bound IV - SAC (yr 4 & 5)	84.047A		141,478
Upward Bound V - SAC (yr 1)	84.047A		191,723
Upward Bound - Math & Science (yr 4, 5)	84.047M		105,716
Upward Bound - Math & Science (yr 1)	84.047M		120,053
Upward Bound - Veterans (yr 4 & 5)	84.047V		37,791
Upward Bound - Veterans (yr 1)	84.047V		162,955
Student Support Services Regular	84.042A		222,959
Student Support Services Veterans	84.042A		201,699
Student Support Services Veterans	84.042A		10,000
Total TRIO Cluster			1,913,203
Other Direct Programs:			
Child Care Access Means Parents in School (CCAMPIS)	84.335A		4,575
Migrant Education - College Assistance Migrant Program (CAMP III Yr 1)	84.149A		33,621
Migrant Education - College Assistance Migrant Program (CAMP II Yr 5)	84.149A		356,520
Title III -Hispanic Serving Institution-ENGAGE	84.031C		167,547
Regional Alliance in STEM Education	84.031C		58,064
Total other direct programs from U.S. Department of Education			620,327
Total Direct Programs from U.S. Department of Education			30,159,287

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, 2018

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	69,065
CTE - Title I-C VTEA	84.048	99-C01-046	1,032,215
LAOC Regional Consortium (Perkins Title IB)	84.048	99-C01-046	370,030
Total passed through from California Community College Chancellor's Office			1,471,310
Total U.S. Department of Education			31,630,597
United States Department of Health and Human Services (HHS)			
Direct:			
Early Head Start (Award 09CH9178/03)	93.600		962,290
Early Head Start (Award 09CH9178/04)	93.600		929,083
Total direct from U.S. Department of Health and Human Services			1,891,373
Passed through Program from California Community College Chancellor's Office (CCCCO):			
Temporary Assistance to Needy Families (TANF) - SAC & SCC	93.558	(1)	106,371
Passed through Program from Yosemite Community College District:			
Child Development Training Consortium	93.575	(1)	27,137
Passed through Program from Chabot-Las Positas Community College District			
California Early Childhood Mentor Program	93.575	(1)	1,000
Total: Passed through from U.S. Department of Health and Human Services			134,508
Total U.S. Department of Health and Human Services			2,025,881
U.S. Department of Agriculture (DOA):			
Urban Agricaulture Comm Research Experience (U-ACRE 3.0)	10.223		22,823
Total direct from U.S. Department of Agriculture			22,823
U.S. Department of Labor (DOL):			
Passed through Program from California Community College Chancellor's Office (CCCCO):			
Ctr for Int'l Trade Dev. (CITD) State Trade Export Prog (STEP)	59.061		19,243
Technology Access Center - Job Tech Lab	17.259		217
Total passed through from U.S. Department of Labor:			19,460
Total U.S. Department of Labor			19,460

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, 2018

Program Name	Federal Catalog Number	Pass-Through Entity Identifying Number	Total Program Expenditures
National Science Foundation (NSF):			
Direct Programs:			
Research and Development Cluster:			
NSF ATE OC Biotech Collaborative/SAC & SCC	47.076		193,654
NSF STEM Scholars Academy - SCC	47.076		154,521
Total Direct programs from National Science Foundation			348,175
Passed through Programs:			
Passed through Program from Consulting for Environment System Technology			
NSF - CFEST	47.041		1,562
Passed through Program from California State Fullerton (CSF):			
SAC - NSF IUSE	47.076	DUE-1432701	86,557
Total Passed through from National Science Foundation			88,119
Total National Science Foundation			436,294
Passed through Program from California State University Fullerton:			
California Small Business Development Center (SBDC) -1323	59.037		258,114
California Small Business Development Center (SBDC) -1324	60.037		137,866
Total Passed through from California State University, Fullerton			395,980
Total U.S. Small Business Administration			395,980
Pass through Program from Foundation for California Community Colleges (FCCC)			
YESS - Youth Empowerment Strategies for Success	93.674		15,268
Total Passed through Program from FCCC			15,268
Total Federal Award Expenditures			$ 34,546,303
Reconciliation to Federal Revenue			
Total Federal Program Expenditures			$ 34,546,303
Child Care Access Means Parents in School (CCAMPIS)	84.335A		8,996
Child Care Food Program-CCTR & CSPP - Federal			322,899
Total Federal Program Revenue			$ 34,878,198

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

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL ASSISTANCE - GRANTS
For the Fiscal Year Ended June 30, 2018

	Program Revenues						Total
Program Name	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable	Total	Program Expenditures
State Categorical Aid Programs:							
AB 1725 - Faculty & Staff Diversity	$ 50,000	$ 51,302	$ -	$ 42,403	$ -	$ 58,899	$ 58,899
AB77 Handicapped (DSPS)	1,935,218	140,112		10,655	135,312	1,929,363	1,929,363
Adult Education Block Grant	2,986,766	2,347,852	14,032	2,184,149		3,164,501	3,164,501
Adult Education - Data and Accountability	251,773			18,440		233,333	233,333
Basic Skills	753,536	1,312,291	336,177	843,009		1,558,995	1,558,995
Board Financial Assistance Program - Student Financial Aid Administration (BFAP - SFAA)	1,053,487	73,766	3,194			1,130,446	1,130,446
CA Career Pathways Trust	155,143		323,755			478,898	478,898
CAL Grants	3,046,616		1,040			3,047,656	3,047,656
Cal Recycle Bev Container	-		13,935			13,935	13,935
CalWORKS	568,825			15,560		553,265	553,265
Cooperative Agencies Resources for Education (CARE)	128,974	4,045		388		132,631	132,631
Community College Completion	369,272			238,772		130,500	130,500
CTE Data Unlocked	4,800,187		4,093,897			8,894,084	8,894,084
CTE DU Sector Navigator	11,430		9,599			21,029	21,029
CTE SWP-Local II	3,577,617			3,577,617		-	-
Dreamer Emergency Aid	281,288			117,333		163,955	163,955
DSN ICT Coast CCD	17,931			17,931		-	-
Econ Dev - Nursing Program	84,400		126,600			211,000	211,000
Extended Opportunities Program and Services (EOPS)	2,158,428			1,995		2,156,433	2,156,433
Full Time Student Success Grant	1,517,245	322,502	18,771	351,464		1,507,054	1,507,054
Guided Pathways	596,144			554,790		41,354	41,354
Hunger Free Campus	62,320			53,443		8,877	8,877
Instructional Equipment and Library	534,312					534,312	718,266
Lottery/Prop 20 Instructional Materials	1,042,057		595,539			1,637,596	1,425,997
OC Career Pathways	-	2,067,591				2,067,591	2,067,591
Puente Project	6,000			5,400		600	600
QRIS Block Grant	466,213			357,370		108,843	108,843
SAC Family PACT	16,948					16,948	2,131

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, 2018

	Program Revenues						Total
Program Name	Cash Received	Prior Year Unearned Revenue	Accounts Receivable	Unearned Revenue	Accounts Payable	Total	Program Expenditures
SAC MESA CCCP	29,806		34,097			63,903	63,903
Santa Ana Middle College High School	87,542		5,253			92,795	92,795
SCC Family PACT	53,771					53,771	14,195
Song Brown Act	85,889		103,086			188,975	188,975
Strong Workforce	31,377,662			31,017,650		360,012	360,012
Strong Workforce Program	-	2,298,037		1,026,123		1,271,915	1,271,915
Strong Workforce CTE	-	25,837,758		14,626,363		11,211,395	11,211,395
Student Success - (Equity)	3,024,219	722,348		474,808		3,271,759	3,271,759
Student Success and Support Program (SSSP) - Credit	7,770,237			1,198,704		6,571,533	6,571,533
Student Success and Support Program (SSSP) - Non-Credit	2,514,578	69,015		49,800		2,533,793	2,533,793
Telecommunication Technology Infrastructure Program (TTIP)	-	18,034		3,912		14,122	14,122
Textbook Affordability	-	35,918		9,501		26,417	26,417
VRC Ongoing Funding	77,199			65,665		11,534	11,534
Zero Textbook Cost Degree	18,304		3,976			22,280	22,280
SBDC - Go Biz	64,744		35,256			100,000	100,000
Edu Futures Initiative	180,000			160,040		19,960	19,960
Econ Dev DSN Retail Hospitality Regional	54,374	29,661				84,035	84,035
Econ Dev DSN - In region Small Bus	58,944					58,944	58,944
Econ Dev DSN Retail Hospitality	80,000		99,805			179,805	179,805
Econ Dev DSN Small Bus	91,943		108,057			200,000	200,000
Innovation & Effectiveness (SCC)	200,000			199,030		970	970
Econ Dev DSN Retail Hospitality Boot Camp	48,075			48,075		-	-
SBDC EDD E-File - #2534	-		9,750			9,750	9,750
Econ Dev DSN - Global Trade	208,994		2,364	11,358		200,000	200,000
Econ Dev-DSN ICT/Dig Med	67,859		109,533			177,392	177,392
Econ Dev-In-Reg GTL Yr 4 - DO	37,717					37,717	37,717
Econ Dev DSN - ICT D/M DO	24,399	13,041	35,588			73,028	73,028
Econ Dev DSN - ICT D/M DO	93,171					93,171	93,171
Sector Navigator ICT/DM	267,119	-	105,377	-	-	372,496	372,496
Total State Categorical Aid Programs	$ 72,988,675	$ 35,343,275	$ 6,188,681	$ 57,281,746	$ 135,312	$ 57,103,572	$ 57,021,533

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, 2018

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit[1]	459.68	-	459.68
2. Credit[1]	1,739.30	-	1,739.30
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit[1]	20.30	-	20.30
2. Credit[1]	1,436.47	-	1,436.47
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	13,423.69	-	13,423.69
(b) Daily Census Contact Hours	1,044.22	-	1,044.22
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit[1]	5,594.01	-	5,594.01
(b) Credit[1]	3,155.56	-	3,155.56
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,305.88	-	1,305.88
(b) Daily Census Contact Hours	1,199.43	-	1,199.43
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	29,378.54	-	29,378.54
Supplemental Information (subset of above information)			
E. In-service Training Courses (FTES)	2,223.65	-	2,223.65
H. Basic Skills courses and Immigrant Education			
(a) Noncredit[1]	4,823.08	-	4,823.08
(b) Credit[1]	790.11	-	790.11
CCFS 320 Addendum			
CDCP Noncredit FTES	4,981.71	-	4,981.71
Centers FTES			
(a) Noncredit[1]	3,108.08	-	3,108.08
(b) Credit[1]	-	-	-

1 Including Career Development and College Preparation (CDCP) FTES

See the accompanying notes to the supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The audit resulted in no adjustments to the fund balances reported on the June 30, 2018 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, 2018 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	$ 37,903,216
Restricted Fund Balance	3,368,581
Bond Interest and Redemption Fund Balance	31,292,625
Capital Outlay Funds Balance	80,363,507
Measure Q - Bond Construction Fund Balance	55,439,823
Self Insurance and Internal Service Funds Balance	7,134,013
All Other Funds	6,176,637
Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 221,678,402

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, 2018

Total fund balances as reported on the Annual Financial and Budget Report (CCFS-311)	$ 221,678,402
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.	447,983,174
Deferred outlfows associated with the advance refunding of debt increases total net position reported.	1,827,405
Deferred outflows associated with pension and OPEB costs result from 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.	64,125,516
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 $946,810 and load banking of $5,343,524 are already recorded in the General Fund.	(5,987,954)
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.	(441,620,717)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(196,038,329)
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.	(13,223,862)
The liability associated with the other post employment retirement plan is not due and payable in the current period, and therefore is not entirely reported as a liability in the governmental funds. $69,627,736 of the other post employment retirement plan liability is recorded in the governmental funds.	(97,650,418)
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.	(5,038,588)
Total net position	$ (23,945,371)

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, 2018

		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	27,265,657		27,265,657	27,265,657		27,265,657
Instructional Salaries - Other	1300	27,900,130		27,900,130	27,900,130		27,900,130
Total Instructional Salaries		55,165,787	-	55,165,787	55,165,787	-	55,165,787
Non-Instructional Salaries - Contract or Regular	1200			-	12,383,597		12,383,597
Non-Instructional Salaries - Other	1400			-	1,743,628		1,743,628
Total Non-Instructional Salaries		-	-	-	14,127,225	-	14,127,225
Total Academic Salaries		55,165,787	-	55,165,787	69,293,012	-	69,293,012
Classified Salaries							
Non-Instructional Salaries - Regular Status	2100			-	23,958,144		23,958,144
Non-Instructional Salaries - Other	2300			-	1,267,299		1,267,299
Total Non-Instructional Salaries		-	-	-	25,225,443	-	25,225,443
Instructional Aides - Regular Status	2200	645,392		645,392	645,392		645,392
Instructional Aides - Other	2400	2,013,787		2,013,787	2,013,787		2,013,787
Total Instructional Aides		2,659,179	-	2,659,179	2,659,179	-	2,659,179
Total Classified Salaries		2,659,179	-	2,659,179	27,884,622	-	27,884,622
Employee Benefits	3000	24,991,499		24,991,499	51,031,604		51,031,604
Supplies and Materials	4000			-	1,026,232		1,026,232
Other Operating Expenses	5000	4,892,420		4,892,420	16,556,632		16,556,632
Equipment Replacement	6420			-			-
Total Expenditures Prior to Exclusions		87,708,885	-	87,708,885	165,792,102	-	165,792,102
Exclusions							
Activities to Exclude							
Instructional Staff–Retirees' Benefits & Retirement Incentives	5900	3,096,350		3,096,350	3,096,350		3,096,350
Student Health Services Above Amount Collected	6441			-			-
Student Transportation	6491			-			-
Non-instructional Staff-Retirees' Benefits & Retirement Incentives	6740			-	4,185,311		4,185,311
Objects to Exclude							
Rents and Leases	5060			-	671,143		671,143
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			-	4,218,563		4,218,563
Capital Outlay	6000			-			-
Library Books	6300			-			-
Equipment - Additional	6410			-			-
Equipment - Replacement	6420			-			-
Other Outgo	7000			-			-
Total Exclusions		3,096,350	-	3,096,350	12,171,367	-	12,171,367
Total for ECS 84362, 50% Law		84,612,535	-	84,612,535	153,620,735	-	153,620,735
Percent of CEE (Instructional Salary Cost/Total CEE)		55.08%	0%	55.08%	100%	0%	100%
50% of Current Expense of Education					76,810,368	-	76,810,368

See the accompanying notes to the supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

EDUCATION PROTECTION ACCOUNT EXPENDITURE REPORT

For the Fiscal Year Ended June 30, 2018

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 22,725,961
Activity Classification	**Object Code**	**Salaries and Benefits (1000-3000)**	**Operating Expenses (4000-5000)**	**Capital Outlay (6000)**	**Total**
Instructional Activities	0100-5900	$ 22,725,961	$ -	$ -	$ 22,725,961
		-	-	-	-
Other Support Activities (list below)	6XXX	-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
Total Expenditures for EPA*		$ 22,725,961	$ -	$ -	22,725,961
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, 2018

Unrestricted General Fund

	(Budget) 2019	2018	2017	2016
	Amount	**Amount**	**Amount**	**Amount**
Total Revenue	$ 185,634,134	$ 184,723,668	$ 176,493,320	$ 188,116,801
Total Expenditures	182,412,593	176,673,046	168,922,219	160,363,539
Total other sources and uses	(3,745,000)	(5,401,723)	9,251,069	16,736,104
Change in fund balance	$ (523,459)	$ 2,648,899	$ (1,679,968)	$ 11,017,158
Ending fund balance	$ 37,379,757	$ 37,903,216	$ 35,254,317	$ 36,934,285
Available fund balance %	20%	21%	21%	23%
Full-time equivalent students	29,174	29,379	27,517	28,902
Total long term debt	$ 797,981,430	$ 817,615,488	$ 626,414,703	$ 611,667,354

IMPORTANT NOTES:

Available fund balance is the amount designated for general reserve and any other remaining undesignated amounts in the Unrestricted General Fund. The 2019 budget reserve balance and the 2018 reserve balance is the uncommitted fund balance reported on the June 30, 2018 CCFS-311 Annual Financial and Budget Report.

The 2019 budget is the Adopted Budget approved by the Board of Trustees on September 10, 2018.

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.

2016 was audited by another audit firm.

NOTES TO THE SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018 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, 2018 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, 2018

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).

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

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INDEPENDENT AUDITORS' 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, 2018, 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, 2018.

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 AUDITORS' 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, 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' 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, 2018. 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.

Auditors' 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 AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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, 2018.

Other Matters

This report is replacing a previously issued report, due to the discovery, subsequent to the date of the compliance report, that the entity had another major program that was required to be tested. There are no changes from the previously issued report.

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 AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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, 2018, except for Early Head Start dated March 26, 2019

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' 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 *2017-18 Contracted District Audit Manual,* published by the California Community Colleges Chancellor's Office for the year ended June 30, 2018. 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.

Auditors' 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 *2017-18 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 AUDITORS' 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
444	Apprenticeship Related and Supplemental Instruction (RSI) Funds	Yes
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, 2018.

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 *2017-18 Contracted District Audit Manual.* Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 20, 2018

FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDITOR RESULTS
June 30, 2018

SECTION I – SUMMARY OF AUDITORS' 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 auditors' 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, 84.063, 84.268	Student Financial Aid Cluster
84.002	Adult Basic Education (ABE) Cluster
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: $992,124

Auditee qualified as low-risk auditee?	X	*Yes*	____	*No*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO THE FINANCIAL STATEMENTS June 30, 2018

There were no findings and questioned costs related to basic financial statements for the year ended June 30, 2018.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
June 30, 2018

FEDERAL AWARDS FINDINGS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
RELATED TO STATE AWARDS
June 30, 2018

STATE COMPLIANCE FINDINGS

There were no findings and questioned costs related to state awards for the year ended June 30, 2018.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2018

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