NEW ISSUE—BOOK ENTRY ONLY

RATINGS: S&P: "AA"
Moody's: "Aa2"
(See "RATINGS" herein.)

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. Bond Counsel is of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

$48,325,000
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS 2020 SERIES A-2
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The above-captioned bonds (the "Bonds") offered hereunder by the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District") are being issued to refund bonds of the Improvement District authorized at a bond election conducted within the Improvement District on November 6, 2012 (the "Election"), at which more than 55% of the voters within the Improvement District voting on the measure voted to approve the issuance by the Improvement District of $198,000,000 aggregate principal amount of bonds, as more fully described herein under the caption "INTRODUCTION." The proceeds of the Bonds are being used to (i) provide for the defeasance of certain maturities of the bonds issued under the Election, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF REFUNDING." The Bonds will be issued in denominations of $5,000 principal amount or integral multiples thereof, and are payable as to principal amount or redemption price at the office of Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent").

No further general obligation bonds of the Improvement District may be issued pursuant to the authorization approved by the voters at the Election. Bonds are not a general obligation of the Rancho Santiago Community College District (the "College District"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds will be issued as current interest bonds, maturing on the dates and in the amounts and bearing interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing February 1, 2021, and semiannually thereafter on February 1 and August 1 of each year. See "THE BONDS" herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds as described herein under the caption "THE BONDS – Book-Entry Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption" herein.

The Bonds are general obligations of the Improvement District only and are not obligations of the College District as a whole, of Orange County, of the State of California or of any of its other political subdivisions. The Board of Supervisors of Orange County has the power and is obligated to levy and collect ad valorem property taxes for each fiscal year upon the taxable property within the Improvement District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE
(On Inside Cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by Piper Sandler & Co. (the "Underwriter") subject to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Nixon Peabody LLP is also acting as Disclosure Counsel for the issue. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California. It is anticipated that the Bonds will be available through the facilities of DTC on or about September 2, 2020.

PIPER | SANDLER

Dated: August 6, 2020.

MATURITY SCHEDULE

$48,325,000
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS
2020 SERIES A-2
(Federally Taxable)

Base CUSIP†: 801181

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP No.†
2021	$1,230,000	0.255%	0.255%	CU0
2022	830,000	0.355	0.355	CV8
2023	2,065,000	0.465	0.465	CW6
2024	2,640,000	0.644	0.644	CX4
2025	3,485,000	0.744	0.744	CY2
2026	3,645,000	1.006	1.006	CZ9
2027	3,820,000	1.156	1.156	DA3
2028	4,015,000	1.320	1.320	DB1
2029	4,220,000	1.400	1.400	DC9
2030	4,440,000	1.500	1.500	DD7
2031	3,040,000	1.670	1.670	DE5
2032	3,155,000	1.790	1.790	DF2
2033	3,275,000	1.870	1.870	DG0
2034	3,400,000	1.990	1.990	DH8
2035	5,065,000	2.040	2.040	DJ4

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Original Purchaser and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Original Purchaser is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesperson or other person has been authorized by the College District or the Improvement District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the College District or the Improvement District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein, other than that provided by the College District or the Improvement District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the College District or the Improvement District.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the College District or the Improvement District since the date hereof. Although certain information set forth in this Official Statement has been provided by Orange County, Orange County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon exemptions contained in Section 3(a)2 of the Securities Act and Section 3(a)12 of the Exchange Act, and have not been registered or qualified under the securities laws of any state.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Statements included or incorporated by reference in the following information constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Exchange Act, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Actual results may differ from the Improvement District's or the College District's forecasts. The Improvement District is not obligated to issue any updates or revisions to the forward looking statements in any event.

The College District maintains a website and social media accounts. However, the information presented on such website or social media accounts is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement are not incorporated herein by such references.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Orange County, State of California

Administrators

Mr. Marvin Martinez, Chancellor
Mr. Peter J. Hardash, Vice Chancellor, Business Operations/Fiscal Services
Mr. Enrique Perez, Vice Chancellor, Educational Services
Ms. Tracie Limeburner-Green, Vice Chancellor, Human Resources
Marilyn Flores, Ph.D., Interim President, Santa Ana College
Mr. Jose Vargas, Interim President, Santiago Canyon College

SPECIAL SERVICES

Underwriter

Piper Sandler & Co.
El Segundo, California

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP
San Francisco, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent

Wells Fargo Bank, National Association
Los Angeles, California

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$48,325,000
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
(Orange County, California)
GENERAL OBLIGATION REFUNDING BONDS,
2020 SERIES A-2
(Federally Taxable)

INTRODUCTION

General

The Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District" or "SFID No. 1"), proposes to issue $48,325,000 aggregate principal amount of Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the "Bonds"), pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), and other applicable laws and regulations of the State of California (the "State"), an authorization received from the Improvement District's voters at an election conducted on November 6, 2012, at which more than 55% of the persons voting on the proposition voted to authorize the issuance of $198,000,000 principal amount of general obligation bonds of the Improvement District (the "Authorization"), and a resolution adopted by the Board of Trustees of the Rancho Santiago Community College District (the "College District"), acting as the legislative body of the Improvement District (the "Board") on July 13, 2020 (the "Resolution"). No additional general obligation bonds of the Improvement District remain to be issued under the Authorization.

Plan of Refunding

The Bonds are being issued to effect the defeasance and refunding of certain maturities of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Bonds, Election of 2012, 2014 Series A (the "Prior Bonds") issued pursuant to the Authorization. Those Prior Bonds redeemed from the proceeds of sale of the Bonds are called the "Refunded Bonds."

Proceeds from the sale of the Bonds will be used to (i) make a deposit into the Escrow Fund established for the defeasance and refunding of the Refunded Bonds and (ii) pay related costs of issuance of the Bonds. See "PLAN OF REFUNDING." The Improvement District will enter into an Escrow Deposit and Trust Agreement (the "Escrow Agreement") with Wells Fargo Bank, National Association, in its capacity as Escrow Agent, under the terms of which an Escrow Fund (the "Escrow Fund") will be established to provide for the timely payment of interest on and the redemption price of the several series of Refunded Bonds. The sufficiency of the Escrow Fund to effect the within-described refunding will be verified by a report delivered on the date of delivery of the Bonds by Causey Demgen & Moore P.C., as Verification Agent. See "VERIFICATION" herein.

The College District and the Improvement District

The College District was established in 1971. The College District encompasses approximately 193 square miles in Orange County (the "County"). The College District maintains two comprehensive community colleges, each providing collegiate level instruction across a wide spectrum of subjects. Santa Ana College, founded in 1915, is located in Santa Ana and Santiago Canyon College, founded in 1997, is located in Orange. The College District also provides comprehensive college and continuing education programs at the Centennial Continuing Education Center, the Orange Continuing Education Center, the Santa Ana College Orange County Sheriff's Regional Training Academy, the Digital Media Center, the Orange County Regional Fire Training Center, and various other sites throughout the College District. The College District serves a resident population of over 700,000, and includes portions of Santa Ana, Orange, Anaheim, Irvine, Garden Grove, Tustin, Villa Park, Costa Mesa, and Fountain Valley.

The College District's total enrollment for fiscal year 2019-20 was 86,168 students (full-time and part-time), with approximately 27,023.36 California resident full-time equivalent students ("FTES") and 593.19 non-resident FTES. The College District projects total enrollment for fiscal year 2020-21 to be 86,168 students (full-time and part-time), with approximately 27,023.36 California resident FTES and 593.19 non-resident FTES. The College District has certain existing lease obligations as set forth in APPENDIX A and direct and overlapping bonded indebtedness as set forth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – College District and Improvement District Debt" herein. The College District's audited financial statements for fiscal year 2018-19 are attached hereto as APPENDIX C. For further information concerning the College District, see APPENDICES A and C attached hereto.

The Improvement District encompasses approximately 35 square miles, representing approximately 18.1% of the territory of the College District. The total assessed valuation of the Improvement District for fiscal year 2018-19 was $40,937,907,918 and for fiscal year 2019-20 is $43,271,832,743, respectively, representing approximately 53% of the assessed valuation of the College District. The Improvement District was formed following a public hearing on July 21, 2008, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (the "Education Code") and proceedings taken by the College District.

College District Refunding Bond Issue.

On or about the date of issuance of the Bonds, the College District intends to issue its General Obligation Refunding Bonds, 2020 Series A-1 (the "College District Refunding Bonds"), for the purposes of refunding all or a portion of its 2012 General Obligation Refunding Bonds and its 2013 General Obligation Refunding Bonds (together, the "College District Prior Bonds"). The College District Prior Bonds were issued to refund certain general obligation bonds of the College District, previously issued under an authorization received pursuant to a duly called election held within the boundaries of the College District on November 6, 2002.

The issuance of the College District Refunding Bonds is not conditioned on the issuance of the Bonds, and the issuance of the Bonds is not conditioned on the issuance of the College District Refunding Bonds. No assurance can be given that the College District Refunding Bonds will in fact be issued, or if so, the timing of such issuance. The College District Refunding Bonds are not a debt of the Improvement District, nor will they be secured by the ad valorem property tax levied and collected to secure the Bonds.

Description of the Bonds.

Form and Registration. The Bonds will be issued in the form of current interest bonds, in fully registered form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – Book-Entry-Only System" herein and APPENDIX E – "BOOK-ENTRY-ONLY SYSTEM" hereto. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners," or "Holders" of the Bonds (other than under the caption "TAX MATTERS" will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. The Bonds will be issued in initial denominations of $5,000 or any integral multiple thereof.

Redemption. The Bonds are subject to redemption prior to their stated maturity as further described herein. See "THE BONDS –Redemption" herein.

Payments. The Bonds will be dated as of their initial date of delivery (the "Date of Delivery"), and interest on the Bonds will accrue from the Date of Delivery, and is payable semiannually on each February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2021. The principal amount of the Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Bond for payment. Payments of the principal of and interest on the Bonds will be made by Wells Fargo Bank, National Association, as the initial paying agent for the Bonds, (the "Paying Agent") to DTC for subsequent distribution through DTC Participants (the "DTC Participants") to the Beneficial Owners of the Bonds. "Principal" or "Principal Amount" means, as of any date of calculation, with respect to any Bond, the principal amount thereof.

Bond Owner's Risks

The Bonds are general obligations of the Improvement District only, payable from ad valorem property taxes which may be levied upon all taxable property in the Improvement District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding taxation of property within the Improvement District, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The outbreak of a new strain of coronavirus ("COVID-19"), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the U.S. The College District cannot predict the extent or duration of the outbreak or what overall impact it may have on the College District's financial condition or operations of the College District, or if there will be any impact on the assessed values of property within the Improvement District or collections or delinquencies of the ad valorem property tax securing the Bonds. Any financial information, including projections, forecasts and budgets presented herein do not yet account for the potential effects of COVID-19, unless specifically referenced. For further information concerning the potential effects of the COVID-19 outbreak (i) on the security and source of payment for the Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Appeals of Assessed Value; Proposition 8 Reductions" and "– Ad Valorem Property Taxes, Tax Rates, Levies, Collections and Delinquencies," and (ii) on the College District's operations and finances, see APPENDIX A – "THE COLLEGE DISTRICT – Risks Related to COVID-19."

In addition, on June 29, 2020, the State adopted its budget for Fiscal Year 2020-21 (the "2020-21 State Budget") which acknowledged the substantial impact of the COVID-19 pandemic and subsequent economic disruption on the State's general fund, and corresponding impacts on funding of community college districts. See APPENDIX A – "THE COLLEGE DISTRICT – Fiscal Year 2020-21 State Budget" for additional information on the effect of COVID-19 pandemic on the State and its funding of community college districts.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Agreement (defined herein) relating to the Bonds, the Improvement District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the Improvement District and to provide notices of the occurrence of certain listed events, in compliance with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission. The specific nature of the information to be made available and of the notices of listed events is summarized under "LEGAL MATTERS – Continuing Disclosure" herein and in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "estimate," "project," "budget," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the College District and the Improvement District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED FROM SUCH FORWARD-LOOKING STATEMENTS. THE IMPROVEMENT DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

PLAN OF REFUNDING

The net proceeds of sale of the Bonds will be used to effect an advance refunding of the Refunded Bonds and to provide for the costs of issuance of the Bonds. Until the first optional redemption dates for the Refunded Bonds, a portion of the net proceeds of the Bonds will be invested under the terms of the Escrow Agreement, as show in the table below. As provided in the Escrow Agreement, the net proceeds of the Bonds deposited into the Escrow Fund will be invested in noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Code (defined below) and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on such Refunded Bonds. On the applicable redemption date, amounts available under the Escrow Agreement will be applied to the redemption price of the Refunded Bonds. Investments under the Escrow Agreement will be verified as sufficient to pay interest on and the redemption price of, the several series of Refunded Bonds, evidenced by a Verification Report to be provided on the date of delivery of the Bonds by Causey Demgen & Moore, P.C. (the "Verification Agent"). See "VERIFICATION" herein. As a result of the application and investment of the proceeds of the Bonds as described above, and assuming the accuracy of the Underwriter's and Verification Agent's computations, the Refunded Bonds will be considered defeased, and the obligation of the County to levy ad valorem property taxes for the payment thereof will terminate.

The Improvement District currently plans to refund those Prior Bonds maturing on August 1, 2025 through August 1, 2044, inclusive. However, the particular maturity dates and Principal Amounts, or portions thereof, of the Prior Bonds to be refunded with proceeds of the Bonds are subject to market conditions at the time of sale of the Bonds and will be selected by the Improvement District at the time of sale of the Bonds. Those particular maturity dates and principal amounts, or portions thereof, of the Prior Bonds which are selected for refunding at such time are referred to herein as the "Refunded Bonds."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Bonds are as follows:

Source of Funds	
Principal Amount	$48,325,000.00
Total Sources	$48,325,000.00
Uses of Funds	
Escrow Fund	$48,010,029.86
Costs of Issuance[1]	314,970.14
Total Uses	$48,325,000.00

[1] Costs of issuance include, but are not limited to, Underwriter's discount, Municipal Advisor fees, printing and rating costs, fees and expenses of the Paying Agent, Verification Agent, Escrow Agent and Bond and Disclosure Counsel.

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the Improvement District. The Improvement District received authorization to issue $198,000,000 of its general obligation bonds at an election held on November 6, 2012, by more than fifty-five percent of the votes cast on the ballot proposition by eligible voters within the Improvement District. All bonds authorized at the election have been issued; the Bonds are being issued by the Improvement District under the Act and other applicable laws and regulations of the State, and pursuant to the Resolution in order to refund certain maturities of the Prior Bonds.

The Board of Supervisors of the County has the power and is obligated to levy ad valorem property taxes upon all property subject to taxation within the Improvement District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued in denominations of $5,000 or integral multiples thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum all as set forth on the inside cover page of this Official Statement. The Bonds are not subject to acceleration.

Payment of the Bonds

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined in APPENDIX E hereto) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest, or premium, if any, on the Bonds are payable by wire transfer of funds by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants ("DTC Participants") for subsequent disbursement to the Beneficial Owners. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds will be issued as current interest bonds with principal payable at the maturity dates of the Bonds or their earlier redemption. Interest on the Bonds shall be computed using a year of 360 days comprising twelve 30-day months. Interest on the Bonds is payable on February 1 and August 1 in each year (each, an "Interest Payment Date"), commencing on February 1, 2021, to the registered owner thereof (each, an "Owner") as of the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date"). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event, interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest. Principal shall be payable in the years and amounts set forth on the inside cover page of this Official Statement.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2030, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 2031, may be redeemed before maturity, at the option of the College District, from any source of available funds, in whole or in part on any date on or after August 1, 2030, at par, together with interest accrued thereon to the date of redemption, without premium.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the Improvement District, shall select maturities of Bonds for redemption in such manner as the Improvement District shall direct, or in the absence of such direction, by lot. Within a maturity, the Paying Agent shall select Bonds for redemption in such manner as the Improvement District shall direct, or in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state (A) that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and (B) that from and after such date, interest on Bonds shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 days but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of the Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the bond register, and to the Municipal Securities Rulemaking Board (the "MSRB"); and (ii) in the event the Bonds are no longer held in book-entry form, at least 35 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (defined below), or MSRB.

The "Securities Depositories" shall mean DTC and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories as the College District may designate in a certificate delivered to the Paying Agent.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Conditional Redemption

Any Redemption Notice may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys to pay the redemption price of the designated Bonds and may be rescinded by the Improvement District at any time prior to the scheduled date of redemption by so notifying the Paying Agent, who shall notify the Owners of the affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or expected to be received, in the same manner in which the Redemption Notice was originally given.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the Improvement District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the debt service fund of the Improvement District (the "Debt Service Fund") or deposited with a duly appointed escrow agent, in trust, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent, or deposited with a duly appointed escrow agent, in trust, so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity, interest rate and principal amount and transferred upon the bond registrar upon presentation and surrender of such Bond at the office of the Paying Agent, together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor, series, interest rate and maturity and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Discharge and Defeasance

All or any portion of the outstanding Bonds shall be paid and discharged in any one of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on all Bonds outstanding, and when the same become due and payable;

(b) by depositing with the Paying Agent, or with a duly appointed escrow agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay debt service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution which meets the requirements for acting as a successor Paying Agent pursuant to the Resolution selected by the Improvement District, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series) or obligations which are unconditionally guaranteed by the United States of America, or "prerefunded" municipal obligations rated in the highest category by Moody's or S&P, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, as fully verified by the report of an independent certified public account licensed to practice in the State, to pay and discharge all Bonds outstanding at maturity or earlier redemption thereof, including any premium and all interest thereon, for which notice has been given or provided for, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the Improvement District and the Paying Agent under the Resolution with respect to the affected Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the Improvement District to pay the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners of the Bonds. For further information regarding DTC and the book-entry system, see APPENDIX E – "BOOK-ENTRY ONLY SYSTEM" hereto.

Permitted Investments

Under State law, the College District and Improvement District are generally required to pay all moneys received from any source into the County treasury to be held on behalf of the College District and Improvement District. The proceeds from the sale of the Bonds shall be invested in accordance with the terms of the Escrow Agreement and the authorizing resolution under which the Prior Bonds were issued. Any premium or accrued interest received by the Improvement District from the proceeds of sale of the Bonds will be deposited in the Debt Service Fund in the County treasury.

All funds held by the Orange County Treasurer (the "County Treasurer") in the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the Improvement District, in investment pools of the County into which the Improvement District may lawfully invest its funds, any such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. Under existing law, amounts in the Debt Service Fund are required to be invested in the County treasury and will be invested in the Orange County Educational Investment Pool. At no time shall the proceeds be withdrawn by the Improvement District for investment outside the County treasury. See APPENDIX F – "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE" and APPENDIX G – "ORANGE COUNTY INVESTMENT POLICY STATEMENT" for a description of the permitted investments under the investment policy of the County.

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DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements for the Bonds of the Improvement District, assuming all general obligation bonds are outstanding and paid through their final maturity:

Year Ending (August 1)	Outstanding Bonds Debt Service	The Bonds: Annual Principal Payment	The Bonds: Annual Interest Payment	Total Annual Debt Service
2021	$ 8,310,862.50	$ 1,230,000.00	$ 600,966.16	$ 10,141,828.66
2022	8,186,712.50	830,000.00	654,455.66	9,671,168.16
2023	6,930,812.50	2,065,000.00	651,509.16	9,647,321.66
2024	7,200,812.50	2,640,000.00	641,906.90	10,482,719.40
2025	6,722,112.50	3,485,000.00	624,905.30	10,832,017.80
2026	6,918,762.50	3,645,000.00	598,976.90	11,162,739.40
2027	7,124,112.50	3,820,000.00	562,308.20	11,506,420.70
2028	7,328,512.50	4,015,000.00	518,149.00	11,861,661.50
2029	7,539,512.50	4,220,000.00	465,151.00	12,224,663.50
2030	7,755,512.50	4,440,000.00	406,071.00	12,601,583.50
2031	9,606,712.50	3,040,000.00	339,471.00	12,986,183.50
2032	9,937,312.50	3,155,000.00	288,703.00	13,381,015.50
2033	10,281,962.50	3,275,000.00	232,228.50	13,789,191.00
2034	10,636,512.50	3,400,000.00	170,986.00	14,207,498.50
2035	8,737,900.00	5,065,000.00	103,326.00	13,906,226.00
2036	8,995,950.00	-	-	8,995,950.00
2037	9,264,900.00	-	-	9,264,900.00
2038	9,544,000.00	-	-	9,544,000.00
2039	9,827,700.00	-	-	9,827,700.00
2040	4,976,000.00	-	-	4,976,000.00
2041	5,127,200.00	-	-	5,127,200.00
Total	$170,953,875.00	$48,325,000.00	$6,859,113.78	$226,137,988.78

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SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the Improvement District, and the Board of Supervisors of the County has the power and is obligated to levy and collect ad valorem taxes upon all property within the Improvement District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. There is no remaining unissued amount of general obligation bonds of the Improvement District available under the Authorization will have been issued.

Assessed Valuations – Constitutional and Statutory Initiatives

Article XIIIA of the California Constitution. Article XIIIA of the California Constitution limits the amount of any ad valorem tax on real property, to one percent of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness or 55% of voters voting on the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all general tax rates reflect the $1 per $100 of taxable value.

On May 29, 2020, the California Secretary of State announced that a ballot initiative to amend the coverage of Proposition 13 (1978) to remove tax protections on commercial and industrial properties had qualified for the November 2, 2020, election. Proposition 13 limited increases in annual increases to property taxes on all real property. At the November 2019 election, a previous initiative authorizing a so-called split roll, with commercial and industrial properties subject to a tax based on market value, failed to achieve the required majority. The revised initiative would require commercial and industrial properties to be taxed based on their market value, which may then be revised annually, without regard to the Proposition 13 limit of 2.0% per year. The initiative would also create a revised process under the California Constitution for distributing revenues from property taxes, including a provision that, following State and county set-asides, 60% of the remainder of such revenues would be distributed to local governments and special districts and 40% of the remainder to be distributed to school and community college districts. Neither the College District nor the Improvement District can predict the outcome of the election on the split-roll initiative nor, if it should pass, what the financial impact on the College District's revenues might be.

In addition, on April 22, 2020, a proposed ballot initiative became eligible for the November 2020 Statewide ballot ("Ballot Measure 1864"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, Ballot Measure 1864 would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. Neither the College District nor the Improvement District can predict whether Ballot Measure 1864 will appear on the Statewide ballot at the November 2020 election or, if it does, whether Ballot Measure 1864 will be approved by a majority of voters casting a ballot. If approved, neither the College District nor the Improvement District can make any assurance as to what effect the implementation of Ballot Measure 1864 will have on assessed valuation of real property in the Improvement District.

Assessed Valuations of the Improvement District

The assessed valuation of property in the Improvement District is established by the Assessor of the County (the "County Assessor"), except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution.

The State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the College District's control, such as a decline in general economic conditions or a general market decline in land values, changes in supply and demand for real property in the area, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or other government regulations such as zoning, or the complete or partial destruction, or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, fire or wildfire, flood, outbreaks of infectious disease (including the current COVID-19 pandemic), toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the Improvement District. See "– Effect of Natural Disasters on Assessed Valuations" herein.

For fiscal year 2019-20, the Improvement District's total assessed valuation was $43,271,832,743. Shown in the following tables is information relating to the assessed valuation of property in the Improvement District during the current fiscal year and the past four fiscal years, assessed valuation and parcels by land use in the Improvement District, assessed valuation in the Improvement District by jurisdiction, and per parcel assessed valuation of single-family homes in the Improvement District.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Summary of Assessed Valuations

	Local Secured	Utility	Unsecured	Total
2015-16	$31,619,986,142	$4,173,525	$2,904,498,126	$34,528,657,793
2016-17	33,328,936,021	4,074,573	3,004,649,010	36,337,659,604
2017-18	35,488,206,587	4,074,573	3,015,474,135	38,507,755,295
2018-19	37,959,191,099	5,534,479	2,973,182,340	40,937,907,918
2019-20	40,072,459,491	5,534,479	3,193,838,773	43,271,832,743

Source: California Municipal Statistics, Inc.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use

	2019-20 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	$13,454,496,337	33.58%	4,782	7.34%
Industrial	5,994,465,696	14.96	2,575	3.95
Government/Social/Institutional	422,893	0.00	170	0.26
Miscellaneous	421,868	0.00	13	0.02
Subtotal Non-Residential	$19,449,806,794	48.54%	7,540	11.58%
Residential:				
Single Family Residence	$12,843,867,990	32.05%	38,839	59.62%
Condominium/Townhouse	3,858,876,820	9.63	12,288	18.86
Mobile Homes	51,879,751	0.13	3,477	5.34
2+ Residential Units/Apartments	3,868,028,136	9.65	2,995	4.60
Subtotal Residential	$20,622,652,697	51.46%	57,599	88.42%
Total	$40,072,459,491	100.00%	65,139	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2019-20 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in SFID No. 1	% of SFID No. 1	Assessed Valuation of Jurisdiction	% of Jurisdiction in SFID No. 1
City of Anaheim	$ 160,081,155	0.37%	$48,851,452,719	0.33%
City of Costa Mesa	1,162,294,879	2.69	21,157,439,070	5.49
City of Fountain Valley	282,818,928	0.65	10,150,637,700	2.79
City of Garden Grove	4,785,130,445	11.06	17,647,291,388	27.12
City of Irvine	9,823,185,152	22.70	85,045,012,271	11.55
City of Newport Beach	2,377,959,196	5.50	60,744,806,554	3.91
City of Santa Ana	23,978,540,416	55.41	27,943,960,825	85.81
City of Tustin	77,204,557	0.18	13,658,893,858	0.57
Unincorporated Orange County	624,618,015	1.44	31,132,441,986	2.01
Total District	$43,271,832,743	100.00%		
Orange County	$43,271,832,743	100.00%	$625,771,623,832	6.91%

Unified School District	Assessed Valuation in SFID No. 1	% of SFID No. 1	Assessed Valuation of USD	% of Jurisdiction in SFID No. 1
Garden Grove Unified School District	$ 8,200,851,236	18.95%	$28,284,059,971	28.99%
Santa Ana Unified School District	35,070,981,507	81.05	$35,070,981,507	100.00%
Total District	$43,271,832,743	100.00%		

Source: California Municipal Statistics, Inc.

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SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single-Family Homes

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	38,839	$12,843,867,990	$330,695	$304,811

2019-20 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	989	2.546%	2.546%	$ 37,760,773	0.294%	0.294%
$50,000 - $99,999	3,606	9.284	11.831	248,477,814	1.935	2.229
$100,000 - $149,999	1,661	4.277	16.108	211,419,701	1.646	3.875
$150,000 - $199,999	3,032	7.807	23.914	534,849,193	4.164	8.039
$200,000 - $249,999	4,757	12.248	36.162	1,075,952,073	8.377	16.416
$250,000 - $299,999	4,906	12.632	48.794	1,348,681,499	10.501	26.917
$300,000 - $349,999	3,901	10.044	58.838	1,262,402,804	9.829	36.746
$350,000 - $399,999	3,520	9.063	67.901	1,320,592,747	10.282	47.027
$400,000 - $449,999	3,193	8.221	76.122	1,353,961,518	10.542	57.569
$450,000 - $499,999	2,715	6.990	83.112	1,286,461,307	10.016	67.585
$500,000 - $549,999	1,951	5.023	88.136	1,022,299,399	7.959	75.545
$550,000 - $599,999	1,703	4.385	92.520	975,832,955	7.598	83.142
$600,000 - $649,999	1,088	2.801	95.322	677,732,046	5.277	88.419
$650,000 - $699,999	704	1.813	97.134	472,671,369	3.680	92.099
$700,000 - $749,999	374	0.963	98.097	270,220,319	2.104	94.203
$750,000 - $799,999	203	0.523	98.620	156,477,359	1.218	95.421
$800,000 - $849,999	119	0.306	98.926	97,795,029	0.761	96.183
$850,000 - $899,999	62	0.160	99.086	54,053,654	0.421	96.604
$900,000 - $949,999	43	0.111	99.197	39,638,779	0.309	96.912
$950,000 - $999,999	31	0.080	99.277	30,154,588	0.235	97.147
$1,000,000 and greater	281	0.723	100.000	366,433,064	2.853	100.000
Total	38,839	100.000%		$12,843,867,990	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Appeals of Assessed Value; Proposition 8 Reductions

A property owner may appeal a county assessor's determination of assessed value based on Proposition 8, passed by the voters in November 1978 ("Proposition 8"), or based on a challenge to the base year value of that property.

Proposition 8 requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner's belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the county assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal or unilateral reassessment by the county assessor applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the new construction date or change of ownership.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters, such as earthquakes, floods, fire, wildfire, drought or other toxic contamination pursuant to relevant provisions of the State Constitution. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under the State Constitution.

The COVID-19 pandemic has resulted in economic disruption that may cause a general market decline in property values, and therefore affect the assessed value of property, in the Improvement District. For more information on the impact of the COVID-19 pandemic, see APPENDIX A – "THE COLLEGE DISTRICT – Risks Related to COVID-19."

Neither the College District nor the Improvement District can predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the Improvement District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax rate levied upon all property subject to taxation within the Improvement District for the payment of principal of and interest on the Bonds, when due.

California Senate Bill 222

On July 13, 2015, the Governor of the State (the "Governor") signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016, to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance. See "LEGAL MATTERS – Limitations on Remedies; – California Senate Bill SB 222; and – Special Revenues" herein for more information on SB 222.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50 ("Proposition 50"). Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county which is acquired or constructed within five years after the date of the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land's or the improvements' sustain physical damage amounting to more than 50%

of either the land or improvements full cash value immediately prior to the date of the disaster. There is no filing deadline, but the county assessor may only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value:

-if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value;

-if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value;

-if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value;

The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171 ("Proposition 171"). Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (a) only applies to (i) structures that are owned and occupied by property owners as their principal place of residence and (ii) land of a "reasonable size that is used as a site for a residence;" (b) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (c) only applies to replacement property located in a county that adopts an ordinance allowing Proposition 171 transfers; (d) claims must be timely filed within three years of the date of purchase or completion of new construction; and (e) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the dated destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the dated destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the dated destruction.

Effect of Natural Disasters on Assessed Valuations

As referenced under "– Assessed Valuations of the Improvement District" herein, assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters. In recent years, there have been several notable natural disasters in the State. These include drought conditions throughout the State, which led to a State-wide Drought State of Emergency issued in January, 2014, and certain executive orders issued in 2015 and 2016, aiming to reduce water usage in local communities. The drought was declared to have ended in 2017 in most of the

State due to record-level precipitation in late 2016 and early 2017. In addition, major wildfires have occurred in recent years in different regions of the State. Neither the College District nor the Improvement District sustained any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. On September 21, 2018, the Governor signed a number of measures into law addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acres consumed by wildfire in the State would both increase in the future. This report details significant economic impact to the State as a result of these and other natural disasters. The report is publicly available at http://www.climateassessment.ca.gov/. The reference to this internet website is shown for convenience only; the information contained within the website may not be current, has not been reviewed by the College District or the Improvement District and is not incorporated herein by reference.

Neither the College District nor the Improvement District can predict or make any representations regarding the effects that natural disasters, such as fire or wildfire, pandemic or outbreak of infectious disease, drought or extended drought conditions, earthquakes, or other related natural or man-made conditions, have or may have on the value of taxable property within the Improvement District, or to what extent the effects said natural disasters might have on economic activity in the Improvement District or throughout the State. See the heading "– Appeals and Potential Reduction of Assessed Valuations" for more information.

Ad Valorem Property Tax Rates, Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, then a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of the County (the "County Clerk") specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries.

In connection with the recent COVID-19 outbreak, pursuant to Revenue and Taxation Code Section 4985.2, the respective County Treasurer and Tax Collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

On May 6, 2020, Governor Newsom issued Executive Order N-61-20 ("Executive Order N-61-20"), suspending penalties, costs or interest for the failure to pay taxes on property on the secured or unsecured roll, or to pay a supplemental bill, before the date and time such taxes became delinquent, and cancelling penalties, costs, and interest, through May 6, 2021. Executive Order N-61-20 applies to residential real property occupied by the taxpayer, or real property owned and operated by certain qualified small business, and requires that taxes owed on the property in question not be delinquent prior to March 4, 2020 and the taxpayer demonstrate economic hardship or that the failure to pay taxes was due to the COVID-19 pandemic.

The College District cannot predict the level of delinquent property tax payments due to the COVID-19 pandemic or the effect that Executive Order N-61-20 will have on such level of delinquencies, or whether any further action will be taken by the State with respect to property tax payment or deadlines or delinquent payment of property taxes. The College District cannot anticipate how the County will proceed with requests to cancel penalties on late property tax payments or any potential future adjustments to property tax payments related to COVID-19. The College District cannot predict whether future property tax deadlines will remain in effect, the extent of delinquencies and delayed tax collections, or the impact of any such delay or delinquencies on the College District's financial conditions or operations. The County has adopted the Teeter Plan, according to which the County distributes to the Improvement District the amount levied on the secured and supplemental tax rolls, instead of the amount actually collected. The College District cannot confirm that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the Improvement District's share of property tax levies to the Improvement District. See "Tax Levies, Collections and Delinquencies - Teeter Plan and Tax Losses Reserve Fund" herein. However, State law requires the County to levy ad valorem property taxes sufficient to pay debt service on the Bonds when due. If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the College District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

The following table sets forth secured tax charges and delinquencies levied in the Improvement District for fiscal years 2014-15 through 2018-19.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2014-15	$6,825,841.05	$76,308.38	1.12%
2015-16	6,342,327.92	45,256.24	0.71
2016-17	6,601,804.08	48,171.07	0.73
2017-18	6,104,790.28	38,600.29	0.63
2018-19	6,418,564.53	50,180.01	0.78

(1) District's general obligation bond debt service levy. Excludes supplemental property.
Source: California Municipal Statistics, Inc.

The following table sets forth secured tax charges and delinquencies levied in the College District for fiscal years 2014-15 through 2018-19.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2014-15	$41,240,922.37	$286,291.44	0.69%
2015-16	43,396,651.64	296,553.43	0.68
2016-17	45,247,098.21	313,365.89	0.69
2017-18	47,532,744.12	259,937.13	0.55
2018-19	50,267,510.54	332,962.22	0.66

(1) 1% General Fund apportionment. Excludes supplemental roll.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County (the "Board of Supervisors") has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the College District and the Improvement District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. The Teeter Plan does apply to ad valorem property tax levies made to support debt service on the Bonds.

The ad valorem property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan, beginning in the first fiscal year of such levy. The Improvement

District will receive 100% of the ad valorem property taxes levied to pay the Bonds irrespective of actual delinquencies in the collection of the taxes by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the College District and the Improvement District) for which the County acts as the tax-levying or tax-collecting agency.

Tax Rates

Representative tax rate areas (each a "TRA") located within the Improvement District include Tax Rate Area 11-003. The table below shows the total ad valorem tax rates levied by all taxing entities in the TRA during the five-year period from 2015-16 through 2019-20.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

Typical Tax Rates per $100 of Assessed Valuation
TRA 11-003 / 2019-20 Assessed Valuation: $6,890,491,376 [(1)]

	2015-16	2016-17	2017-18	2018-19	2019-20
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Santa Ana Unified School District	.06604	.06377	.06327	.05561	.07300
Rancho Santiago Community College District	.03063	.02999	.03013	.02875	.02818
Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District	.01976	.01946	.02075	.01662	.02360
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	1.11993%	1.11672%	1.11765%	1.10448%	1.12828

(1) 15.92% of the SFID's total assessed valuation.
Source: California Municipal Statistics, Inc.

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Largest Taxpayers

The twenty largest local secured taxpayers in the Improvement District and their assessed valuations for 2019-20 are shown in the following table.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Largest 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total[1]
1.	Irvine Office Towers 1 LLC	Commercial	$ 402,549,757	1.00%
2.	Edwards Lifesciences LLC	Industrial	367,654,316	0.92
3.	Allergan Pharmaceuticals	Industrial	343,280,025	0.86
4.	Irvine Apartment Communities LP	Apartments	313,374,220	0.78
5.	Mainplace Shoppingtown LLC	Commercial	292,273,323	0.73
6.	The Irvine Company	Commercial	282,419,012	0.70
7.	Hancock S-REIT Irvine Corp.	Commercial	273,025,443	0.68
8.	Jacaranda Holdings LLC	Commercial	263,566,686	0.66
9.	GWGG LLC	Commercial	225,436,539	0.56
10.	Newport Gateway Office LLC	Commercial	207,030,306	0.52
11.	Boardwalk Office Associates LLC	Commercial	202,401,567	0.51
12.	HG Newport Owner LLC	Commercial	180,030,000	0.45
13.	Lakeshore Properties LLC	Commercial	174,301,259	0.43
14.	Astoria Central Park West	Residential	160,990,813	0.40
15.	RP/Essex Skyline Holdings LLC	Apartments	144,387,459	0.36
16.	BRE/OC Griffin LLC	Commercial	143,346,414	0.36
17.	First American Title Insurance Co.	Commercial	136,072,485	0.34
18.	SPUS7 Irvine Hotel Owner LP	Commercial	126,713,819	0.32
19.	WJ Newport LLC	Commercial	126,464,066	0.32
20.	Investel Harbor Resorts LLC	Commercial	124,999,244	0.31
	TOTAL		$4,490,316,753	11.21%

(1) 2019-20 Local Secured Assessed Valuation: $40,072,459,491
Source: California Municipal Statistics, Inc.

The more property (by assessed value) which is owned by a single taxpayer within the Improvement District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed above is a name listed on the tax rolls. Neither the College District nor the Improvement District can make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table above.

College District and Improvement District Debt

Prior to delivery of the Bonds, the Improvement District has $166,020,000 outstanding in general obligation indebtedness. Following issuance of the Bonds, there is no remaining unissued Authorization remaining for the Improvement District. See APPENDIX A for information on debt of the College

District and "INTRODUCTION – College District Refunding Bond Issue" for information about certain additional bonds being issued by the College District.

The following table is a statement of the Improvement District's direct and estimated overlapping bonded debt as of July 1, 2020. The debt report is included for general information purposes only. Neither the College District nor the Improvement District has reviewed the debt report for completeness or accuracy or makes any representation in connection therewith.

The debt report below generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Improvement District in whole or in part. Such long-term obligations generally are not payable from revenues of the Improvement District (except as indicated) nor are they necessarily obligations secured by land within the Improvement District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Column 1 in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the Improvement District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the Improvement District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the Improvement District.

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SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2019-20 Assessed Valuation: $$43,271,832,743

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 7/1/20
Metropolitan Water District	1.398%	$ 521,454
Rancho Santiago Community College District	52.967	116,614,286[(1)]
Rancho Santiago Community College District School Facilities Improvement District No. 1	100.	166,020,000[(2)]
Garden Grove Unified School District	28.995	116,924,454
Santa Ana Unified School District	100.	285,682,392
Irvine Ranch Water District, I.D. Nos. 113 and 213	4.332	1,132,097
Santa Ana Unified School District Community Facilities District No. 2004-1	100.	6,865,000
City of Irvine Community Facilities District No. 2004-1	100.	17,250,000
California Statewide Communities Development Authority Community Facilities District No. 2018-3	100.	8,300,000
City 1915 Act Bonds	0.660-100.	1,788,723
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$721,098,406
OVERLAPPING GENERAL FUND DEBT:		
Orange County General Fund Obligations	6.915%	$ 26,743,417
Orange County Pension Obligation Bonds	6.915	32,283,629
Orange County Board of Education Certificates of Participation	6.915	894,110
Santa Ana Unified School District Certificates of Participation	100.	62,467,085
City of Anaheim General Fund Obligations	0.328	1,720,143
City of Garden Grove General Fund Obligations	27.115	6,035,799
City of Santa Ana General Fund Obligations	85.809	25,551,775
Other City General Fund Obligations	Various	6,821,235
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$162,517,193
Less: City of Anaheim supported obligations		1,720,143
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$160,797,050
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agency to Garden Grove Redevelopment Agency	40.575%	$24,998,258
Successor Agency to Santa Ana Redevelopment Agency	89.164	61,951,147
Other Redevelopment Successor Agencies	Various	3,875,160
TOTAL OVERLAPPING TAX INCREMENT DEBT		$90,824,565
GROSS COMBINED TOTAL DEBT		$974,440,164[(3)]
NET COMBINED TOTAL DEBT		$972,720,021

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($166,020,000)	0.38%
Total Direct and Overlapping Tax and Assessment Debt	1.67%
Gross Combined Total Debt	2.25%
Net Combined Total Debt	2.25%

Ratios to 2018-19 Redevelopment Incremental Valuation ($8,843,198,240):

Total Overlapping Tax Increment Debt	1.03%

(1) Excludes the College District Refunding Bonds.
(2) Excludes the Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Bonds.

Neither the College District nor the Improvement District has sought and neither will seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term ''U.S. Holder'' means a beneficial owner of the Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Bonds.

Taxation of Interest Generally

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Bonds. In general, interest paid on the Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the

U.S. Holder's adjusted tax basis in the Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, the IRS issued proposed regulations which provide that, with the exception of certain fees, the rule in section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of these rules and their impact on the timing of the recognition of income related to the Bonds under the Code.

Market Discount

A holder who purchases a Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Bond for the days during the taxable year on which the holder held the Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally" above. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Bonds under the Code.

Bond Premium

A holder of a Bond who purchases such Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Bonds held by the holder on the first day of the taxable year to which the election applies and to all Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Bonds who acquire such Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Bonds.

Surtax on Unearned Income

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of the Bonds

A bondholder's adjusted tax basis for a Bond is the price such holder pays for the Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Bond is held as a capital asset (except in the case of Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued," or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Bond under the defeasance provisions of the Resolution could result in a deemed sale or exchange of such Bond.

EACH POTENTIAL HOLDER OF BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE BONDS, AND (2) THE CIRCUMSTANCES IN WHICH BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the Improvement District or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the Improvement District, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Improvement District (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Improvement District, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Bonds must certify to the Improvement District or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Improvement District or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Bonds , FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Bonds shall have no recourse against the Improvement District or the College District, nor will the Improvement District or the College District be obligated to pay any additional amounts to "gross up" payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of "withholdable payment" for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Bonds are outstanding, the Improvement District, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit-sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Improvement District, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Improvement District, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "—Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the Improvement District nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following:

- a U.S. person;
- a controlled foreign corporation for U.S. tax purposes;
- a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

State Taxes

Bond Counsel is of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond counsel expresses no opinion as to other State, city, or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any jurisdiction other than California.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("Similar Laws") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Improvement District were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Improvement District would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an "equity interest" in the Improvement District and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Bonds, including the reasonable expectation of purchasers of Bonds that the Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Improvement District or the Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving "adequate consideration" with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate's) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Improvement District, the Underwriter or any of their respective affiliates may receive certain benefits in connection with the sale of the Bonds, the purchase of the Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Bonds using plan assets of a Benefit Plan should consult with its counsel if the Improvement District or the Underwriter or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

LEGAL OPINION

The legal opinion of Bond Counsel attesting to the validity and tax status of the Bonds will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATINGS

S&P Global Ratings ("S&P") and Moody's Investors Service ("Moody's" and, together with S&P, the "Rating Agencies") have assigned their municipal bond ratings of "AA" and "Aa2" to the Bonds, respectively. The College District and the Improvement District have furnished to the Rating Agencies certain materials and information with respect to themselves and the Bonds, including information not included in this Official Statement, about the College District, the Improvement District and the Bonds. Generally, a rating agency bases its rating on such information and materials and on its own investigations, studies and assumptions. Such ratings reflect only the view of S&P and Moody's, respectively, and an explanation of the significance of such ratings may be obtained as follows: S&P, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553 0300 and Moody's, at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. A rating may be changed, suspended, or withdrawn as a result of changes in or unavailability of information. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. The Improvement District has not undertaken any responsibility to bring to the attention of the Owners of the Bonds any proposed revision or withdrawal of a rating on the Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Continuing Disclosure

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the College District will enter into a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the Improvement District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" hereto.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX B, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the College District and the Improvement District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against college and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes community college districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

California Senate Bill 222

On July 13, 2015, the Governor signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts.

SB 222, applicable to general obligations bonds issued after its effective date, such as the Bonds, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future ad valorem property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the Improvement District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the financing of specific capital projects and are supported by a consensual lien on ad valorem property taxes that are use-restricted to the repayment of the Bonds, the College District and the Improvement District believe that those taxes are "special revenues" as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Bonds likely would continue under 11 U.S.C. § 922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the Improvement District were to become a debtor in a Chapter 9 proceeding, the Improvement District believes that: the ad valorem property taxes could not be used for any other purpose other than repayment of the Bonds; the ad valorem property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Bonds would ordinarily continue to be paid post-petition; and the ad valorem property taxes are also protected by a statutory lien in favor of the bondholders. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of ad valorem property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise. If the Improvement District were to become a debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the Improvement District (including ad valorem tax revenues), or to enforce any obligation of the Improvement District, without the bankruptcy court's permission. It is also possible that the bankruptcy court may not enforce the State law use restriction imposed on ad valorem property taxes.

Even if the ad valorem property tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the Improvement District is entitled to use the ad valorem property tax revenues to pay necessary operating expenses of the

College District and its colleges, before the remaining revenues are paid to the owners of the Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the "Plan") in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the Bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Resolution and the Act require the County to annually levy ad valorem taxes upon all property subject to taxation by the Improvement District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of, premium, if any, and interest on the Bonds. The County on behalf of the Improvement District is thus expected to be in possession of the annual ad valorem taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX F – "ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE" herein. In the event the Improvement District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the Improvement District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the Owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

UNDERWRITING

Piper Sandler & Co. (the "Underwriter"), has agreed to purchase the Bonds from the Improvement District at the purchase price of $48,136,532.50 (being the principal amount of the Bonds, less Underwriter's discount of $188,467.50), at the rates and yields shown on the inside cover hereof.

The following paragraphs in this "Underwriting" section have been provided by the Underwriter. Neither the College District nor the Improvement District can or do make any representation as to the accuracy or the completeness thereof.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds. Neither the College District nor the Improvement District is aware of any litigation that is pending or threatened questioning the political existence of the College District or the Improvement District or their boundaries or contesting the Improvement District's ability to receive ad valorem taxes or to collect other revenues or contesting the Improvement District's ability to issue the Bonds. The College District is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the College District, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the College District or the Improvement District.

VERIFICATION

On the date of delivery of the Bonds, the firm of Causey Demgen & More P.C., a firm of certified public accountants, will deliver its report regarding the sufficiency of amounts and investments on deposit in the Escrow Fund to pay the interest on and redemption price of the Refunded Bonds, when due.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") is employed as Municipal Advisor to the Improvement District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Fieldman, Rolapp & Associates, Inc., in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bond, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Vice Chancellor, Business Operations/Fiscal Services, Rancho Santiago Community College District, 2323 N. Broadway, Santa Ana, California 92706-1640.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Improvement District and the purchasers or owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Rancho Santiago Community College District, acting as the legislative body for the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District.

SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

By: /s/ Marvin Martinez
Chancellor of Rancho Santiago Community College District

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APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE COLLEGE DISTRICT

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APPENDIX A

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATING TO THE COLLEGE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the Rancho Santiago Community College District (the "College District"), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the College District's financial condition. The College District does not receive ad valorem tax revenues collected by Orange County (the "County") to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the California Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the debt service fund of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District"). The Bonds are and will continue to be payable solely from ad valorem taxes levied and collected by the County within the boundaries of the Improvement District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Any financial information, including projections, forecasts and budgets presented herein, does not account for potential effects of COVID-19, unless specifically referenced.

This Appendix A provides information concerning the operations and finances of the College District. The Bonds are general obligation bonds of the Improvement District, secured and payable from ad valorem property taxes assessed on taxable properties within the Improvement District. The Bonds are not an obligation of the County, the State of California (the "State") or any of its other political subdivisions or of the General Fund of the College District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the forepart of this Official Statement.

THE COLLEGE DISTRICT

College District General Information

The College District was established in 1971. The College District encompasses approximately 193 square miles in the County. The College District maintains two comprehensive community colleges, each providing collegiate level instruction across a wide spectrum of subjects. Santa Ana College, founded in 1915, is located in Santa Ana and Santiago Canyon College, founded in 1997, is located in Orange. The College District also provides comprehensive college and continuing education programs at the Centennial Continuing Education Center, the Orange Continuing Education Center, the Santa Ana College Orange County Sheriff's Regional Training Academy, the Digital Media Center, the Orange County Regional Fire Training Center, and various other sites throughout the College District. The College District serves a resident population of over 700,000, and includes portions of Santa Ana, Orange, Anaheim, Irvine, Garden Grove, Tustin, Villa Park, Costa Mesa, and Fountain Valley.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the College District. Additional information concerning the College District and copies of the most recent and subsequent audited financial statements of the College District may be obtained by contacting: Rancho Santiago Community College District, 2323 N. Broadway, Santa Ana, California 92706-1640, Attention: Peter Hardash, Vice Chancellor, Business Operations/Fiscal Services.

The Improvement District

On July 21, 2008, the Improvement District was established by the Board (defined below) pursuant to its Resolution 08-22 and Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code. The Improvement District encompasses approximately 35 square miles, representing approximately 18.1% of the area of the College District.

College District Organization

The College District is governed by an eight-member Board of Trustees (the "Board"), seven members of which are elected to four-year terms on a staggered basis, with one student trustee. Elections for positions to the Board are held every two years, alternating between three and four available positions. A student trustee, who serves a one-year term, is elected by College District students. Current members of the Board, together with their offices and the dates their terms expire, are listed below.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES

Name	Office	Term Expires
Claudia C. Alvarez	President	December 2020
Phillip Yarbrough	Vice President	December 2022
Arianna P. Barrios	Clerk	December 2020
Zeke Hernandez	Member	December 2020
John R. Hanna	Member	December 2022
Lawrence R. Labrado	Member	December 2022
Vacant	Member	N/A
Mariano Cuellar	Student Trustee	May 2021

The Chancellor of the College District is appointed by the Board and reports to the Board. The Chancellor is responsible for management of the College District's day-to-day operations and supervises the work of other key administrators.

Brief biographies of the Chancellor and certain key administrators follow:

Mr. Marvin Martinez, Chancellor. Mr. Martinez was appointed as Chancellor of the College District effective July 1, 2019. Immediately prior to joining the College District, Mr. Martinez served as President of East Los Angeles College, following a term as President of Los Angeles Harbor College. He has 30 years of community college experience and recently served as the Board President of the Chief Executive Officers for California Community Colleges. Mr. Martinez holds a Master of Arts in Urban Planning and a Bachelor of Arts in English from the University of California, Los Angeles.

Mr. Peter J. Hardash, Vice Chancellor, Business Operations/Fiscal Services. Mr. Hardash was appointed Vice Chancellor, Business Operations/Fiscal Services of the College District in July 2006. Prior to working with the College District, he was Vice President of Administrative Services at Pasadena City College and Vice President of Business Services at Cerritos College. He has spent 38 years in public education. Mr. Hardash holds a Master's Degree in Business Administration from Pepperdine University and a Bachelor's Degree in Business Administration from Loyola Marymount University.

Mr. Enrique Perez, Vice Chancellor, Educational Services. Mr. Perez has worked for the College District since 2000 and currently serves as the Vice Chancellor of Educational Services with responsibilities that include resource development, research, workforce development, child development, and public and governmental affairs. Mr. Perez received his Bachelors in Political Science and Masters in Public Administration from the University of Southern California and his Juris Doctorate from Whittier Law School.

Ms. Tracie Green, Vice Chancellor, Human Resources. Ms. Green was appointed to the position of Vice Chancellor of Human Resources in June, 2018 with responsibilities that include labor negotiations, employee recruitment, selection, discipline, fringe benefit administration and risk management. Immediately prior to joining the College District, she served as the Director of Human Resources for Merced Community College District. Ms. Green holds a Master of Arts in Education Administration and Supervision and a Bachelor of Arts in Biological Sciences from California State University, Fresno.

Dr. Marilyn Flores, Ph.D, Interim President, Santa Ana College. Dr. Flores was appointed Interim President of Santa Ana College in July 2020 and has served for over 20 years in the California community colleges. Most recently, Dr. Flores served as vice president of academic affairs at Santiago Canyon College, where she oversaw four academic divisions and was the Chief Instructional Officer (CIO) and the Accreditation Liaison Officer (ALO). Formerly, Dr. Flores held the position of Dean, Arts, Humanities, Social Sciences and Library at Santiago Canyon College. Prior to joining the College District, she served as Dean, Arts, Letters and Social Sciences at Las Positas College, after holding various positions at Riverside City College from 2004 to 2012. Dr. Flores earned a Ph.D. in Institutional Leadership and policy studies from the University of California, Riverside; a master of arts degree in education with a Bilingual Cross-cultural Language in Academic Development (BCLAD) teaching credential from the University of California, Los Angeles; and a bachelor's degree in liberal studies with a concentration in education and Spanish at the University of California, Riverside.

Mr. Jose Vargas, Interim President, Santiago Canyon College. Mr. Vargas was appointed Interim President of Santiago Canyon College on July 13, 2020. Mr. Vargas previously served as the Vice President of Continuing Education at SCC since 2005. In this role, he has provided leadership, oversight and support for all functions within the division, including the planning and delivery of free-tuition adult education classes, student support, facilities and local and state advocacy on issues related to adult education. In total, he has more than 27 years serving in education, five as an instructor and 22 years in administration. Mr. Vargas earned a master of arts degree in educational administration and a bachelor of science degree in business administration with an emphasis in computer information systems from California State University, Dominguez Hills. He also holds an associate in arts degree in liberal arts from East Los Angeles College and an associate of applied sciences degree in electronics engineering technology from ITT Technical Institute.

Labor Relations

As of June 30, 2020, the College District employed 368 full-time academic professionals, 505 full-time classified employees, 34 full-time child development teachers and 144 managers. In addition, the College District employs 3,051 part-time faculty and staff, including 627 unrepresented employees. These employees, except management and certain unrepresented employees, may be represented by four bargaining units at the employees' discretion as noted below.

The College District cannot predict the impact of any potential forthcoming requests for hazard payments for essential employees or any other additional labor costs resulting from the COVID-19 pandemic.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Labor Relations Organizations

Labor Organization	Number of Employees	Contract Expiration Date
Faculty Association of Rancho Santiago Community College District	368 Full Time 1,525 Part-Time	June 30, 2022
California School Employees Association Chapter 579	505 Full-Time 342 Part-Time	June 30, 2022
Continuing Education Faculty Association	557 Part-Time	December 31, 2020
California School Employees Association, Chapter 888 (Child Development Centers Teachers)	34 Full-Time	June 30, 2020(1)

(1) Employees continue to work under the terms of the expired contract.

Insurance

Joint Powers Authority Risk Pools. The College District participates in two joint powers agreement entities: the Alliance of Schools for Cooperative Insurance Programs ("ASCIP") and Schools Excess Liability Fund ("SELF") (each, a "JPA" and together, the "JPAs").

ASCIP arranges for and provides property, liability, health benefit programs and workers' compensation insurance for its member school districts and community college districts. The College District pays a premium commensurate with the level of coverage requested. SELF arranges for and provides a self-funded or additional insurance for excess liability for approximately 800 public educational agencies.

ASCIP is governed by an elected board consisting of regional representatives from each member district. The governing board controls the operations of its JPA independent of any influence by the College District beyond the College District's representation on the governing boards. 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.

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 participations in the JPAs.

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

Self-Insurance Fund. The College 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 disaster; medical claims, auto claims and cyber liability claims. During the fiscal year, the College District maintained an internal service fund (the "Self-Insurance Fund") to account for and finance its uninsured risks of loss. The Self-Insurance Fund provides Self Insured Retention coverage for up to a maximum of $25,000 for each general liability claim, $10,000 for each property damage claim, $1,500 for auto claims and $5,000 for cyber claims. Workers' Compensation has insured coverage with a $150,000 Self-insured Retention. The College District participates in the JPAs to provide excess insurance coverage above the self-insured level for worker's compensation, property and liability claims, auto claims and cyber liability claims. Settled claims have never exceeded the coverage provided by the JPA.

Funding of the Self-Insurance Fund is based on estimates of the amounts needed to pay prior year claims and current year premiums. Workers' Compensation claims are charged to the respective funds which are covered by the current year policy; Property and Liability claims are paid by the General Fund.

At June 30, 2019, the College District accrued its claims liability in accordance with GASB Statement No. 10, for claims that occurred when the College District was self-insured. The amount of open claims liability is currently estimated at $400,000.

Changes in this reported liability are shown below:

	Workers' Compensation	Property and Liability
Liability Balance, June 30, 2016	$ 400,000	$ –
Claims and changes in estimates	39,510	38,354
Claims payments	(39,510)	(38,354)
Liability Balance, June 30, 2017	$ 400,000	$ –
Claims and changes in estimates	48,759	160,473
Claims payments	(48,759)	(160,473)
Liability Balance, June 30, 2018	$ 400,000	–
Claims and changes in estimates	261,819	(65,041)
Claims payments	(261,819)	65,041
Liability Balance, June 30, 2019[1]	$ 400,000	–
Claims and changes in estimates[1]	287,511	(62,969)
Claims payments[1]	(287,511)	62,969
Liability Balance, June 30, 2020[1]	$ 400,000	–
Assets Available to Pay Claims at June 30, 2020[1]	$3,286,450	$5,558,150

[1] Estimated.
Source: The College District.

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College District Enrollment

The table below sets forth the enrollment for funded Full-Time Equivalent Students ("FTES") for the College District for fiscal years 2015-16 through 2019-20 and projected FTES for fiscal year 2020-21.

RANCHO SANTIAGO COMMUNITY COLLEGE STUDENTS
Full-Time Equivalent Students

Fiscal Year	FTES[(1)]	Increase (Decrease) From Prior Year
2015-16	28,901	(7)
2016-17	27,517	(1,384)
2017-18	29,379	1,862
2018-19	25,925	(3,454)
2019-20[(2)]	27,023	1,098
2020-21[(3)]	27,023	0

(1) Funded FTES figures include California resident ("Resident") students. The College District receives apportionment from the State only for Resident students. Non-resident students are charged a higher fee per unit than Resident students, which income is independent and not subject to apportionment nor deduction by the State.
(2) Estimated.
(3) Projected.
Source: The College District.

The College District had no unfunded FTES for fiscal year 2019-20 and expects to have no unfunded FTES for fiscal year 2020-21. In 2016-17, the College District declined by 1,384 FTES and went into stabilization. The College District fully restored FTES in 2017-18 by shifting FTES from summer 2018 and therefore shows a decline in 2018-19. The College District expects enrollment to remain flat over the next several years, with no unfunded FTES.

The table below sets forth the historical total student enrollment in the College District for the fiscal years 2015-16 through 2019-20 and projected enrollment for fiscal year 2020-21.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Historical Enrollment

Fiscal Year	Total Enrollment
2015-16	94,027
2016-17	92,516
2017-18	91,579
2018-19	89,818
2019-20	86,168
2020-21[(1)]	86,168

(1) Projected.
Source: The College District.

Population

The populations of the City of Orange, the City of Santa Ana (collectively, the "Cities"), the County and the State during the period from 2016 through 2020 are set forth in the following table.

Population Figures[1]
2016 through 2020

Year	City of Santa Ana	City of Orange	County of Orange	State of California
2016	339,997	140,761	3,172,152	39,189,035
2017	337,843	140,981	3,198,968	39,500,973
2018	339,192	141,116	3,213,275	39,740,508
2019	337,639	140,410	3,192,987	39,695,376
2020	335,052	140,065	3,194,332	39,782,870

(1) As of January 1 of the respective year.
Source: California State Department of Finance.

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Employment

The following chart compares labor force, employment, civilian employment and the unemployment rate in the Cities, County and the State of California during the period from 2015 through 2019. However, the 2020-21 State Budget recognizes a significant increase in unemployment claims in the State related to the COVID-19 pandemic, as described in " - Fiscal Year 2020-21 State Budget" herein.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Santa Ana, City of Orange, Orange County and the State of California
Yearly Average for Years 2015 through 2019

Year and Area	Labor Force	Civilian Employment	Civilian Unemployment	Unemployment Rate (%)
2015				
City of Santa Ana	158,000	149,900	8,100	5.1
City of Orange	71,900	68,900	3,000	4.2
County of Orange	1,588,700	1,518,000	70,700	4.4
State of California	18,893,200	17,723,300	1,169,900	6.2
2016				
City of Santa Ana	157,400	150,800	6,500	4.1
City of Orange	72,200	69,300	2,900	4.0
County of Orange	1,598,800	1,534,100	64,700	4.0
State of California	19,044,500	18,002,800	1,041,700	5.5
2017				
City of Santa Ana	157,500	151,800	5,700	3.6
City of Orange	72,300	69,800	2,500	3.4
County of Orange	1,609,800	1,553,400	56,400	3.5
State of California	19,205,300	18,285,500	919,800	4.8
2018				
City of Santa Ana	158,900	154,200	4,700	3.0
City of Orange	73,100	70,900	2,100	2.9
County of Orange	1,625,400	1,577,900	47,500	2.9
State of California	19,398,200	18,582,800	815,400	4.2
2019				
City of Santa Ana	158,400	153,800	4,600	2.9
City of Orange	72,500	70,500	2,000	2.7
County of Orange	1,623,400	1,578,300	45,100	2.8
State of California	19,411,600	18,627,400	784,200	4.0

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

Principal Employers

The following table lists the top ten employers in the City of Santa Ana.

CITY OF SANTA ANA
Principal Employers
2019

	Employer	Number of Employees
1.	County of Orange	20,197
2.	Santa Ana Unified School District	5,000
3.	Santa Ana College	3,346
4.	KPC Healthcare	1,748
5.	First American Title Co.	1,631
6.	City of Santa Ana	1,439
7.	United States Postal Service	1,172
8.	Superior Court of CA-County of Orange	763
9.	Aluminum Precision Products	710
10.	Johnson & Johnson	600

Source: City of Santa Ana.

The following table lists the top ten employers in the City of Orange.

CITY OF ORANGE
Principal Employers
2019

	Employer	Number of Employees
1.	UCI Medical Center	4,800
2.	CHOC Children's Hospital	3,500
3.	St. Joseph Hospital of Orange	2,900
4.	Chapman University	1,235
5.	Santiago Canyon College	950
6.	CalOptima Health Plans	930
7.	American Advisors Group (AAG)	869
8.	Western Dental Services, Inc.	730
9.	City of Orange	729
10.	AECOM Technology Corp.	541

Source: City of Orange.

College District and Improvement District Investments

The Treasurer-Tax Collector (the "Treasurer") of the County manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts, and some cities within the State. State law generally requires that all moneys of the County, school and community college districts and certain special districts be held in the County's Treasury Pool. See "THE BONDS – Permitted Investments."

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. See Appendix F – "ORANGE COUNTY EDUCATIONAL INVESTMENTS POOL DISCLOSURE."

Revenue Limits

The State provides the largest percentage of the College District's revenues, based on certain formulas. All State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to the districts. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues" herein.

Funding of a community college district's revenue limit is accomplished by a mix of (1) local property taxes, (2) State apportionments of basic aid and (3) student enrollment fees. Generally, the State apportionments amount to the difference between the community college district's revenue limit and its local property tax revenues and student enrollment fees.

Article XIIIA of the California Constitution and other legislation permit each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness), and prescribe how levies on county-wide property values were to be shared with local taxing entities within each county.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted for non-payment on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the Treasurer. For additional details on property tax levies and collections, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Ad Valorem Property Taxes, Tax Rates, Levies, Collections and Delinquencies" herein.

Expenditures

Funding of the above revenue limits is accomplished by a mix of local property taxes and State aid. Since the passage of Article XIIIA of the California Constitution in 1978, property taxes received by the College District have been limited to the College District's share of one percent of the full cash value collected by the County. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" and "CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES" herein.

As noted in the financial statements included and attached as APPENDIX C, the College District's major expenditures each year are employee salaries and benefits.

Financial Statements of the College District

The College District's General Fund finances the legally authorized activities of the College District. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the College District's financial statements follows. The College District's audited financial statements for fiscal year 2017-18 are attached hereto as APPENDIX C.

The College District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board.

Funds and Account Groups used by the College District are categorized as follows:

Governmental Funds
General Fund
Special Revenue Fund
Debt Service Funds
Internal Service Funds
Fiduciary Funds
Capital Projects Funds

The General Fund of the College District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the College District and restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the College District using information from the annual financial report which are prepared by the Director of Fiscal Services for the College District and audited by independent certified public accountants each year.

Budgets of College District

The fiscal year of the College District begins on the first day of July of each year and ends on the 30th day of June of the following year. On or before July 1 of each year, the College District adopts a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The College District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The Chancellor of California Community Colleges (the "State Chancellor") imposes a uniform budgeting format for each community college district in the State.

College District Finances

The following pages describe the College District's audited financial results for the fiscal years 2015-16 through 2018-19, as well as a comparison of the adopted general fund budget to audited actuals for fiscal years 2016-17 through 2018-19, unaudited estimated actuals for 2019-20 and the tentative general fund budget for fiscal year 2020–21. The College District is expected to adopt its final budget for fiscal year 2020–21 on or about October 12, 2020.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
Fiscal Years 2015–16 through 2018–19

	Fiscal Year 2015–16	Fiscal Year 2016–17	Fiscal Year 2017–18	Fiscal Year 2018–19
OPERATING REVENUES				
Tuition and fees (gross)	$28,652,585	$31,494,782	$26,900,937	$29,067,982
Less: Scholarship discounts and allowances	(14,613,331)	(17,017,217)	(12,315,178)	(14,417,864)
Net tuition and fees	14,039,254	14,477,565	14,585,759	14,650,118
Grants and contracts, non-capital		91,667,796	101,004,584	95,520,217
Other Operating Revenues	782,543	6,145,050	5,729,488	5,350,171
TOTAL OPERATING REVENUES	14,821,797	112,290,411	121,319,831	115,520,506
OPERATING EXPENSES				
Salaries	118,339,127	126,728,087	130,216,115	138,794,443
Employee benefits	46,701,520	56,822,875	66,551,929	69,477,047
Supplies, materials, and other operating expenses and services	42,040,669	60,862,544	73,060,017	76,741,728
Transfer to agency funds				
Student financial aid	26,363,864	26,406,257	30,126,114	30,261,162
Equipment, maintenance, and repairs	7,990,065			7,642,370
Utilities		3,044,341	3,191,489	
Depreciation	18,511,753	18,083,453	17,812,097	17,808,084
TOTAL OPERATING EXPENSES	259,946,998	291,947,557	320,957,761	340,724,834
OPERATING INCOME (LOSS)	(245,125,201)	(179,657,146)	(199,637,930)	(225,204,328)
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	86,240,268	82,863,325	75,818,550	83,596,488
Local property taxes, levied for general purposes	63,038,387	71,909,721	85,972,908	81,420,316
Taxes levied for other specific purposes				31,025,282
Federal grants	34,961,432			23,535,989
State grants	42,123,488			5,074,270
State taxes and other revenues	23,301,212	9,860,734	7,433,052	8,352,303
Investment income	1,654,221	1,356,918	2,354,579	7,065,808
Interest expense on capital asset related debt	(17,652,039)	(13,689,204)	(13,245,119)	(14,380,005)
Investment income on capital asset-related debt, net	119,317			325,526
Transfer to/from fiduciary funds	(344,403)	578,312	(554,532)	(52,100)
Loss on disposal of capital assets	(33,341)			(320,101)
Other non-operating revenues	11,325,769	4,450,406	4,449,678	2,642,678
TOTAL NON-OPERATING REVENUES (EXPENSES)	244,734,311	157,330,212	162,229,116	228,286,454
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(390,890)	(22,326,934)	(37,408,814)	3,082,126
OTHER REVENUES, EXPENSES, GAINS AND LOSSES				
State apportionments, capital	3,456,437	3,257,909	2,240,057	1,325,755
Local property taxes and revenues, capital		29,533,832	32,053,076	
Interest and investment income, capital		805,477	1,678,576	
Loss on disposal of equipment			(235,340)	
Local revenues, capital	28,160,244	147,612	2,715	3,676,408
TOTAL OTHER REVENUES, EXPENSES, GAINS AND LOSSES	31,616,681	33,744,830	35,739,084	5,002,163
CHANGE IN NET POSITION	31,225,791	11,417,896	(1,669,730)	8,084,289
NET POSITION, BEGINNING OF YEAR	26,320,576	57,546,368	68,964,264	(23,945,371)
Cumulative effect of change in accounting principles[1]			(91,239,905)	
Net position, beginning of year, after restatement[1]			(22,275,641)	
NET POSITION, END OF YEAR	$57,546,367	$68,964,264	$(23,945,371)	$(15,861,082)

Source: The College District.
[1] The College District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pension, which resulted in the restatement of the beginning net position.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
Comparison of Adopted General Fund Budgets for Fiscal Years 2017-18, 2018-19 and 2019-20,
Audited Actuals for Fiscal Years 2017-18 and 2018-19, Unaudited Estimated Actuals for Fiscal Year 2019-20 and
Tentative Budget for Fiscal Year 2020-21

	2017-18 Adopted Budget	2017-18 Audited Actuals	2018-19 Adopted Budget	2018-19 Audited Actuals	2019-20 Adopted Budget	2019-20 Unaudited Estimated Actuals	2020-21 Tentative Budget
REVENUES:							
Federal	$ 8,041,791	$ 8,514,455	$ 8,896,895	$ 9,495,922	$ 8,475,002	$ 8,455,064	$ 9,053,049
State	168,570,124	139,684,141	224,475,529	180,362,519	260,851,118	321,283,387	285,225,947
Local	90,008,886	99,949,142	102,507,893	99,665,227	106,065,041	107,097,773	104,981,959
TOTAL REVENUES	266,620,801	248,147,738	335,880,317	289,523,668	375,391,161	436,836,224	399,260,955
EXPENDITURES:							
Academic Salaries	78,673,939	79,501,818	77,813,903	83,948,406	80,664,098	86,423,312	86,919,672
Classified Salaries	47,646,275	44,410,033	49,369,540	48,516,686	51,612,232	51,612,332	58,624,659
Employee Benefits	63,416,065	62,073,367	66,072,591	73,108,129	75,932,432	75,932,432	84,104,682
Supplies and Materials	4,659,201	3,245,208	5,426,110	4,073,361	4,684,967	4,684,967	4,096,465
Other Operating Expenses & Services	69,563,038	42,334,552	130,225,236	65,106,594	162,752,327	210,786,321	164,125,299
Capital Outlay	6,578,523	7,719,088	4,818,351	5,773,766	4,734,641	4,435,024	2,916,888
TOTAL EXPENDITURES	270,537,041	239,284,066	333,725,731	280,526,942	380,380,697	433,874,388	400,787,665
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,916,240)	8,863,672	2,154,586	8,996,726	(4,989,536)	2,961,836	(1,517,710)
NET OTHER FINANCING SOURCES (USES)	5,000	9,143	5,000	19,820	5,000	39,189	5,000
OTHER OUTGO	(2,710,216)	(6,485,521)	(5,063,923)	(7,947,954)	(5,504,928)	(7,593,331)	(5,725,530)
CHANGE IN FUND BALANCE	(6,621,456)	2,387,294	(2,904,337)	1,068,592	(7,342,720)	(4,592,306)	(7,247,240)
BEGINNING FUND BALANCE JULY 1	$ 38,884,499	$ 38,884,499	$ 41,271,793	$ 41,271,793	$ 42,340,385	$ 42,340,385	$ 37,748,079
ENDING FUND BALANCE JUNE 30	$ 32,263,043	$ 41,271,793	$ 38,367,456	$ 42,340,385	$ 34,997,665	$ 37,748,079	$ 30, 500,839

Source: The College District.

District Debt

The College District's general obligation indebtedness as of July 1, 2020, was $220,164,038, which was approximately 0.27% of its total 2019-20 assessed valuation. No additional series of bonds may be issued by the College District as of the date hereof, except for refunding bonds. The general obligation bonds of the College District are not secured on a parity with the Bonds. See "INTRODUCTION – College District Refunding Bond Issue" for more information about certain potential debt issues by the College District. Below is the College District's consolidated debt service schedule after the issuance of the Bonds and the College District Refunding Bonds.

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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
AND
SANTA ANA COLLEGE IMPROVEMENT DISTRICT NO. 1 OF RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
General Obligation Bonds – Consolidated Debt Service Schedule

Year Ending September 1	Series B Bonds	2005 Refunding Bonds	Series C Bonds	2011 Refunding Bonds	2012 Refunding Bonds*	2013 Refunding Bonds*	SFID No. 1 2014 Series A Bonds**	SFID No. 1 2017 Series B Bonds	SFID No. 1 2019 Series C Bonds	College District Refunding Bonds	Bonds	Total Annual Debt Service
2021	$ 3,367,050.00	$ 7,481,475.00	–	$ 233,500.00	$4,605,000.00	$ 5,940,200.00	$ 661,512.50	$ 3,087,800.00	$ 4,561,550.00	$ 3,115,751.57	$ 1,830,966.16	$ 34,884,805.23
2022	3,512,050.00	5,824,462.50	–	4,903,500.00	4,810,000.00	3,108,400.00	734,512.50	2,923,050.00	4,529,150.00	3,107,156.66	1,484,455.66	34,936,737.32
2023	3,667,050.00	2,825,962.50	–	–	–	12,001,600.00	813,012.50	3,009,050.00	3,108,750.00	8,124,166.90	2,716,509.16	36,266,101.06
2024	3,837,050.00	–	$ 2,620,000.00	–	–	–	891,512.50	3,103,550.00	3,205,750.00	21,163,415.40	3,281,906.90	38,103,184.80
2025	4,007,050.00	–	–	–	–	–	224,762.50	3,195,800.00	3,301,550.00	24,518,572.20	4,109,905.30	39,357,640.00
2026	1,847,050.00	–	–	–	–	–	224,762.50	3,290,550.00	3,403,450.00	27,752,669.10	4,243,976.90	40,762,458.50
2027	1,847,050.00	–	19,150,000.00	–	–	–	224,762.50	3,392,300.00	3,507,050.00	10,600,964.10	4,382,308.20	43,104,434.80
2028	19,142,050.00	–	14,630,000.00	–	–	–	224,762.50	3,495,300.00	3,608,450.00	–	4,533,149.00	45,633,711.50
2029	19,705,681.26	–	15,255,000.00	–	–	–	224,762.50	3,597,300.00	3,717,450.00	–	4,685,151.00	47,185,344.76
2030	–	–	36,190,000.00	–	–	–	224,762.50	3,702,300.00	3,828,450.00	–	4,846,071.00	48,791,583.50
2031	–	–	31,785,000.00	–	–	–	1,844,762.50	3,814,900.00	3,947,050.00	–	3,379,471.00	44,771,183.50
2032	–	–	–	–	–	–	1,946,162.50	3,929,500.00	4,061,650.00	–	3,443,703.00	13,381,015.50
2033	–	–	–	–	–	–	2,048,062.50	4,050,700.00	4,183,200.00	–	3,507,228.50	13,789,191.00
2034	–	–	–	–	–	–	2,155,312.50	4,172,900.00	4,308,300.00	–	3,570,986.00	14,207,498.50
2035	–	–	–	–	–	–	–	4,296,250.00	4,441,650.00	–	5,168,326.00	13,906,226.00
2036	–	–	–	–	–	–	–	4,423,150.00	4,572,800.00	–	–	8,995,950.00
2037	–	–	–	–	–	–	–	4,553,300.00	4,711,600.00	–	–	9,264,900.00
2038	–	–	–	–	–	–	–	4,691,400.00	4,852,600.00	–	–	9,544,000.00
2039	–	–	–	–	–	–	–	4,832,200.00	4,995,500.00	–	–	9,827,700.00
2040	–	–	–	–	–	–	–	4,976,000.00	–	–	–	4,976,000.00
2041	–	–	–	–	–	–	–	5,127,200.00	–	–	–	5,127,200.00
	$60,932,081.26	$16,131,900.00	$119,630,000.00	$5,137,000.00	$9,415,000.00	$21,050,200.00	$12,443,425.00	$81,664,500.00	$76,845,950.00	$98,382,695.93	$55,184,113.78	$556,816,865.97

* Includes the College District Prior Bonds that remain unrefunded after the issuance of the College District Refunding Bonds.
** Year ending August 1. Includes the Prior Bonds that remain unrefunded after the issuance of the Bonds, as described under "INTRODUCTION – College District Refunding Bond Issue."

Long-Term Obligations

The changes in the College District's long-term obligations during fiscal year 2018-19 consisted of the following:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Amount Due in One Year
Bonds Payable					
General Obligation Bonds	$408,639,326	$3,828,258	$(19,300,000)	$393,167,584	$20,780,000
Unamortized bond premium	32,981,391		(5,123,703)	27,857,688	
Total General Obligation Bonds	441,620,717	3,828,258	(24,423,703)	421,025,272	20,780,000
Other Liabilities					
Compensated absences	$6,934,764	$49,621		$6,984,385	$633,927
Load banking	5,343,524	285,090		5,628,614	
Claims liability	400,000			400,000	
Aggregate other postemployment benefits (OPEB) liability	167,278,154	19,141,758	$46,583,304	139,836,608	
Aggregate net pension obligation	196,038,329	6,204,553		202,242,882	
Total Other Liabilities	375,994,771	25,681,022	46,583,304	355,092,489	633,927
Total Long-Term Obligations	$817,615,488	$29,509,280	$71,007,007	$776,117,761	$21,413,927

Operating Leases

The College District has entered into various operating leases for land, building, and equipment with lease terms in excess of one year. None of these agreements contain purchase options. As of June 30, 2019, future minimum lease payments under these agreements were as follows:

Fiscal Year (Ending June 30)	Lease Payments
2020	$70,861
2021	51,227
2022	39,192
Total	$161,280

Source: The College District.

The College District will receive no sublease rental revenues nor pay any contingent rentals for these leases.

Public Agency Retirement Services

Plan Description

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

Funding Policy

Contributions of 7.5 percent of covered compensation of eligible employees are made by the employer (1.3 percent) and employee (6.2 percent) as an alternative to social security. Total contributions, employer and employee combined, were made in the amount of $676,015 during fiscal year 2017-18, $721,347 during fiscal year 2018-19, are expected to be $657,459 in fiscal year 2019-20, and are projected to be $657,459 in fiscal year 2020-21. The total amount of covered compensation was $9,013,529 in fiscal year 2017-18 and $9,617,965 in fiscal year 2018-19. Total contributions made are 100 percent of the amount of contributions required for fiscal years 2017-18 and 2018-19.

STRS and PERS

The College District participates in the State Teachers' Retirement System ("STRS"). This plan basically covers all full-time certificated and some classified College District employees. The College District's employer contribution to STRS was $8,659,020 for fiscal year 2016-17, $10,328,655 for fiscal year 2017-18, $12,340,579 for fiscal year 2018-19, is estimated to be $13,062,384 for fiscal year 2019-20, and is projected to be $13,556,783 for fiscal year 2020-21.

The College District also participates in the State Public Employees' Retirement System ("PERS"). This plan covers all classified personnel who are employed four or more hours per day. The College District's employer contribution to PERS was $5,827,384 for fiscal year 2016-17, $6,773,599 for fiscal year 2017-18, $8,774,454 for fiscal year 2018-19, is estimated to be $10,075,498 for fiscal year 2019-20, and is projected to be $12,446,788 for fiscal year 2020-21.

The amount recognized by the College District as its proportionate share of the STRS net pension liability was $114,011,608 and its proportionate share of the PERS net pension liability was $88,231,274, each as of June 30, 2019. For more information on the College District's contributions to PERS and STRS, including its proportionate share of net pension liability, see Note 12 to the College District's Audited Financial Statements for fiscal year 2018-19, attached as APPENDIX C hereto.

State Pension Trusts

The information set forth below regarding STRS and PERS has been obtained from publicly available sources and has not been independently verified by the College District, the Underwriter or the Municipal Advisor, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the College District, the Underwriter or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities.

Both PERS and STRS are operated on a statewide basis. The PERS and STRS defined benefit programs are funded through a combination of investment earnings and contributions by members, employees and the State. Both PERS and STRS have substantial State unfunded actuarial liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The College District is unable to predict what the amount of liabilities will be in the future, or the amount of the contributions which the College District may be required to make.

College District contribution rates to PERS can vary annually depending on changes in actuarial assumption and other factors, such as liability. Unlike typical defined benefit programs, prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS increased significantly. The College District is unable to predict what the STRS program liabilities will be in the future.

Declines in investment earnings as a result of COVID-19 may lead to increases in College District contributions to each of these retirement systems. The College District is unable to predict the likelihood or the amount of such increases on its contributions to STRS or PERS.

In order to address STRS funding inadequacies, the 2014-15 State Budget set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS. The first year's increased contributions from all three entities were approximately $275 million. The contributions would increase in subsequent years, reaching more than $5 billion annually. Then Governor Brown expected that this will eliminate the unfunded liability in approximately 30 years. The 2018-19 State Budget included $3.1 billion for state contributions to STRS, which reflects action by the STRS board to increase state contributions by 0.5% of teacher payroll. The 2019-20 State Budget included approximately $3.3 billion for State contributions to STRS and PERS. However, the 2020-21 State Budget redirected approximately $2.3 billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.02% in fiscal year 2021-22, and reducing the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. See " - Fiscal Year 2020-21 State Budget" herein.

STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS

Name of Plan	Market Value of Assets	Actuarial Value of Assets[3]	Actuarial Obligation	Unfunded Actuarial Accrued Liability	Funded Ratio (Market Value)	Funded Ratio (Actuarial Value
Public Employees' Retirement Fund Schools Pool (PERS)[1]	$64.177 billion	—	$99.528 billion	$31.351 billion	68.5%	—
State Teachers' Retirement Fund Defined Benefit Program (STRS)[2]	$211.367 billion	$190.451 billion	$297.603 billion	$107.152 billion	65.7%	64.0%

PERS Figures as of June 30, 2019. STRS Figures as of June 30, 2018.
(1) As of June 30, 2019, the PERS provided pension benefits to 1,296,053 active and inactive program members and 714,504 retirees, beneficiaries, and survivors.
(2) As of June 30, 2018, the STRS Defined Benefit Program had approximately 647,653 active and inactive program members and 301,859retirees and benefit recipients.
(3) PERS no longer uses an actuarial value of assets and only uses the market value of assets.
Source: PERS State and Schools Actuarial Valuation, STRS Defined Benefit Program Actuarial Valuation, PERS Comprehensive Annual Financial Report 2018-19, PERS Schools Pool Valuation and Employer/Employee Contribution Rates Finance & Administration Committee April 21, 2020 Item 7d, Attachment 1 and STRS Comprehensive Annual Financial Report 2017-18.

California State Teachers' Retirement System. STRS is a defined benefit program and member benefits are determined pursuant to the Education Code and are generally determined based on a member's age, final compensation and years of credited service. As a result of the California Public Employees' Pension Reform Act of 2013 (Chapter 296, Statutes of 2012), there are two benefit structures for members that apply according to the members' first date of hire to perform STRS creditable activities. Members first hired on or before December 31, 2012 are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to $400 per month. Members first hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Additional benefits under both benefit structures include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit.

Prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, the combined employer, employee and State contributions to STRS were not sufficient to pay actuarially required amounts. Assembly Bill 1469 ("A.B. 1469"), enacted in connection with the adoption of the 2014-15 State budget authorizes shared contribution increases among the program's three contributors – STRS members, employers and the State. Defined Benefit Program contribution rate increases for all contributing parties will be incrementally phased-in over the next several years, with the first increases having taken effect July 1, 2014. The rate increases authorized by A.B. 1469 are projected to fund the STRS Defined Benefit Program fully in 32 years.

Employer contribution rates, including those of the College District, will increase through fiscal year 2020-21 as shown in the following table. Beginning fiscal year 2021-22, employer contribution rates will be set each year by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

		AB 1469 Increases	
Effective Date	Prior Rate	Increase	Total
July 1, 2017	8.25%	6.18%	14.43%
July 1, 2018	8.25	8.03	16.28
July 1, 2019	8.25	8.85	17.10
July 1, 2020	8.25	10.15	18.40

The State contributions are set pursuant to the Education Code. As of July 1, 2019, the State will contribute 7.828% of members' annual earnings to the defined benefit plan for fiscal year 2019-20 and 8.328% for fiscal year 2020-21. The employee contribution rate for STRS members first hired on or before December 31, 2012 to perform STRS creditable activities (i.e., STRS 2% at 60 members) is 10.25% for fiscal year 2019-20. The employee contribution rate for STRS members first hired on or after January 1, 2013 to perform STRS creditable activities (i.e., STRS 2% at 62 members) is 10.205% for fiscal year 2019-20. However, the 2020-21 State Budget redirected approximately $2.3 billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.02% in fiscal year 2021-22. See " – Fiscal Year 2020-21 State Budget" herein.

The State Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the defined benefit plan. STRS actuarial consultant determines the actuarial value of the defined benefit plan's assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

In February 2017, the State Teacher's Retirement Board voted to revise the actuarial methods and assumptions beginning with the STRS Defined Benefit Program for fiscal year 2016. The actuarial assumptions set forth in the 2016 STRS actuarial valuation use a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% wage growth, and 2.75% inflation. The STRS unfunded liability will vary based on actuarial assumptions, actual returns on investments and contribution rates.

The Defined Benefit Program of the California State Teachers' Retirement System, June 30, 2018 Actuarial Valuation (the "2018 STRS Actuarial Valuation") states that for fiscal year 2017-18 the funded ratio increased by 1.4% over the previous year, mainly due to the return on the Actuarial Value of Assets (8.3%) that exceeded the assumed return (7.0%). However, the funded ratio as a whole has decreased by approximately 23% over the past 10 years primarily due to a combination of returns that have, on a smoothed basis, been less than the actuarial assumption, contributions less than the actuarially calculated amount, and changes in the actuarial assumptions that have increased the Actuarial Obligation. The alternate funded ratio using the Fair Market Value of assets has increased since the last valuation. This increase is due to the greater than expected return on assets during the 2017-18 fiscal year.

California Public Employees' Retirement System. PERS is a defined benefit program and member benefits are determined pursuant to the Public Employees' Retirement Law and are generally determined based on a member's age, final compensation and years of credited service.

Member contribution rates are determined by the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by statute. For fiscal year 2019-20, the employee contribution rate for classic plan members is 7.0% of monthly salary and the estimated employee contribution rate for PEPRA members is 7.0% of monthly salary. The employer contribution rate increased from 18.062% of covered payroll for fiscal year 2018-19, to 20.733% of covered payroll for fiscal year 2019-20.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2014 actuarial valuations. These valuations were performed in early 2015 and set employer contribution rates for the fiscal year 2015-16.

The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of PERS. At its December 21, 2016 meeting, the PERS Board of Administration approved a discount rate assumption decrease from its current rate of 7.50% to 7.00% over the next three years. For the School Pool, the discount rate was lowered for the first time to 7.375% effective with the June 30, 2017 actuarial valuation (the "2017 PERS Schools Pool Actuarial Valuation"), impacting the Schools Pool employer contribution rates beginning in fiscal year 2018-19. The discount rate was lowered further to 7.25% for the June 30, 2018 actuarial valuation, and will be lowered again to 7.00% for the June 30, 2019 actuarial valuation. Lowering the discount rate will result in increases in both the normal cost and the accrued liabilities which will result in higher required employer contributions. The College District cannot predict how these changes will affect its contribution levels.

On December 20, 2017, the PERS Board of Administration adopted new actuarial demographic assumptions to update various assumptions including mortality, retirement rates and inflation. These new assumptions were applied beginning with the June 30, 2018 valuation for the schools pool, setting employer contribution rates for fiscal year 2019-20. As a result, the June 30, 2018 actuarial valuation assumes a reduced inflation rate of 2.625% per year and reduced payroll growth of 2.875% per year. The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2018 (the "2018 PERS Actuarial Valuation") is the "Individual Entry Age Normal Cost Method." The PERS Schools Pool Actuarial Valuation as of June 30, 2018 assumes, among other things, a 7.25% discount rate, projected 2.625% inflation per year, and projected payroll growth of 2.875% per year. The prescribed discount rate will reduce to 7.00% per year, projected 2.50% inflation per year, and projected payroll growth of 2.75% per year as of the June 30, 2019 actuarial valuation. At its February 12, 2018 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization policy once again. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy will be used for the first time in the June 30, 2019 actuarial valuations.

On April 17, 2019, subsequent to the release of the 2017 PERS Schools Pool Actuarial Valuation, the PERS Board adopted updated projections for future employer contribution rates of 23.6%, 24.9%, 25.7%, and 26.4% in Fiscal Years 2020-21, 2021-22, 2022-23 and 2023-24, respectively. The PERS Board did not adjust the employer contribution rate for Fiscal Year 2019-20. However, the 2020-21 State Budget reduced the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. See " – Fiscal Year 2020-21 State Budget" herein.

On June 27, 2019, PERS released an Actuarial Circular Letter, which reflected a modified employer contribution rate of 19.7% (reduced from 20.7%) for Fiscal Year 2019-20 as a result of contributions to PERS included in the 2019-20 State Budget. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 State Budget" herein.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have unfunded liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

STRS and PERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from www.calstrs.com or by written request mailed to STRS, P.O. Box 15275, Sacramento, California 95851-0275, and copies of the PERS annual financial report may be obtained from www.calpers.ca.gov or by written request mailed to the CalPERS Financial Services Division, P.O. Box

942703, Sacramento, California 94229-2703. The information presented in those reports is not incorporated by reference in this Official Statement.

The College District is unable to predict what the amount of liabilities will be in the future, or the amount of future contributions that the College District may be required to pay. See APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019" for additional information concerning STRS and PERS contained in the notes to said financial statements.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which amended various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the College District, had a five-year window to negotiate compliance with AB 340 through collective bargaining. A city, public agency or school district could require employees to pay their half of the costs of PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the College District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in lower retirement benefits than employees currently earn. Additionally, PERS has noted that AB 340 changes may have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50 percent of the cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The College District is unable to predict the amount of future contributions it will make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov and through the STRS website at www.calstrs.com. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the College District and is not incorporated herein by reference.

GASB Statement Nos. 67 and 68. On June 25, 2012, the GASB approved two new standards with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), revised existing guidance for the financial reports of most pension plans. The new Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. Major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were previously typically included as notes to the government's financial statements); (ii) more components of full pension costs being shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates being required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements, which generally would increase expenses; and (v) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. GASB 67 became effective beginning in fiscal year 2013-14, and GASB 68 became effective beginning in fiscal year 2014-15. See APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

Other Post-Employment Benefits

In June 2004, the GASB pronounced Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. The pronouncement requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") became effective for the College District for fiscal year 2008-09.

In June 2015, GASB voted to approve a new standard that aimed to improve the accounting and financial reporting for OPEB by state and local governments. Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75") requires the recognition of the entire OPEB liability, new disclosures and notes in financial reporting, supplemental information, and a more comprehensive measure of OPEB expense. These changes followed a comprehensive review of the effectiveness of preexisting standards of accounting and reporting. GASB expects that the requirements of Statement Number 75 will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and inter-period equity. Statement Number 75 replaces Statement Number 45 became effective beginning in fiscal year 2017-18.

Plan Description. The College District currently provides retiree and dependent medical coverage to eligible academic and classified employees. Persons retiring with more than ten years but less than fifteen years of service are eligible to receive medical benefits on a self-pay basis. For employees whose first paid date of contract services is on or after May 31, 1986 and who subsequently qualify for the foregoing fifteen (15) year retiree service benefit, the College 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 requirements of Plan members and the College District are established and may be amended by the College District and the College District's bargaining units.

Funding Policy. The College District currently finances benefits on a pay-as-you-go basis for health premiums, and has established an irrevocable trust for contributions as described in the following paragraph. The College District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses, as applicable. The College District contributed $12,698,406 for fiscal year 2018-19, consisting of $7,475,511 for premiums and $5,222,895 to set aside for future liability. For fiscal year 2019-20, the College District contributed $11,775,702, consisting of $7,843,742 for premiums and $3,931,960 to set aside for future liability. For fiscal year 2020-21, the College District projects contributions of approximately $10,182,469, consisting of approximately $8,254,508 for premiums and approximately $1,927,961 to set aside for future liability.

The College District has accumulated $43,048,124 (cash balance as of June 30, 2020) in a special reserve fund, as well as $42,151,138 in an irrevocable trust (as of June 30, 2020), to fund its outstanding liability with respect to its post-employment benefits The College District intends to contribute to the irrevocable trust for future contributions.

Actuarial Report. The Nyhart Company has prepared an actuarial valuation for the College District as of a June 30, 2019 valuation date (the "2019 Actuarial Report"). Certain assumptions incorporated in the 2019 Actuarial Report include a 6.50% discount rate, a 6.50% expected rate of return, 3.50% inflation rate, a 3.0% annual increase in payroll, and various other assumptions.

As of June 30, 2019, the College District had 463 retired employees receiving or eligible to receive a College District contribution for retiree health benefits and 1,076 active employees earning service eligibility for retiree health benefits. The present value of the projected College District pay-as-you-go contributions, as of June 30, 2019, was $177,955,461 (including $15,336,610 for the implicit rate subsidy). The College District had a total OPEB liability ("TOL") of $149,205,110 (including $10,654,648 for the implicit rate subsidy), a current service component (normal cost or current year accrual) of $2,990,619 (including $482,392 for the implicit rate subsidy) and a future service component (not yet accrued liability) of $25,759,732 (including $4,199,570 for the implicit rate subsidy), all as of June 30, 2019. The net (unfunded) OPEB liability, as of June 30, 2019, was $109,086,035, which took into account assets with a market value of $40,119,075 in trust as of June 30, 2019. The total normal cost at the end of the 2019-20 fiscal year is $3,185,009 (comprised of $2,671,262 in explicit cost and $513,747 of implicit cost), and at the end of the 2020-21 fiscal year is $3,280,559 (comprised of $2,751,400 in explicit cost and $529,159 of implicit cost).

Risks Related to COVID-19

Introduction. The outbreak of a new strain of coronavirus ("COVID-19"), a respiratory tract illness first identified in Wuhan, China, has spread to numerous countries across the globe, including the United States. COVID-19 has been characterized as a pandemic by the World Health Organization and has resulted in a declaration of a national emergency by the Federal Government on March 13, 2020, as a state of emergency by certain states (including by the State on March 4, 2020) and by local governments and counties. The purpose behind these declarations was to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus. The outbreak has resulted in the imposition of stay-at-home orders, restrictions on gatherings and widespread temporary closings of businesses, universities and schools. Multiple states implemented state-wide school closures for the 2019-20 school year, including the State. The United States is currently restricting certain non-U.S. citizens and permanent residents from entering the country.

The spread of COVID-19 has significantly altered the behavior of businesses and people in a manner that has had substantial negative impacts on global and local economies. Stock markets in the U.S. and globally have seen significant declines attributed to COVID-19 and related stay-at-home orders, and the corresponding decreases in business activity attributable thereto. The country's unemployment rate has risen to a level not seen since the Great Depression.

The College District's Response to the COVID-19 Pandemic.

The College District is currently receiving guidance on responses to COVID-19 from State and County health officials which are monitoring the COVID-19 situation, in accordance with COVID-19 guidelines published by the Centers for Disease Control and Prevention. The College District closed its on-site facilities through the end of the 2019-20 school year and expects the majority of classes for the fall semester for the 2020-21 school year to be online. While the College District has halted on-site learning, it has taken numerous steps to encourage continued learning for enrolled students. The College District is still maintaining essential services including, but not limited to, operations, communications, distance learning, payroll, accounts payable, providing meals for children, and ongoing project management. The College District has incurred additional operational costs to implement distance learning strategies, deep clean and sanitize its facilities, and purchase additional sanitation and cleaning supplies necessary to maintain sanitation of its facilities. While certain of these expenditures are expected to be reimbursed by the Federal government, the College District does not know the extent or timing of such reimbursement.

Additional costs may be borne by the College District as circumstances related to the COVID-19 pandemic fluctuate during the 2020-21 school year. These may include costs related to or associated with: (i) implementing and performing tests and screening for the virus, and monitoring staff and students for signs of illness; (ii) modifications to accommodate students or staff testing positive for the virus, including additional communications systems to exposed staff and students; (iii) obtaining an ongoing supply of personal protective equipment for students and staff (iv) addressing additional hygiene and handwashing practices, including increasing the frequency of disinfecting high-touch surfaces; (v) implementation of staggered schedules and physical distancing procedures, including utilization of campus locations such as lecture halls, gymnasiums, auditoriums, cafeterias, and outdoor spaces, for educational activities; (vi) incorporation of additional technology to implement distance learning; (vii) altering procedures for cafeterias and provision of food service, including installation of additional physical barriers for provision of food service, such as sneeze guards and partitions, and modification of cafeteria spaces to allow physical distancing; (viii) ensuring adequate air circulation, including potential modification of HVAC systems; (ix) hazard payments for essential employees or any other additional labor costs resulting from the COVID-19 pandemic, including costs of staff training and costs associated with ensuring appropriate staffing levels to meet facility cleanliness and physical distancing requirements; (x) providing services to students and staff with disabilities, or who are otherwise at higher risk of contracting COVID-19; (xi) ensuring adequate support for English-learners and social and emotional support for all students and staff; (xii) modifications to programs in career and technical education, including cleaning of specialized equipment and tools, laboratories, experiential learning, and career counseling; and (xiii) development and implementation of a plan to close physical locations once re-opened, if required by circumstances related to the pandemic.

The College District cannot evaluate at this time whether, or the extent to which, any of the above considerations will affect its operations or result in increased costs, however such costs may be material. The circumstances described above are not unique to the College District and will be considerations for all community college districts in the State. The College District cannot predict the extent to which the State or Federal government will provide reimbursement or additional funding to offset any of the above expenses, or whether the extent of such funding will be sufficient, if provided.

The 2020-21 State Budget has indicated that there will be significant reductions and deferrals in State funding of community college districts throughout the State due to the COVID-19 pandemic, as further described under the caption "Fiscal Year 2020-21 State Budget" herein. The College District has the ability to rely on interfund borrowing and its existing reserves, as well as the issuance of tax and revenue anticipation notes to manage cash flow during the 2020-21 fiscal year or beyond. The College District does not expect such deferrals or delays in payment to cause a material adverse impact on its operations or finances at this time, and does not expect to experience any significant cash flow problems or issue any such notes for the 2020-21 fiscal year at this time.

The College District is currently undergoing its budget process for fiscal year 2020-21, as part of which it will determine the effect of these reductions and deferrals on its operations and finances. Community college districts may also hold reserves in their local operating accounts, and as part of its preparation of its budget for fiscal year 2020-21, the College District is in the process of evaluating its reserves for the next and future fiscal year. At this time, the College District expects its reserves to satisfy all State requirements for fiscal year 2020-21. It expects to adopt its budget for the 2020-21 fiscal year and submit it to the Chancellor by or before October 31, 2020.

Effect of the COVID-19 Pandemic on State Funding of Community College Districts. The GO Bonds are general obligations of the Improvement District only payable solely from ad valorem property taxes and are not payable from the general fund of the College District or from any amounts received from the State discussed below. The impacts set forth below and in the section " – Fiscal Year 2020-21 State Budget" will affect all community college districts in the State, and the effects described below and therein are not unique to the College District.

Significant Declines in State Revenues and 2020-21 State Budget Solutions. In the 2020-21 State Budget, the State anticipates approximately an overall 7% decline in State Revenues, which without other action, would result in an approximately $10 billion reduction in spending from the Proposition 98 minimum guarantee set forth the 2019-20 State Budget. The 2020-21 State Budget offsets this loss in several ways, including the deferral of approximately $12.9 billion in payments into the 2021-22 fiscal year to preserve programs for school districts and community college districts and draws of approximately $8.8 billion in reserves from the BSA, Safety Net Reserve and PSSSA. The 2020-21 State Budget restores up to an approximate of $11.1 billion in the event federal funds are received by October 15, 2020, with the specific amount depending on the amount of federal funding received. See " – Fiscal Year 2020-21 State Budget" herein.

Emergency Conditions Allowance. During certain emergency conditions, State regulations provide that a community college district may be provided an "emergency conditions allowance," calculated to approximate the same general purpose apportionment that such district would have received in absence of the emergency. Emergency conditions are defined to include epidemics, an order from a city or county board of health or the State Board of Health, or another emergency declared by the State or federal government. Districts are required to demonstrate that the occurrence of the emergency condition prevented the district from maintaining its schools during a fiscal year for a period of 175 days, or caused the district's general purpose apportionment to be materially decreased in that year or in subsequent years. To receive the emergency conditions allowance, a district must demonstrate to the satisfaction of the Chancellor that the district made good faith efforts to avoid material decreases in general purposes apportionments. Community college districts may also seek a waiver of the 175-day requirement. Finally, the Board of Governors of the California Community Colleges (the "Board of Governors"), on March 16, 2020, granted the Chancellor temporary emergency powers to suspend or waive State regulatory requirements and local rules and regulations that present barriers to the continuity of educational services. This temporary grant is in addition to standing emergency powers the Chancellor has to hold community college districts financially harmless in the wake of campus closures.

Executive Orders and Legislation. Governor Newsom has enacted a number of executive orders and the State Legislature has also adopted legislation in response to the COVID-19 pandemic, and additional executive orders or legislation may be enacted in response to the pandemic. The College District cannot predict the nature or content of such orders, or the effect they will have, if any, on its operations or finances. In addition, certain of these executive orders have been challenged in the courts by affected plaintiffs. The College District cannot predict the outcome of any such litigation or whether any resulting change to any executive order will affect the funding of community college districts in the State, including the College District.

Federal Response to the COVID-19 Pandemic. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law, which among other things, provides approximately $14.25 billion for postsecondary education, including community college districts in the State. The CARES Act also waives a number of federal regulatory requirements to provide institutions greater flexibility in addressing the effects of the COVID-19 outbreak. Funding from the CARES Act is based on a formula consisting of 75% or FTES receiving PELL grants and 25% of all FTES. The College District expects to receive some funding from the CARES Act pursuant to such formula.

Additional Information. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on Federal, State and local government websites, including but not limited to the CDC (https://www.cdc.gov/coronavirus/2019-nCoV/index.html), the Governor's office (http://www.gov.ca.gov), the California Department of Public Health (http://covid19.ca.gov/), and the Office of the Chancellor of California Community Colleges (https://www.cccco.edu/About-Us/Chancellors-Office/Divisions/Communications-and-Marketing/Novel-Coronavirus). The Improvement District has not incorporated by reference the information on such websites into this official statement and does not assume any responsibility for the accuracy of the information on such websites.

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

Major Revenues

General. On September 29, 2006, the Governor signed into law Senate Bill No. 361 ("SB 361") which established the formulas for allocating general-purpose apportionments to California community college districts beginning fiscal year 2006-07. SB 361 required the Board of Governors of the California Community Colleges (the "Board of Governors") to develop criteria and standards in accordance with prescribed Statewide minimum requirements. In establishing these minimum requirements, the Board of Governors was required to acknowledge community college districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding based on the number of credit and noncredit FTES in each district.

SB 361 specified that, commencing with the 2006-07 fiscal year, the marginal amount of credit revenue allocated per credit FTES would not be less than $4,367, noncredit instruction would be funded at a uniform rate of $2,626 per FTES, and career development and college preparation would be funded at a rate of $3,092 per FTES, each subject to cost of living adjustments in the budget act in subsequent fiscal years.

The major local revenue source is local property taxes that are collected from within district boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the district. Property taxes and student enrollment fees are applied towards fulfilling the district's financial needs. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to community college districts in the State, including the College District. The sum of the property taxes, student enrollment fees, and State aid generally comprise a district's revenue limit. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuations – Constitutional and Statutory Initiatives" in the forepart of this Official Statement for additional information regarding Article XIIIA of the State Constitution, assessed valuations and ad valorem property taxes.

A small part of each community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the lottery does require the funds to be used for instructional materials, and prohibits their use for capital purposes.

Student Centered Funding Formula. In connection with the 2018-19 State Budget, beginning in fiscal year 2018-19, the State began implementation of the Student Centered Funding Formula (the "SCFF") included in State Assembly Bill 1809 ("A.B. 1809"). The SCFF establishes a new three-pronged structure for addressing the unique funding challenges facing community college districts within the State. Under the SCFF, community college districts receive: (a) a base allocation structured on the total number of enrolled students, (b) a supplemental allocation, which is determined based on the number of financially-restricted enrolled students (calculated by the number of students receiving Pell Grants, California College Promise Grants or certain fee waivers, with the potential for duplicate funding for students receiving more than one of the qualifying grants or waivers), and (c) a student success allocation, which is structured based on the number of certificates and degrees awarded to students, the number of transfers to four-year universities/colleges, and the amount of students who earn a living wage in their region within a year of college completion. The student success allocation also analyzes the number of financially-restricted students who complete degree or certificate programs to determine eligibility for additional funding.

As originally designed, the new formula was to be implemented in three phases, which began in fiscal year 2018-19 and over the next three fiscal years was to reduce the base allocation from 70% of funding to 60%. However, in connection with the enactment of the 2019-20 State Budget, a base allocation of 70% was maintained, with 20% provided by the supplemental allocation and 10% provided by the student success allocation. In addition, minimum funding levels for FTES are set for each of these periods. See "– College District Enrollment" above for the College District's enrollment of full time equivalent students for the current and prior fiscal years.

Additionally, A.B. 1809 established "hold-harmless" provisions for community college districts. Such provisions ensure that in fiscal years 2018-19 through 2021-22, college districts will not receive less total apportionment funding under the new SCFF than they received in fiscal year 2017-18 when adjusted for cost-of-living. In fiscal year 2022-2023 and subsequent fiscal years, certain adjustments will be subject to appropriation in the State Budget for such fiscal year.

The SCFF, the funding levels therein, the hold harmless provisions and other provisions thereof may be subject to future adjustment through the state budget process in future fiscal years or other supplemental legislation. As described under the heading " – Fiscal Year 2020-21 State Budget," the SCFF hold harmless provisions have been extended for an additional two years.

Budget Procedures. On or before September 15 of each calendar year, the respective board of trustees for each community college district is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges (the "Chancellor's Office"), submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the Governor, and by January 10 a proposed State budget is presented by the Governor to the State Legislature. The

Governor's proposed State budget is then analyzed and discussed in committees, and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the Governor issues a revised budget with changes he or she supports. The law requires the State Legislature to submit its approved budget by June 15. State law requires the Governor to announce his or her line item reductions and sign the State budget by June 30.

In response to growing concern for accountability the statewide Board of Governors and the Chancellor's Office have, through enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of the district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources, and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and FTES patterns. Those districts with greater financial difficulty will receive follow-up visits from the Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Proposition 98

General. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). Proposition 98 changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts were guaranteed the greater of (a) in general, a fixed percent of the State's General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 was used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In 1989, the State Legislature and the Governor last utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K-14 districts.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations became increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of $1.3 billion during fiscal year 1990-91, $1.1 billion during fiscal year 1991-92, $1.3 billion during fiscal year 1992-93 and $787 million during fiscal year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling $1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

See " - Fiscal Year 2020-21 State Budget" below for discussion of the recent declines in State revenues and corresponding effect on Proposition 98 funding. State Assistance

The principal funding formulas and revenue sources for school and community college districts are derived from the budget of the State. The following information concerning the State's budgets has been obtained from publicly available information which the College District believes to be reliable; however, the State has not entered into any contractual commitment with the College District, the County, the Underwriter, Bond Counsel, Disclosure Counsel, nor the owners of the Bonds to provide State budget information to the College District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the College District, the County, Bond Counsel, Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov. This website is not incorporated herein by reference and none of the College District, the Improvement District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

Fiscal Year 2020-21 State Budget

Introduction. On June 29, 2020, Governor Gavin Newsom signed the fiscal year 2020-21 budget (the "2020-21 State Budget"). In January, the State was projecting a budget surplus of $5.6 billion, however by May, the State confronted a budget deficit of $54.3 billion—a four-month swing of $60 billion primarily caused by the impacts of the COVID-19 pandemic. The 2020-21 State Budget closes the $54.3 billion gap in fiscal year 2020-21 and significantly reduces the State's ongoing structural deficit. Despite the global economic crisis caused by the COVID-19 pandemic, the State asserts in the 2020-21 State Budget that its prudent fiscal management, including its structurally balanced budgets and record reserves, puts it in a better position to contend with these challenges.

The 2020-21 State Budget takes steps to reduce spending commitments and address long-term structural deficits, but deficits remain and asserts that further actions will be needed, especially if the federal government does not act. The 2020-21 State Budget recognizes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment—almost 1 in 5 Californians who were employed in February were out of work in May—and asserts that further action from the federal government is needed, given the magnitude of the crisis. The 2020-21 State Budget forecast that personal income is projected to decline by 9 percent in 2020 with the peak unemployment rate reaching 24.5 percent in the second quarter of 2020.

The 2020-21 State Budget projects State general fund revenues in the amount of $137.6 billion in fiscal year 2019-20 and $137.7 billion in fiscal year 2020-21. This represents a decline of over $22.8 billion for the two years when compared to projections released in the Governor's January Proposed 2020-21 State Budget. This revenue drop, combined with increased costs in health and human services programs and the added costs to address COVID-19, leads to a projected budget deficit of approximately $54 billion before the changes proposed in the 2020-21 State Budget. State general fund expenditures for fiscal year 2020-21 are expected to be $133.9 billion (a decrease of approximately $13 billion from fiscal year 2019-20 general fund expenditures), of which $48.1billion (35.9%) is allocated to K-12 education and $15.8 billion (11.8%) is allocated to higher education. The 2020-21 State Budget projects that the State will end fiscal year 2019-20 with a reserve balance of approximately $14.9 billion (comprised of an approximate balance of -$1.2 billion in the SFEU and an approximate balance of $16.1 billion in the Budget Stabilization Account (the "BSA" or "Rainy Day Fund"), and that the State will end fiscal year 2020-21 with an approximately $10.9 billion reserve balance (comprised of approximately $2.6 billion in the SFEU and approximately $8.3 billion in the BSA). The 2020-21 State Budget reduces (but does not eliminate) the structural deficit over the next several years, by sustaining the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the State's 2019-20 Budget. Despite these measures, the 2020-21 State Budget forecasts an operating deficit of $8.7 billion in 2021-22, after accounting for reserves.

The 2020-21 State Budget includes (i) drawing down $8.8 billion in reserves, comprised of $7.8 billion from the BSA, $450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account; (ii) $11.1 billion in reductions and deferrals that will be restored if at least $14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount in federal funds, the reductions and deferrals will be partially restored. The trigger includes $6.6 billion in deferred spending on schools, approximately $970 million in funding for the University of California and the California State University, $2.8 billion for state employee compensation, $150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional $250 million for county programs to backfill revenue losses; (iii) reliance on $10.1 billion in federal funds that provide General Fund relief, including $8.1 billion already received. This includes the enhanced Federal Medical Assistance Percentage ("FMAP"), a portion of the State's Coronavirus Relief Fund allocation and funds provided for childcare programs; (iv) temporary suspension of the use of net operating losses for medium and large businesses and temporary limits to $5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate $4.4 billion in new revenues in the 2020-21 fiscal year; (v) reliance on $9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. (Approximately $900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger); (vi) $10.6 billion of solutions, including cancelling multiple program expansions and anticipating increased government efficiencies.

As described in the 2020-21 State Budget, under temporary federal funding to support the State's response to the COVID-19 pandemic the State expects to receive over $72 billion in assistance to State programs with unemployment insurance representing about $52 billion of this total. In addition, over $142 billion in direct assistance is expected to be provided to individuals and families, small businesses, hospitals and providers, including rural and community clinics, higher education institutions and college students, local housing authorities, airports, farmers, and local governments. The 2020-21 State Budget proposes to strategically use $9.5 billion in federal funding from the CARES Act funds as follows: (1) $2.6 billion for State offsets for vulnerable populations and public safety; (2) $550 million for housing for homeless individuals and families; (3) $4.5 billion for K-14 learning loss mitigation; (4) $1.3 billion for county homelessness, public health, public safety and other services; and (5) $500 million for city homelessness, public health, public safety and other services.

Higher Education. Higher Education includes the California Community Colleges ("CCCs"), the California State University ("CSU"), the University of California ("UC"), the Student Aid Commission, and several other entities. The 2020-21 State Budget includes total funding of $19.4 billion General Fund and local property tax for all Higher Education entities in fiscal year 2020-21.

Community College Flexibilities. To assist CCCs in their recovery from the impacts of the COVID-19 recession and provide additional near-term certainty, the 2020-21 State Budget enacts statutory changes to:

- Exempt direct COVID-19-related expenses incurred by districts from the 50 Percent Law. This excludes revenue declines.

- Provide a hardship exemption for districts unable to meet their financial obligations due to the deferrals enacted in the 2020-21 State Budget.

- Extend the Student-Centered Funding Formula "hold harmless" provisions for an additional two years, and authorize the use of past-year data sources that have not been impacted by the COVID-19 pandemic for the calculation of the Student-Centered Funding Formula for 2020-21.

- Encourage and expedite the development of short-term career technical education courses to address the impacts of the COVID-19 pandemic.

Other Significant Adjustments.

- Staff for Working Group on Community College Athlete Compensation - An increase of $700,000 one-time non-Proposition 98 General Fund for the Chancellor's Office to contract with an external organization to staff a working group on a community college athlete's use of the athlete's name, image, and likeness for compensation, pursuant to Chapter 383, Statutes of 2019 (SB 206).

- 2019-20 Deferrals - A deferral of approximately $330.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2019-20 to fiscal year 2020-21.

- 2020-21 Deferrals - A deferral of approximately $662.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2020-21 to fiscal year 2021-22.

- 2020-21 Deferrals Subject to Control Section 8.28 - As a result of the COVID-19 Recession and absent the receipt of additional federal funds to assist the state with the fiscal crisis, reductions are necessary to balance the State budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for the 2020-21 fiscal year as follows:

   - o A deferral of approximately $791.1 million Proposition 98 General Fund of community college apportionments from fiscal year 2020-21 to fiscal year 2021-22.

- COVID-19 Response Block Grant for CCCs – A one-time increase of approximately $120.2 million, which is comprised of approximately $54 million from the CARES Act and approximately $66.3 million Proposition 98 General Fund, for a COVID-19 Response Block Grant for the CCCs to support student learning and mitigate learning loss related to the COVID-19 pandemic.

- Dreamer Resource Liaisons –An increase of $5.8 million Proposition 98 General Fund to fund Dreamer Resource Liaisons and student support services, for immigrant students including undocumented students in community colleges, pursuant to Chapter 788, Statutes of 2019 (AB 1645). These services provide an opportunity to address disparities and advance economic justice by supporting educational attainment, career pathways and economic mobility for students who may face barriers related to their immigration status.

- Legal Services – An increase of $10 million ongoing Proposition 98 General Fund to provide legal services to immigrant students, faculty, and staff on community college campuses.

- Calbright College – A decrease of $5 million ongoing Proposition 98 General Fund for Calbright College, and a decrease of $40 million one-time Proposition 98 General Fund provided to Calbright College that is redirected to offset apportionments costs for fiscal year 2020-21.

- Revised PERS/STRS Contributions – As referenced in the K-12 Education Chapter, to provide local educational agencies and community college districts with increased fiscal relief, the 2020-21 State Budget redirects $2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to further reduce employer contribution rates in fiscal year 2020-21 and fiscal year 2021-22.

- CCC Facilities – An increase of general obligation bond funding of $223.1 million, including $28.4 million to start 25 new capital outlay projects and $194.7 million for the construction phase of 15 projects anticipated to complete design by spring 2021. This allocation represents the next installment of the $2 billion available to CCCs under Proposition 51.

- Local Property Tax Adjustment – A decrease of $60.9 million Proposition 98 General Fund as a result of increased offsetting local property tax revenues.

- Food Pantries – The 2020-21 State Budget enacts statutory changes to support food pantries within available Student Equity and Achievement Program funding.

California Student Aid Commission. The California Student Aid Commission, which administers the State's financial aid programs, the largest of which is the Cal Grant, supports over 410,000 financial aid awards to students accessing higher education. The 2020-21 State Budget reflects a sustained commitment to financial aid programs to provide the least-resourced students access to higher education.

Significant Adjustments:

- Cal Grant Program Adjustment – A decrease of approximately $149 million in fiscal year 2019-20 and approximately $63.3 million in fiscal year 2020-21 to reflect revised estimates of the number of new and renewal Cal Grant awardees in fiscal years 2019-20 and 2020-21.

- Temporary Assistance for Needy Families (TANF) Adjustment – A decrease of $600 million in federal TANF reimbursements in fiscal year 2019-20 which increases General Fund support for the Cal Grant program by an equal amount.

- Grant Delivery System – An increase of $5.3 million one-time General Fund to fund the third year and final year of project development costs for the Grant Delivery System Modernization Project.

- Cal Grant B Service Incentive Grant – A reappropriation of $7.5 million one-time General Fund from the 2019 Budget Act and a redirection of the Program's $7.5 million funding in fiscal year 2020-21 to support the Disaster Relief Emergency Student Financial Aid Program, which will provide emergency financial aid to students at the University of California, California State University, and California Community Colleges.

- Contingent General Fund Reduction – As a result of the COVID-19 recession and absent the receipt of additional federal funds to assist the State with the fiscal crisis, reductions are necessary to balance the State budget. To the extent the federal government provides sufficient federal funds by October 15, 2020, which are eligible for purposes identified below, funds will be appropriated for fiscal year 2020-21 as follows:

    - A decrease of $88.4 million one-time General Fund for the Golden State Teacher Grant program, established in the 2019 Budget Act.

LAO Overview of 2020-21 State Budget.

The Office of the Legislative Analyst for the State of California (the "LAO") prepares its own overview of the State Budget each year, following its approval by the Governor. As of the date hereof, the LAO has not yet posted its overview of the 2020-21 State Budget. The LAO's website is https://lao.ca.gov/ and such website is not incorporated herein by such reference.

Additional Information. The Improvement District cannot predict how State income or State education funding will vary over the term of the Bonds, and the Improvement District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. The complete text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the Improvement District, and the Improvement District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. Proposition 1A was generally superseded by the passage of an initiative supporting another constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of Proposition 22 will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State General Fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in fiscal year 2009-10 from cities, counties, and special districts to the State to offset State General Fund spending for education and other programs, and included another diversion in the adopted fiscal year 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") are actively engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State General Fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State General Fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos, finding ABx1 26, a trailer bill to the 2011-12 State Budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion statewide. The College District is unable to predict what affect the implementation of ABx1 26 will have on the College District's future receipt of tax increment revenues.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. See "CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES – Proposition 1A" below for more information.

Final State Budgets

Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2008-09 until September 23, 2008. Accordingly, many State payments were held until the 2008-09 State budget was adopted, including those scheduled to be made to school and community college districts under Proposition 98 and receipt of State categorical funds by the College District was delayed until the State budget was in fact adopted. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the College District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the College District's budget, it will be necessary for the College District's staff to review the consequences of the changes, if any, at the State level from the proposals in the May Revision for that year, and determine whether the College District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. Further State actions taken to address its budgetary difficulties could have the effect of reducing the College District's support indirectly, and the College District is unable to predict the nature, extent or effect of such reductions.

Future State Budgets

The College District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions over which the College District has no control, and other factors over which the College District will have no control, including by the COVID-19 pandemic. The College District cannot predict whether the State will continue to encounter budgetary difficulties in future fiscal years. The College District also cannot predict the impact future State Budgets will have on the College District's finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. In the event current or future State Budgets decrease the College District's revenues or increase required expenditures by the College District from the levels assumed by the College District, the College District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

CONSTITUTIONAL INITIATIVES AND STATUTORY MEASURES

Article XIIIA of the California Constitution. On June 16, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Assessed Valuations – Constitutional and Statutory Initiatives" in the forepart of this Official Statement for additional information regarding Article XIIIA.

Proposition 26. On November 2, 2010, California voters approved Proposition 26 as an amendment to Section 3 of Article XIIIA (and Section 1 of Article XIIIC) of the State Constitution that requires a two-thirds vote in the State Legislature to pass certain State fees, levies, charges and tax revenue allocations that under the State's previous rules could be enacted by a simple majority vote. Certain local fees must also be approved by two-thirds of voters. Proposition 26 expanded the scope and definition of a State or local tax to include many payments previously considered to be fees or charges, so that more proposals would require approval by two-thirds of the State Legislature or by local voters.

Article XIIIB of the California Constitution. Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. The College District's fiscal year 2017-18 appropriations limit is $264,469.343.

Unitary Property. AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

The State electric utility industry has experienced significant changes in its structure and in the ways in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The College District is unable to predict the impact of these changes on its utility property tax revenues, or whether future legislation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the College District. Taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA" herein.

Proposition 46. On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39. On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the one percent ad valorem tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55 percent of the voters voting on the measure, subject to the restrictions explained above.

The State Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on ad valorem taxes apply in any single election: (1) for a school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 30 and Proposition 55. The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012, resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, and raises taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates affect approximately one percent of California personal income tax filers and will be in effect until the conclusion of the 2018 tax year. The State Office of Legislative Analyst (the "LAO") estimates that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from fiscal years 2012-13 through 2016-17 will be received by the State with lesser amounts of additional revenue available in fiscal years 2017-18, and 2018-19. Proposition 30 also places into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Proposition 30 also provided additional tax revenues aimed at balancing the State's budget through fiscal year 2018-19, providing several billion dollars annually through fiscal year 2018-19 available for purposes including funding existing State programs, ending K-14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, future revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

On November 8, 2016, voters approved the California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55 ("Proposition 55"), which extends the temporary tax increases created by Proposition 30 from the 2016 tax year through the 2030 tax year. The College District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Proposition 2. On November 4, 2014, voters approved Proposition 2, also referred to as the "Rainy Day Budget Stabilization Fund Act." Proposition 2 changed the State's existing requirements for the Budget Stabilization Account ("BSA") and establishes a Public School System Stabilization Account ("PSSSA").

Proposition 2 limits the ability of the Governor to suspend or reduce transfers to the BSA. Specifically, the Governor would have to declare a "budget emergency," defined in Article XIIB of the State Constitution or determine that (A) there are insufficient resources to maintain general fund expenditures for the current year at the highest level of spending in the three most recent fiscal years, or (B) it is made in response to a natural or man-made emergency. Any such declaration must be followed by a bill passed by a majority vote of each House of the Legislature. If a budget emergency exists and the State elects to make a withdrawal from the BSA, the State may withdraw the lesser of (i) the amount needed to maintain General Fund spending at the highest level of the past three enacted budgets; and (ii) fifty percent of the balance of the BSA. For a discussion of reserves available to the State in the event of a budget emergency declared due to the COVID-19 pandemic, see "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 State Budget" herein.

Proposition 2 also requires the State Controller to deposit annually 1.5% of general fund revenues and an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of general fund revenues. Deposits to the BSA will be made until the BSA balance reaches an amount equal to 10% of general fund revenues. Additionally, from 2015-16 to 2029-30, half of any required transfers to the BSA must be allocated to reduce certain state liabilities, such as unfunded state-level pension plans and making certain payments owed to K-14 districts.

The PSSSA will be funded by the capital gains-related tax revenues in excess of 8% of general fund revenues. The State may deposit amounts into the PSSSA only after certain conditions are met, including the payment of all amounts owing to school and community college districts under the Proposition 98 maintenance factor and the existence of a "Test 1" year under Proposition 98.

Amounts in the BSA, PSSSA and other State reserves are expected to be drawn upon in the 2020-21 fiscal year, as described further under "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Fiscal Year 2020-21 State Budget."

Proposition 51. At the November 8, 2016, election, voters in the State approved the California Public School Facility Bonds Initiative, ("Proposition 51"). Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds to fund the construction and modernization of school facilities for both community colleges and K-12 schools within the state.

Specifically, the $9 billion will be stored between a State School Facilities Fund and a California Community College Capital Outlay Bond Fund. The funds can then be used to allocate bond revenue in the following manner:

- $3 billion for construction of new K-12 school district facilities;

- Another $3 billion for the modernization of K-12 public school sites, which includes repairs to outdated facilities to increase earthquake and fire safety, removing asbestos, technology upgrades and other health and safety improvements;

- $500 million for various charter school facilities;

- $500 million for career technical education facilities;

- $2 billion for California community college facility construction and modernization.

The State issues general obligation bonds for facility projects. Typically, K-12 schools can submit proposals for such projects to the State Office of Public School Construction for both modernization and new construction. If the project is approved, the school district will receive State grant funding and in turn the school district must contribute local funding to such projects. If sufficient local funding is unavailable, the school district may potentially receive the full project cost via State grant funding. Career technical education and charter school facilities face a similar approval process. Community college districts, on the other hand, must submit requests for facility projects to the Chancellor of the community college system. Selected projects are eventually approved and funded as part of the annual State budget. A scoring system is used to determine the State and local contributions for these community college sites.

The impact that Proposition 51 will have on school and community college district behavior is unclear. Some districts may spend less local funds given the greater support of State funding. However, districts may decide to spend more local funds by proposing an increased number of facility projects with the knowledge that additional State funding could be available. It is also possible that districts may make no changes to their number of proposals for construction and modernization projects.

The College District was approved for funding under Proposition 51 for its $40.9 million Russell Hall Replacement Project.

Article XIIIC and XIIID of the California Constitution. On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The College District and the Improvement District have no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the Improvement District's voters voting on a bond measure, depending upon the Article of the

Constitution under which it is passed. Under previous law, the College District and the Improvement District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the College District and the Improvement District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the College District and the Improvement District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in Rossi v. Brown, which upheld an initiative that repealed a local tax and held that the State Constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in Rossi v. Brown by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the College District's and the Improvement District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. The College District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A. Proposition 1A (SCA 4), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate from 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Future Initiatives. Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98, 39 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the Improvement District's and College District's revenues or their ability to expend revenues.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

September 2, 2020

Board of Trustees
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706

Re: $48,325,000 Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable)

We have acted as bond counsel for the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District (the "Improvement District"), Orange County, State of California, in connection with the issuance of $48,325,000 aggregate principal amount of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the "Bonds"). The Bonds are issued pursuant to Articles 9 and 11, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, as amended, and the resolution adopted by the Board of Trustees of the Rancho Santiago Community College District (the "College District") acting as the legislative body of the Improvement District on July 13, 2020 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall be the meanings ascribed to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the College District and the Improvement District for the authorization and issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the College District and the Improvement District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the Improvement District, enforceable in accordance with their terms and the terms of the Resolution.

2. The Bonds are payable solely from and are secured by a pledge of ad valorem taxes which may be levied without limitation as to rate or amount upon all taxable real property in the Improvement District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the Improvement District, and from other available funds as set forth in the Resolution.

3. The Resolution has been duly authorized by the College District acting on behalf of the Improvement District and constitutes the legally valid and binding obligation of the

Improvement District, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. Interest on the Bonds is exempt from personal income taxes of the State of California under present State law.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

Except as stated in paragraph 4 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX C

AUDITED FINANCIAL STATEMENTS
OF THE COLLEGE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Financial Statements
June 30, 2019

Rancho Santiago Community College District

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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2019

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the 2018-2019 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

USING THIS ANNUAL REPORT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

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

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

THE DISTRICT AS A WHOLE

Statement of Net Position

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

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

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

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

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

Table 1

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

Fiscal year ended 2019 compared to 2018:

- Total assets increased approximately $21.8 million, a 2.6 percent increase from the prior year. The increase is mostly due to construction costs for the Science Center, Johnson Student Center, and Health Science building at Santa Ana College.

- Total current liabilities increased approximately $60.8 million, a 57.5 percent increase from the prior year, due largely from increases in accounts payable and unearned revenue. Accounts payable increased by 41.0 percent due to the timing of payments. The District accrued $5.3 million for construction costs incurred for the Science Center and Johnson Student Center at Santa Ana College. The District also accrued $5.7 million in reimbursements owed to various community colleges for program expenditures related to the Strong Workforce Program, for which the District is the regional fiscal agent. Unearned revenue increased by $41.9 million due mostly to new grant funding received for the regional Strong Workforce Program which has not been expended. The District also recorded $6.5 million in deferred State apportionment revenue.

- Long-term obligations decreased by $43.3 million, a 5.4 percent decrease from the prior year. The decrease is mostly due to maturing General Obligation Bonds and a change in the actuarial assumptions used to calculate the total OPEB liability which included an increase in the investment rate of return from 3.5 percent to 6.3 percent.

- Due to the provisions of GASB Statement No. 68, described in more detail in Note 12 of the financial statements, the District's net position is adjusted to reflect its "proportionate share" of CalPERS and CalSTRS net pension liabilities as a reduction to net position. Though this is an accounting requirement, districts cannot fund these pension liabilities more than required by CalPERS and CalSTRS. By backing out this accounting shift, the District's total net position would be reported as $144,273,991 at June 30, 2019, an increase of $15,801,026 over the previous year's adjusted total net position of $128,472,965.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

Table 2

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

Fiscal year ended 2019 compared to 2018:

- State grants revenue increased by over 32.7 percent related to continued work on fiscal agent awards received for Strong Workforce Program and Key Talent Program.

- Total nonoperating revenue increased 1.55 percent from the prior year mostly due to the increase in the Cost of Living Adjustment.

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

Table 3

Year ended June 30, 2019:

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

Statement of Cash Flows

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

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

Statement of Changes in Cash Position

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

Table 4

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Fiscal year ended 2019 compared to 2018:

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

Table 5

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

Obligations

Fiscal year ended 2019 compared to 2018:

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

Table 6

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

BUDGETARY HIGHLIGHTS

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

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

- The State Chancellor's Office has approved a hold harmless provision which keeps the District funded at the 2017-2018 Total Computational Revenue level plus the 2018-2019 Cost of Living Adjustment (COLA) of 2.71 percent and the 2019-2020 COLA of 3.26 percent.

- The District's health and welfare benefit premium cost as of January 2020 is estimated to increase by 3.5 percent. The District's contribution to the California State Teachers' Retirement System (CalSTRS) will increase in 2019-2020 from 16.28 percent to 17.1 percent. The District's contribution to the California Public Employees' Retirement System (CalPERS) will increase in 2019-2020 from 18.06 percent to 19.721 percent.

- As a result of a decrease in the actuarially determined Annual Required Contribution needed to fund the District's Postemployment Benefits Other Than Pensions (OPEB) liability, the District will decrease the employer payroll contribution rate of 3.63 percent to 2.75 percent of total salaries.

- The District targeted an increase to 28,177 Full-Time Equivalent Students served, however did not budget for any growth revenue.

- The full-time Faculty Obligation Number was estimated at 381. The District will recruit to replace 18 faculty vacancies and recruit 15 new faculty to meet this obligation.

- The District's 2018-2019 unrestricted ending balance increased by $855,833, the majority of which are carried over as college-specific reserves.

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

ECONOMIC FACTORS

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

- There are concerns for community colleges in that the condition of the State's budget depends on many volatile and unpredictable economic conditions. This uncertainty coupled with the expectation of Cost of Living Adjustments (COLAs) remaining low in the foreseeable future, growth of Full Time Equivalent Students remaining tenuous, continuing cost increases related to pension obligations, and the Student Centered Funding Formula adding additional funding volatility and uncertainty necessitates a cautious approach to budget forecasts.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	$ 109,216,435
Cash and cash equivalents - restricted	246,230,081
Investments	157,746
Accounts receivable	18,661,928
Student receivables	997,496
Due from fiduciary funds	8,886
Prepaid expenses	1,686,037
Inventories	1,573,186
Total Current Assets	378,531,795
Noncurrent Assets	
Nondepreciable capital assets	147,498,617
Depreciable capital assets, net of depreciation	322,765,194
Total Noncurrent Assets	470,263,811
TOTAL ASSETS	848,795,606
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	927,737
Deferred outflows of resources related to pensions	55,187,436
Deferred outflows of resources related to OPEB	47,475,511
TOTAL DEFERRED OUTFLOWS OF RESOURCES	103,590,684
LIABILITIES	
Current Liabilities	
Accounts payable	28,542,014
Interest payable	5,112,984
Due to fiduciary funds	552,246
Unearned revenue	110,804,425
Compensated absences payable	633,927
Bonds payable	20,780,000
Total Current Liabilities	166,425,596
Noncurrent Liabilities	
Compensated absences payable	6,350,458
Load banking	5,628,614
Bonds payable	400,245,272
Claims liability	400,000
Aggregate net OPEB liability	139,836,608
Aggregate net pension obligation	202,242,882
Total Noncurrent Liabilities	754,703,834
TOTAL LIABILITIES	921,129,430
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	13,079,627
Deferred inflows of resources related to OPEB	34,038,315
TOTAL DEFERRED INFLOWS OF RESOURCES	47,117,942
NET POSITION	
Net investment in capital assets	115,095,221
Restricted for:	
Debt service	23,665,228
Capital projects	87,431,454
Educational programs	3,581,339
Other activities	2,041,767
Unrestricted (deficit)	(247,676,091)
TOTAL NET POSITION	$ (15,861,082)

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 11,861,860
Grants and contracts, noncapital	145,175,973
Payments to or on behalf of employees	(232,711,547)
Payments to vendors for supplies and services	(81,064,123)
Payments to students for scholarships and grants	(30,261,162)
Other operating receipts (payments)	5,350,171
Net Cash Flows From Operating Activities	(181,648,828)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	88,301,494
Federal and State financial aid grants and loans	26,442,018
Property taxes - nondebt related	81,420,316
State taxes and other apportionments	8,352,303
Other nonoperating	210,682
Net Cash Flows From Noncapital Financing Activities	204,726,813
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(34,946,431)
Proceeds from capital debt	3,828,258
State revenue, capital projects	1,325,755
Local revenue, capital projects	3,676,408
Property taxes - related to capital debt	31,025,282
Principal paid on capital debt	(24,423,703)
Interest paid on capital debt	(14,305,609)
Deferred costs on issuance of refunding debt	899,668
Interest received on capital asset-related debt	325,526
Net Cash Flows From Capital Financing Activities	(32,594,846)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	6,316,370
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,200,491)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	358,804,753
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 355,604,262

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (225,204,328)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation expense	17,808,084
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	1,076,364
Inventories	26,330
Prepaid expenses	(320,673)
Accounts payable and accrued liabilities	4,719,894
Unearned revenue	45,791,134
Compensated absences and load banking	334,711
Deferred outflows of resources related to OPEB & pensions	(38,537,431)
Deferred inflows of resources related to OPEB & pensions	33,894,080
Aggregate net pension obligation	6,204,553
Aggregate net OPEB obligation	(27,441,546)
Total Adjustments	43,555,500
Net Cash Flows From Operating Activities	$ (181,648,828)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash and cash equivalents	$ 355,446,516
Investments in local agency investment fund (LAIF)	157,746
Total Cash and Cash Equivalents	$ 355,604,262
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 13,398,472
California Promise Grants	14,417,864
	$ 27,816,336

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

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

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

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

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

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

NOTE 1 - ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Restricted Assets

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

Accounts Receivable

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

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

Accrued Liabilities and Long-Term Obligations

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

Debt Premiums

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

Deferred Charge on Refunding

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Compensated Absences

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

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

Unearned Revenue

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

Noncurrent Liabilities

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

Net Position

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

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

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

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

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

Operating Revenues and Expenses

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

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

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

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

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

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

State Apportionments

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

Property Taxes

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

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

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

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

Estimates

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

Interfund Activity

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

Change in Accounting Principles

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

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

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

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

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

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

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

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

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

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

General Authorizations

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

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

Authorized Under Debt Agreements

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

Summary of Deposits and Investments

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

Primary government	$ 355,604,262
Fiduciary funds	46,854,323
Total Deposits and Investments	$ 402,458,585

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

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

Interest Rate Risk and Credit Risk

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

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

Custodial Credit Risk - Deposits

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

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable are as follows:

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

	Fiduciary Funds
Local Sources	
Other local sources	$ 214,428
Student receivables	$ 2,659

NOTE 6 - CAPITAL ASSETS

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

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

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

NOTE 7 - ACCOUNTS PAYABLE

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

	Primary Government
Accrued payroll	$ 5,902,277
Amounts owed to other districts	6,496,035
Construction	6,986,566
Vendor payables	9,157,136
Total	$ 28,542,014

	Fiduciary Funds
Accrued payroll	$ 63,314
Vendor payables	110,266
Total	$ 173,580

NOTE 8 - UNEARNED REVENUE

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

	Primary Government
Federal financial assistance	$ 264,203
State categorical aid	101,912,584
Apportionment	4,705,006
Student fees	1,812,377
Other local	2,110,255
Total	$ 110,804,425

	Fiduciary Funds
Other local	$ 82,468

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

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

Interfund Operating Transfers

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

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

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

Description of Debt

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

Bonded Debt

2002 General Obligation Bonds

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

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

On September 21, 2006, the District issued General Obligation Bonds, Election 2002, Series C of $86,255,000 of current interest bonds and $34,619,329 of capital appreciation bonds. Interest ranges from 3.38 percent to 5.00 percent payable semi-annually on March 1 and September 1.

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

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

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

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

2012 General Obligation Bonds

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

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

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

The outstanding general obligation bonded debt is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences

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

Load Banking

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

Aggregate Net Other Postemployment Benefits (OPEB) Liability

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

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

The details of each plan are as follows:

District Plan

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	414
Active employees	977
	1,391

Benefits Provided

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

Contributions

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

Total OPEB Liability of the District

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

Actuarial Assumptions

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

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

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

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

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

Changes in the Total OPEB Liability

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

Changes of Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

Contributions

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

Net OPEB Liability and OPEB Expense

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

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

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

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

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

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

Aggregate Net Pension Obligation

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

NOTE 11 - RISK MANAGEMENT

Property and Liability Insurance Coverages

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

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

Claims Liabilities

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

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

Joint Powers Authority Risk Pools

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

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

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

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

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

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

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

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

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

Primary Government

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

Fiduciary Funds

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

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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%)	$ 167,013,664
Current discount rate (7.10%)	114,011,608
1% increase (8.10%)	70,067,760

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

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

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

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

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

Plan Fiduciary Net Position

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

Public Agency Retirement Services (PARS)

Plan Description

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

On Behalf Payments

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

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

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

Litigation

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

Construction Commitments

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

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

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

NOTE 14 – SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

	2019	2018
Total OPEB Liability		
Service cost	$ 7,767,432	$ 7,559,545
Interest	10,522,057	5,660,197
Changes of assumptions	(38,293,105)	-
Benefit payments	(8,290,199)	(7,971,345)
Net changes in total OPEB liability	(28,293,815)	5,248,397
Total OPEB Liability - beginning	167,278,154	162,029,757
Total OPEB Liability - ending	$ 138,984,339	$ 167,278,154
Covered-employee payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.2227%	0.2292%
District's proportionate share of the net OPEB liability	$ 852,269	$ 964,112
District's covered-employee payroll	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

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

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

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RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to required supplementary information.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

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

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

See accompanying note to required supplementary information.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

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

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

See accompanying note to required supplementary information.

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

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

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

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

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

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

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

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

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

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

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2019

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

BOARD OF TRUSTEES

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

ADMINISTRATION

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

*- Retired as of June 30, 2019.

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

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

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

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

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

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

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

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

See accompanying note to supplementary information.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 42,340,385	
Special Revenue Funds	4,985,039	
Capital Project Funds	108,634,817	
Debt Service Funds	28,778,212	
Internal Service Funds	(31,441,811)	
Fiduciary Funds	1,151,235	
Total Fund Balance - All District Governmental Funds		**$ 154,447,877**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	676,751,691	
Accumulated depreciation is	(206,487,880)	470,263,811
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(5,112,984)
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		927,737
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	21,115,033	
Net change in proportionate share of net pension liability	689,530	
Differences between projected and actual earnings on pension plan investments	723,694	
Differences between expected and actual experience in the measurement of the total pension liability	6,137,665	
Changes of assumptions	26,521,514	
Total Deferred Outflows of Resources Related to Pensions		55,187,436

See accompanying note to supplementary information.

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

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

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

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

Schedule of Expenditures of Federal Awards

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

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

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

Schedule of Expenditures of State Awards

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

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

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

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

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

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

Reconciliation of Governmental Funds to the Statement of Net Position

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

INDEPENDENT AUDITOR'S REPORTS

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

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited Rancho Santiago Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

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

Unmodified Opinion

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
December 2, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major Federal programs:

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

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

STATE AWARDS

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

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

None reported.

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

None reported.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

None reported.

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

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

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "Disclosure Undertaking") is executed and delivered by Rancho Santiago Community College District (the "College District"), as of September 2, 2020, in connection with the issuance of $48,325,000 aggregate principal amount of the Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District's General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the College District on July 13, 2020 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the issuance of the Bonds and the purchase of such Bonds by the Underwriter described below, the College District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the College District for the benefit of the Bondholders and in order to assist Piper Sandler & Co. (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the College District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Undertaking.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means Cooperative Strategies, LLC, and any alternate or successor dissemination agent, designated in writing by the Chancellor or Vice Chancellor (or otherwise by the College District), which Dissemination Agent has evidenced its acceptance in writing.

"Financial Obligation" means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) the guarantee of a debt obligation or any such derivative instrument; provided, that "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, or any other entity designated or authorized by the Commission.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated August 6, 2020 (the "Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The Improvement District shall, or shall cause the Dissemination Agent (if other than the Improvement District), not later than 240 days after the end of the College District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2020, to provide to the MSRB, in a format prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Undertaking. As of the date of this Certificate, the format prescribed by the MSRB is the Electronic Municipal Market Access system. Information regarding requirement for submissions to EMMA is available at http://emma.msrb.org.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Undertaking; provided that the audited financial statements of the College District may be submitted, when and if available, separately from the balance of the relevant Annual Report. If the College District does not have audited financial statements available when it submits the relevant Annual Report, the Improvement District shall submit unaudited financial statements, as described in Section 5(a) below.

(b) Not later than 15 Business Days prior to the filing date required in paragraph (a) above for providing the Annual Report to the MSRB, the Improvement District shall provide the Annual Report to the Dissemination Agent (if other than the College District). If the Improvement District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the Improvement District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent (if other than the College District) shall:

(i) determine each year prior to the date for providing the Annual Report the format for filing with the MSRB; and

(ii) file a report with the Improvement District certifying that the Annual Report has been provided pursuant to this Disclosure Undertaking, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The College District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the College District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the College District will provide audited financial information to the MSRB as soon as practical after it has been made available to the College District.

(b) Operating data, including the following information (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations of the College District for the preceding fiscal year;

(ii) General fund budget and actual results of the College District for the preceding fiscal year;

(iii) Enrollment, or equivalent information, in the College District for the preceding fiscal year;

(iv) Assessed valuations in the Improvement District as of the most recent equalized assessment roll; and

(v) Largest local secured taxpayers in the Improvement District as of the most recent equalized assessment roll.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the College District, the Improvement District, or related public entities, which have been submitted to the MSRB or to the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Improvement District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The Improvement District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity providers, or their failure to perform;

(v) Adverse tax opinions with respect to the tax status of the Bonds, or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(vi) Tender offers;

(vii) Defeasances;

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the "obligated person" (within the meaning of the Rule); or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the College District, any of which reflect financial difficulties.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the College District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the College District or the Improvement District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the College District or the Improvement District.

(b) The Improvement District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of Owners;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an "obligated person" or the sale of all or substantially all of the assets of the College District or the Improvement District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; or

(viii) Incurrence of a Financial Obligation of the College District or the Improvement District, if material, or an agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the College District or the Improvement District, any of which affect the Owners, if material; or

(c) The Improvement District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the Improvement District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the Improvement District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The College District's obligations under this Disclosure Undertaking shall terminate when the Improvement District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Chancellor or Vice Chancellor, Business Operations/Fiscal Services, may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the Improvement District's obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no other designated Dissemination Agent in place, the College District shall act as the Dissemination Agent.

The Dissemination Agent, if other than the College District, shall be paid compensation for its services provided hereunder, and reimbursement for its costs and expenses. The Dissemination Agent shall not be responsible for the form or content of any document provided by the College District hereunder.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Undertaking, the Improvement District may amend this Disclosure Undertaking under the following conditions, provided no amendment to this Disclosure Undertaking shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the College District or the Improvement District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the Improvement District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the Improvement District shall have no obligation under this Disclosure Undertaking to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Undertaking shall be deemed to prevent the Improvement District from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Undertaking.

SECTION 11. Default. The Improvement District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the Improvement District to comply with any provision of this Disclosure Undertaking, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Improvement District to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Improvement District to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Improvement District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Record Keeping. The Improvement District shall maintain records of all Annual Reports and notices of Listed Events including the content of such disclosure, the names of the entities with whom the such disclosure were filed and the date of filing such disclosure.

SECTION 14. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of California, applicable to contracts made and performed in such State of California.

IN WITNESS WHEREOF, Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District has executed this Continuing Disclosure Undertaking as of the date first set forth herein.

SANTA ANA COLLEGE IMPROVEMENT DITRICT
NO. 1 OF RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT

By: ______________________________
Chancellor

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Rancho Santiago Community College District, acting as the legislative body for Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District
Name of Issue:	$48,325,000 Santa Ana College Improvement District No. 1 of Rancho Santiago Community College District General Obligation Refunding Bonds, 2020 Series A-2 (Federally Taxable)
Date of Issuance:	September 2, 2020

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Disclosure Undertaking dated September 2, 2020. The Issuer anticipates that the Annual Report will be filed by _______________.

Dated: ______________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the College District believes to be reliable, but the College District takes no responsibility for the accuracy or completeness thereof. The College District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the College District (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the College District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the College District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the College District or the Paying Agent, disbursement of such payments to Direct

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the College District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The College District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the College District believes to be reliable, but the College District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for a Bond of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the College District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX F

ORANGE COUNTY EDUCATIONAL INVESTMENT POOL DISCLOSURE

The following information concerning the Investment Pool (defined herein) has been provided by the Treasurer of Orange County (the "County") and has not been confirmed or verified by either the College District or the Underwriter. Further, neither the College District, Improvement District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Board of Supervisors (the "Board") approved the current County Investment Policy Statement (the "Investment Policy") on November 19, 2019 (see Appendix G – ORANGE COUNTY INVESTMENT POLICY STATEMENT" or ocgov.com/ocinvestments). (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The Investment Policy applies to all funds managed by the County Treasurer as delegated by the Board including the Orange County Investment Pool, the Orange County Educational Investment Pool, the John Wayne Airport Investment Fund and various other small non-Pooled investment funds. The primary goal is to invest public funds in a manner which will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to Pool Participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds. The main investing objectives, in order of priority are: Safety, Liquidity and Yield.

Pursuant to California Government Code Section (CGC) 27130-27137, the Board of Supervisors has established a Treasury Oversight Committee (TOC) that monitors and reviews the Investment Policy Statement annually and causes an annual audit to be conducted to determine if the Treasurer is in compliance with CGC 27130-17137 and which includes, limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the elected County Superintendent of Schools, or their respective designees and four public members. In addition, the Auditor-Controller Internal Audit Division and the Internal Audit Department perform regular reviews and audits as required by CGC 26920(a) and (b) and as required by a TOC Directive. These reports, when issued, are available online in the Treasurer's Monthly Investment Report at ocgov.com/ocinvestments (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement).

The College District's funds held by the County Treasurer are invested in the Orange County Educational Investment Pool (the "Pool") which pools all of the College District's funds. As of June 30, 2020, the balance of the College District's funds was $349,377,063 or 10.47% of the Pool. The pool is invested 96% in securities rated in the two highest rating categories. As of June 30, 2020, the Pool has a weighted average maturity of 266 days and the year-to-date net yield is 1.87%.

The following represents the composition of the Pool as of June 30, 2020:

Type of Investment	Market Value (In thousands)	% of Pool
U.S. Government Agencies	$ 2,392,274	46.01%
U.S. Treasuries	1,480,077	28.46%
Medium-Term Notes	134,590	2.59%
Municipal Debt	226,579	4.36%
Money Market Mutual Funds	930,394	17.89%
Local Agency Investment Fund	35,883	0.69%
Total	$ 5,199,797	100.00%

Neither the College District nor the Underwriter has made an independent investigation of the investments in the Pools and has made no assessment of the current County Investment Policy. The value of the various investments in the Pools will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pools will not vary significantly from the values described therein.

APPENDIX G

ORANGE COUNTY INVESTMENT POLICY STATEMENT

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Orange County Treasurer

2020 Investment Policy Statement

(Approved By B.O.S. 11/19/2019)

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ORANGE COUNTY TREASURER
INVESTMENT POLICY STATEMENT

PURPOSE

This policy is intended to provide the structure for the prudent investment of the cash balances entrusted to the Orange County Treasurer (the "Treasurer") and outline the policies to assist in maximizing the efficiency of the Treasurer's cash management system while meeting the daily cash flow demands of the County, the School Districts, Community Colleges, voluntary participants and other County-related agency funds. The Treasurer's Investment Policy Statement is approved annually by the County Board of Supervisors as required by California Government Code Section 53646 (a) (1) and reviewed annually by the Treasury Oversight Committee, pursuant to the requirements of California Government Code Section 27133. (All references are to the California Government Code unless otherwise stated.)

I. POLICY STATEMENT

The investment practices and policies of the Treasurer are based on compliance with State law and prudent money management. The primary goal is to invest public funds in a manner that will provide the maximum security of principal invested with secondary emphasis on providing adequate liquidity to pool participants and lastly to achieve a market rate of return within the parameters of prudent risk management while conforming to all applicable statutes and resolutions governing the investment of public funds.

The Orange County Investment Fund (the "OCIF"), which includes all cash balances entrusted to the Treasurer as noted above, is designed to meet both the investment and cash requirements of our participants. If separate funds are established, the Treasurer shall determine on a cash flow basis what percent of available cash will be invested in each fund.

II. SCOPE

The scope of this Investment Policy Statement applies to all financial assets as indicated in II.1 below.

1. FUNDS
The Treasurer is responsible for investing the unexpended cash of the OCIF, defined as all monies under the investment authority of the Treasurer, including funds, and subsets of funds for the Orange County Department of Education; and excluding the County employee's pension and medical trust funds which are invested separately by Orange County Employees Retirement System (OCERS), and those funds that are invested separately by the County Treasurer under bond indenture agreements. The County Funds are accounted for in the County's CAFR and include:

- Governmental Funds, including the General Fund
- Enterprise Funds
- Fiduciary Funds
- Any other funds or new funds created by the County, unless specifically exempted

a) Pooled Funds:

It is the Treasurer's policy to pool certain funds for investment purposes to provide efficiencies and economies of scale. Investing through pooled funds will provide for greater use of funds by allowing for more efficient cash flows, a reduction in transaction costs, and improved access to the market. In addition to allowing for one pool for all participants, OCIF may also be split into different pools to meet the specific needs of participants such as short-term pools and longer-term pools. Each pool established will be reviewed separately for purposes of determining compliance with the Investment Policy Statement. These pools are based on the investment requirements detailed in Government Code Sections 53600 et seq. and 53630 et seq.

i. If a longer-term pool such as an extended fund is established by the Treasurer, it will be utilized for investment requirements generally longer than one year. It will be invested primarily in high grade securities.

ii. If a short-term pool is established, it can be established as a single pool or as separate pools depending on the needs of the pool participants. These pools will be utilized for shorter-term investment requirements and providing liquidity for immediate cash needs. They will be invested primarily in cash–equivalent securities to fulfill the primary goals of safety and liquidity.

b) Specific Investment Accounts:

From time to time, the Treasurer may be asked by the County or a participant's governing board to invest other specific investments or to manage bond proceeds issued by the County, a local school district, voluntary participant, or other local agency. This may include deposits that are set aside for future needs of a long-term nature and may be appropriately invested in longer-term securities, either in a pool or in specific investments as allowed by Government Code. The County or the participating agencies will be required to sign a written agreement acknowledging that there may be risk to principal should they desire to redeem funds early, thereby forcing an early sale of securities rather than holding investments to maturity.

In addition, no investment will be made in any security that at the time of the investment has a term remaining to maturity in excess of five years, unless the appropriate legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment. Strategies for such deposits may include matching maturities with long-term liabilities.

III. PRUDENCE

Government Code Sections 27000.3 and Section 53600.3 provide that the "prudent investor" standard is to be used by the Treasurer as a fiduciary of public funds. This standard provides that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the County and other depositors that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitation of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law.

The Treasurer and those delegated staff shall act in accordance with written procedures and the Investment Policy Statement, exercise due diligence, report in a timely fashion and implement appropriate controls to mitigate adverse developments.

IV. DELEGATION OF AUTHORITY

Annually, the County Board of Supervisors delegates to the Treasurer the authority to invest and reinvest the funds of the County and other depositors as specified in Government Code Sections 27000.1, 53607 and 53608. Such delegation is conditioned upon the Treasurer submitting any and all investment policies and amendments thereto to the Board for review and approval. The Treasurer may further delegate investment authority to such persons within the Treasurer's Department as deemed appropriate.

V. OBJECTIVES

Criteria for selecting investments and the absolute order of priority are:

1. SAFETY
   Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

   The Treasurer shall seek to preserve principal and minimize capital losses by mitigating credit risk and market risk as follows:

   a) Credit Risk: Defined as an issuer's ability and willingness to repay interest and principal. Credit risk shall be mitigated by diversifying the fund among issues and issuers so that the failure of any one issue or issuer would not result in a significant loss of income or principal to participants.

   b) Market Risk: Defined as the risk of market value fluctuations due to changes in the general level of interest rates. Because longer-term securities generally have greater market risk than shorter-term securities, market risk will be mitigated by establishing a maximum weighted average maturity or duration for the portfolio. Occasional market losses on individual securities are inevitable with active portfolio management and must be considered within the context of the overall investment return.

2. LIQUIDITY
   Liquidity refers to the recurring maturity of a portion of the investment portfolio, as well as the ability to sell an investment at any given moment with a minimal chance of principal loss. A portion of OCIF, which may be in a separate pool, will maintain liquidity for the purpose of meeting all operating requirements and reasonably anticipated cash flow needs.

3. YIELD
   Yield refers to the objective of attaining a market rate of return commensurate with the risk profile and cash flow characteristics of the portfolio throughout budgetary and economic

cycles. Although the Treasurer may employ certain indices to gauge the funds' rate of return, such indices shall be used solely for comparative purposes and do not constitute a warranty or guarantee of actual fund performance.

4. MARK-TO-MARKET
Investment pools, as described in Section II, 1 (a) of this Investment Policy Statement, are marked to market. To the extent reasonably possible and consistent with the Treasurer's trust and fiduciary duty, any funds in a short-term pool will attempt to stabilize at a $1.00 net asset value (NAV). If the ratio of the market value of the short-term pool divided by the book value of the short-term pool is less than $.9975, holdings may be sold as necessary to maintain the NAV above $.9975.

The Treasurer will also act on a "best efforts" basis to keep any short-term pools above $.9975 and will provide the NAV of all pools in the monthly report. However, the $1.00 NAV is not guaranteed or insured by the Treasurer for any pool, including any longer-term pool, nor are the pools registered with the Securities Exchange Commission (SEC).

VI. AUTHORIZED INVESTMENTS

The County is authorized by Government Code Section 53600 et seq. to invest in specific types of securities. Investments not specifically listed below are prohibited. Consistent with the requirements of law and this Investment Policy Statement, the Treasurer may place orders for the execution of transactions with or through such broker/dealers, banks or counterparties as may be selected from time to time at his/her discretion. All securities must be U.S. dollar denominated. To the extent consistent with the objectives stated above, the investment restrictions outlined below, and the investment limitations specified in Sections VII and VIII, the pools may invest in the following areas.

1. U. S. TREASURY SECURITIES
United States Treasury bills, notes, bonds, or certificates of indebtedness, for which the full faith and credit of the United States are pledged for the payment of principal and interest. There is no limit on the percentage of any individual pool's total assets that can be invested in this category.

2. U. S. GOVERNMENT AGENCY SECURITIES
Obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise (GSE). There is no limit on the percentage of any individual pool's total assets that can be invested in this category including no issuer limit.

3. COMMERCIAL PAPER
Eligible commercial paper shall not exceed 270 days maturity, and shall not exceed 40% of any individual pool's total assets. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (a) or paragraph (b):
   a) Has total assets in excess of five hundred million dollars ($500,000,000), is organized and operating within the United States as a general corporation.
   b) Is organized in the United States as a special purpose corporation, trust, or limited liability company, has program-wide credit enhancements including, but not limited to overcollateralization, letters of credit or a surety bond.

No more than 5% of any individual pool's total assets may be invested in any one issuer's commercial paper.

4. NEGOTIABLE CERTIFICATES OF DEPOSIT
   Negotiable certificates of deposit issued by a nationally or state-chartered bank, savings association, or a federal association (as defined by Section 5102 of the California Financial Code), or by a federally licensed or state-licensed branch of a foreign bank. No more than 20% of any individual pool's total assets may be invested in negotiable certificates of deposit and maximum remaining maturity cannot exceed eighteen months.

5. REPURCHASE AGREEMENTS
   Investments in repurchase agreements for the purpose of this Investment Policy Statement means a purchase of securities by the Treasurer pursuant to an agreement by which the seller will repurchase the securities on or before a specified date and for a specified amount and will deliver the underlying securities to the Treasurer by book entry, physical delivery, or by third party custodial agreement. The term of a repurchase agreement shall not exceed one year and the counterparty must have capital of not less than $500 million. The term "securities," for the purpose of repurchase agreements, means securities of the same issuer, description, issue date, and maturity.

   To participate in repurchase agreements, a master repurchase agreement must be completed and signed by all parties involved. The Treasurer will maintain a signed copy of the agreement. Repurchase agreements are required to be collateralized by securities or cash.

   a) Collateralization:
      In order to anticipate market changes and provide a level of security for all repurchase agreement transactions, the market value of securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities and the value shall be adjusted no less frequently than weekly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

      Collateral will be limited to cash, and U.S. Treasury and U.S. Government Agency securities. For compliance purposes, U.S. Treasury and/or U.S. Government Agency collateral are exempt from the issuer limits as stated in Section VIII.2. Collateral will be held by an independent third party with whom the Treasurer has a current custodial agreement. A clearly marked evidence of ownership (safekeeping/custody receipt) must be supplied to the Treasurer and retained. No collateral substitutions may be made without prior approval of the Treasurer.

   Investments in repurchase agreements are limited to no more than 20% of any individual pool's total assets. Agreements are subject to Government Code Section 53601 and must comply with the delivery requirements and the maturity provision from Section 53601.

6. **BANKERS' ACCEPTANCES**
Bankers' acceptances, also known as time drafts or bills of exchange, that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances shall not exceed 180 days maturity. Bankers' acceptances are limited to no more than 40% of any individual pool's total assets.

7. MONEY MARKET MUTUAL FUNDS
Shares of beneficial interest issued by diversified management companies that are money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), which only invest in direct obligations in U.S. Treasury bills, notes, and bonds, U.S. Government Agencies, Municipal Debt, and repurchase agreements with a weighted average maturity of 60 days or less. Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV) are prohibited. Money market mutual funds are not required to conform to the restrictions detailed in this Investment Policy Statement, but are limited to no more than 20% of any individual pool's total assets. The Treasurer shall be required to investigate money market mutual funds prior to investing and perform a periodic review, but at least annually thereafter while the funds are invested in the money market mutual fund. At a minimum, approved money market mutual funds shall have met either of the following criteria:

a) Attained the highest ranking or the highest letter and numerical rating provided by no less than two NRSROs.

b) Retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000.

8. STATE POOL – LOCAL AGENCY INVESTMENT FUND
The Treasurer may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer under Government Code Section 16429.1. LAIF has no final stated maturity and will be reported as a one-day maturity. Investments in LAIF shall not exceed the current State limit (currently at $65 million per pool).

9. MUNICIPAL DEBT
Such instruments are defined as being issued by a local or state agency, including:

a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

b) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of a state.

c) Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

10. MEDIUM-TERM NOTES

Medium-term notes are defined as all corporate and depository institution debt securities with a maximum remaining maturity of not more than 397 days for any short-term pools and two years for any other pools such as a longer-term pool. Medium-term notes must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Investments in medium-term notes are limited to no more than 20% of any individual pool's total assets.

11. INVESTMENT POOLS

Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations as authorized under 53601 (a) to (o), inclusive, and that comply with the investment restrictions of Government Code Sections 53600 through 53610 and Section 53630. The Treasurer shall be required to investigate all local government investment pools prior to investing and perform a quarterly review thereafter while the funds are invested in the pool. The analysis shall include, but is not limited to, the following characteristics of a pool/fund as part of its investigation and quarterly review:

- Eligible securities
- Maximum maturity
- REPO collateral/counter-party
- Size of the pool/fund
- Limits on withdrawal/deposit
- Expense ratio

Investments in this investment type are limited to no more than 20% of any individual pool's total assets. No more than 10% of any individual pool's total assets shall be invested in a single investment pool.

12. SUPRANATIONAL SECURITIES

Supranational securities are defined as United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity five years or less, and eligible for purchase and sale within the United States. Investments in supranationals shall not exceed 30 percent of any individual pool's total assets.

VII. INVESTMENT CREDIT RATING RESTRICTIONS

Credit ratings will be applied at the time of purchase of a security and monitored for changes while owned. A downgrade subsequent to purchase in a security's credit rating will not constitute a violation of the Investment Policy Statement. Securities that are downgraded below the minimum acceptable rating levels must be reviewed for possible sale by the Treasurer within a reasonable amount of time. The credit ratings referred to in this policy must be assigned by one of the following Nationally Recognized Statistical Rating Organizations (NRSRO): Standard & Poor's Corporation (S&P), Moody's Investors Service, Inc. (Moody's) and Fitch Ratings (Fitch).

Investments: 1) must have the minimum ratings required below by at least two NRSROs, except for Money Market Mutual Funds (defined in Section VI 7) which can be rated by only one NRSRO if it meets certain criteria and Investment Pools (defined in Section VI 11) which can be rated by only one NRSRO, and 2) the lowest rating of any NRSRO must meet or exceed the minimum rating required below:

<u>Short-term debt ratings:</u>	
"A-1" or "SP-1" or AAAf	S&P
"P-1" or "MIG 1/VMIG 1" or AAA-mf	Moody's
"F1"or AAAf	Fitch
<u>Long-term debt ratings:</u>	
"AA"	S & P
"Aa"	Moody's
"AA"	Fitch

If an issuer of long-term debt has a Short-Term debt rating, then it may not be less than the Short-term debt ratings above.

Municipal debt issued by the County of Orange, California (as defined in Section VI 9), U.S. Government obligations (as defined in Section VI 1 and VI 2) and State Pool (as defined in Section VI 8), are exempt from the credit rating requirements listed above.

Any issuer, and all related entities, that have been placed on "Credit Watch-Negative" by a NRSRO will be placed on hold and current holdings reviewed for possible sale within a reasonable period of time unless the following criteria are met and are also approved in writing by the Treasurer prior to purchase:

The issuer has:
(a) an A-1+ or F1+ short-term rating; and
(b) at least an AA or Aa2 or higher long-term rating from each of the NRSROs that rate the issuer.

VIII. <u>DIVERSIFICATION AND MATURITY RESTRICTIONS</u>

It is the policy of the Treasurer to diversify the pooled funds. Investments are diversified to minimize the risk of loss resulting in overconcentration of assets in a specific maturity, specific issuer, or a specific class of securities. Diversification strategies shall be established by the Treasurer and periodically reviewed.

1. AUTHORIZED INVESTMENTS AND ISSUER CONCENTRATION

Only debt issued by firms listed on the Office of the Treasurer's Approved Issuer List may be purchased. The following diversification limits will also be applied at the time of purchase of a security.

Type of Investment	Cal Gov Code % of Funds Permitted	Orange County IPS	Cal Gov Code Maximum Final Maturity	Orange County IPS Maximum Final Maturity (All Pooled Funds Except Short-Term Funds)	Orange County IPS Maximum Final Maturity (Short-Term Fund)
U.S. Treasury Securities	100%	100%	5 Years	5 Years	397 Days
U.S. Government Agency Securities (GSEs)	100%	100%	5 Years	5 Years	397 Days
Municipal Debt	100%	20% Total, no more than 5% in one issuer except 10% - County of Orange	5 Years	3 Years	397 Days
Medium-Term Notes	30%	20% Total, no more than 5% in one issuer	5 Years	2 Years	397 Days
Bankers Acceptances	40%, 30% of a single issuer	40% Total, no more than 5% in one issuer	180 Days	180 Days	180 Days
Commercial Paper	40%, 10% of a single issuer	40% Total, no more than 5% in one issuer	270 Days	270 Days	270 Days
Negotiable Certificates of Deposits	30%	20% Total, no more than 5% in one issuer	5 Years	18 months	397 Days
State of California Local Agency Investment Fund	$65 million per account	State limit (currently $65 million per pool)	N/A	N/A	N/A
Repurchase Agreements	100%	20% Total, no more than 10% in one issuer	1 Year	180 Days	1 Year
Money Market Mutual Funds (MMMF)	20%	20% Total, no more than 10% in one MMMF account	N/A	N/A	N/A
JPA Investment Pools (JPA)	100%	20% Total, no more than 10% in one JPA Pool	N/A	N/A	N/A
Supranationals	30%	30% Total, no more than 5% in one issuer	5 Years	5 Years	397 Days

2. MATURITY

a) The weighted average maturity (WAM) of any short-term pool, on a dollar-weighted basis, shall not exceed 60 days.

b) The maximum maturity of any investment purchased will be five years with the exception of investments and investment pools authorized by the Board of Supervisors or the appropriate legislative body to be invested in longer than five year maturities.

The following restrictions will apply:

Short-term	13 months (397 days)
Long-term	5 years

c) For purposes of calculating a final maturity date, the earlier of either the final maturity date, pre-refunded date, or mandatory put to tender option date that will be used.

d) For purposes of calculating the weighted average maturity of the portfolio, the maturity of a variable-rate security will be considered its next interest rate reset date, if there is a reasonable expectation that the security will maintain an approximate value of par upon each adjustment of the security's interest rate at any time until final maturity.

3. DURATION

a) All pools, except short-term pools, shall have a maximum duration of 1.50 years.

IX. PROHIBITED TRANSACTIONS

At the time of purchase, all permitted investments shall conform in all respects with this Investment Policy Statement and with applicable provisions of the Government Code, as may be amended from time to time. No investment prohibited by Government Code shall be permitted herein.

Any investment transactions, credit risk criterion, percentage limitations, or market valuations that are not in compliance with this Investment Policy Statement and cannot be corrected without penalty at time of purchase must be documented and approved by the Treasurer in writing as soon as possible. Thereafter, action shall be taken by the Treasurer to correct such matter as soon as practical. If a percentage restriction is adhered to at the time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

1. The following transactions are prohibited:

a) Borrowing for investment purposes ("Leverage").

b) Reverse Repurchase Agreements, as defined by Government Code Section 53601(j) (3) and (j) (4) or otherwise.

c) Structured Notes (e.g. inverse floaters, leveraged floaters, structured certificates of deposit, equity-linked securities, event-linked securities). This includes all floating-rate, adjustable-rate or variable-rate securities in which a change in interest rates or other variables that can reasonably be foreseen to occur during their term would result in their market value not returning to par at the time of each interest rate adjustment.

Simple "floating rate notes," whose periodic coupon adjustment is based on a short-term (one-year or less) rate index (such as Treasury bills, federal funds, prime rate, SOFR or LIBOR) and which have a reasonable expectation of maintaining a value of par at each interest rate adjustment through final maturity, are exempt from this definition. Additionally, U.S. Treasury and Agency zero coupon bonds or callable securities which otherwise meet the quality, maturity, and percent limitations assigned to their respective security category, are exempt from this section.

d) Structured Investment Vehicles (SIV).

e) Derivatives (e.g., options, futures, swaps, swap options, spreads, straddles, caps, floors, collars).

f) Money Market Mutual Funds that do not maintain a constant Net Asset Value (NAV).

X. ETHICS AND CONFLICT OF INTEREST

The Treasurer and all persons involved in the investment process shall refrain from personal business activity, which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. The Treasurer and all treasury and investment personnel shall disclose to the Treasury Oversight Committee any material financial interests in financial institutions, broker dealers, and vendors ("outside entities") that conduct business with the County of Orange and shall disclose any material financial investment positions in such outside entities.

1. STATEMENT OF ECONOMIC INTEREST FORM 700
   The Treasurer, Auditor-Controller, members of the Treasury Oversight Committee, and all designated employees must annually file a Form 700 (Statement of Economic Interests) in accordance with the County's Conflict-of-Interest Code.

2. **COUNTY'S GIFT BAN ORDINANCE** – SEC. 1-3-22 THE CODIFIED ORDINANCES, ORANGE COUNTY, CALIF.
   The County's Gift Ban Ordinance prohibits the receipt of specified gifts to the Treasurer, Auditor-Controller, and "designated employees" from business entities and individuals that "do business with the County" as that termed in defined in the Ordinance. Under the Ordinance, the term "designated employee" includes every employee of the County who is designated in the County's Conflict-of-Interest Code to file a Form 700 and every member of a board or commission under the jurisdiction of the Board of Supervisors required to file such a form. For purposes of the Treasurer's Office, "designated employees" include: the Chief Assistant Treasurer-Tax Collector, the Assistant Treasurer-Tax Collectors, all investment staff, all financial/credit analysts, all cash managers, and all accounting and compliance staff. The Treasurer will review this list of "designated employees" periodically and submit any proposed changes to the Board of Supervisors for approval.

XI. AUTHORIZED BROKER/DEALERS AND FINANCIAL INSTITUTIONS

The Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment and/or depository services and products. Any permitted investment, not purchased directly from an approved issuer, shall be purchased either from a "primary" or regional securities broker/dealer qualifying under SEC Rule 15c3-1(uniform net capital rule) and licensed by the state as a broker/dealer as defined in Section 25004 of the Corporations Code or a "well capitalized" national bank or Federal savings association as defined in Title 12 of the Code of Federal Regulations (CFR) Part 6.4 or a savings association or Federal association as defined by Section 5102 of the California Financial Code. To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code. Sections 53601.5 and 53601.6 shall apply to all investments that are acquired pursuant to this section. Broker/dealers must comply with the political contribution limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board. Section 27133(c) of the Government Code prohibits the selection of any broker, brokerage, dealer, or securities firm that has made a contribution to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices, within any consecutive 48 month period.

The Treasurer shall conduct an annual review of each broker/dealer and financial institution's financial condition and registrations to determine whether it should remain on the approved broker/dealer list for investment and/or depository services and require annual audited financial statements to be on file for each firm. The Treasurer shall strive to open an application period every two years for all new and existing broker/dealers and financial institutions submitting a questionnaire to determine if they should be added to the approved broker/dealer list. This detailed questionnaire is required to be completed by broker/dealers and financial institutions seeking to provide investment services. The Treasurer shall annually send a copy of the current Investment Policy Statement to all broker/dealers and financial institutions approved to provide investment services to the County, and they shall notify the Treasurer in writing of receipt and that they have read it.

XII. PERFORMANCE EVALUATION

The Treasurer shall submit monthly, quarterly, and annual reports (in compliance with Government Code Sections 53607, 53646, and 27134) to the Treasury Oversight Committee, the pool participants, the County Executive Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, and the Board of Supervisors. These reports shall contain sufficient information to permit an informed outside reader to evaluate the performance of the investment program and shall be in compliance with Government Code. In accordance with GASB Statements 31, 40, 72 and 84, the Treasurer shall provide financial information on investments for the County's Comprehensive Annual Financial Report.

XIII. SAFEKEEPING

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer shall be conducted on a delivery-versus-payment (DVP) basis. All investments shall have the County of Orange and either the OCIF or the specific pool name as its registered owner except for municipal debt issued by the County of Orange and privately placed with the County Treasurer in which case the investments shall have the Orange County Treasurer on behalf of the OCIF as its registered owner.

All securities shall be held by a third party custodian designated by the Treasurer (this does not apply to money market funds or investment pools). The third party custodian shall be required to issue a safekeeping statement to the Treasurer listing the specific instrument, rate, maturity, and other pertinent information.

XIV. MAINTAINING THE PUBLIC TRUST

All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

XV. INTERNAL CONTROLS

The Treasurer shall establish a system of written internal controls, which will be reviewed annually with the County's independent (external) auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the Treasurer's Office. The Treasurer shall evaluate audit reports in a timely manner with the Treasury Oversight Committee. The quarterly audit reports of the Treasury shall be provided as required by Government Code Sections 26920 through 26922. Daily compliance of the investment portfolio shall be performed by the Department's Accounting/Compliance Unit. Compliance will be determined on a fair market value basis. Cash held at the bank will not be included in the pool balance. All agreements, statements, and trade packets will be subject to review annually by auditors in conjunction with their audit.

1. INVESTMENT PROCEDURES

   The Treasurer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include reference to safekeeping, Master Repurchase Agreements, wire transfer agreements, collateral and depository agreements, banking service contracts, and other investment and banking related activities. Such procedures shall include explicit delegation of authority to personnel responsible for investment transactions.

   No investment personnel may engage in an investment transaction except as provided under terms of this policy and the procedures established by the County Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of all Treasury and Investment personnel.

XVI. EARNINGS AND COSTS APPORTIONMENT

The Treasurer determines the interest earnings for the respective pools on an accrual basis. Accrual basis interest earnings and Treasury administrative fees (see below) are allocated to each individual pool participant based upon their average daily balance on deposit with the Treasurer. The actual cash distribution is generally paid in the months following.

As authorized by Government Code Section 27013, the Treasurer who invests, deposits or otherwise handles funds for public agencies for the purpose of earning interest or other income on such funds as permitted by law, may deduct from such interest or income, before distribution thereof, the actual administrative cost of such investing, depositing or handling of funds and of distribution of such interest or income. Such cost reimbursement shall be paid into the county general fund. In addition, the costs of compliance with the Treasury Oversight provisions of Government Code Sections 27130 through 27137 shall be included as an eligible administrative cost. These investment administrative costs will be deducted from any interest or income, prior to distribution to the pool participant. The Treasurer shall annually prepare a proposed budget revenue estimate, providing a detailed itemization of all estimated costs which comprise this investment administrative fee charged in accordance with Government Code Section 27013. The Treasurer will be required to annually reconcile the estimated charges and actual costs incurred and adjust participant accounts accordingly.
Investment earnings and the above estimated fee charge will be allocated to the pool participants on at least a quarterly basis. As of the first working day of the following period,

the pool participants' account will reflect the gross investment earnings and the estimated monthly administrative and overhead costs. The Treasurer's monthly report will state the current estimated fees charged to participants.

XVII. VOLUNTARY PARTICIPANTS

Should a local agency within Orange County, or a Joint Powers Agency (JPA) consisting of at least one public agency from within Orange County, not required by California law to deposit monies with the Treasurer desire entry into the Treasurer's Investment Pool, the agency shall comply with the requirements of Government Code Section 53684 and provide to the Treasurer a resolution adopted by its governing board stating that excess funds are available for the purpose of investment. The resolution shall specify that the local agency authorizes the investment of excess funds pursuant to Section 53684, those persons authorized at the agency to coordinate the transactions, the agency's willingness to be bound by the withdrawal provisions of Government Code Section 27136, and the agency's understanding that investment administrative charges will be deducted by the Treasurer as permitted by Sections 53684(b) and 27013. The Treasurer shall approve or disapprove such agency's request in writing. Upon the Treasurer's approval of voluntary participants to join the pool, the Treasurer will notify the Board of Supervisors within 5 days.

Monies deposited by local agencies approved for entry into the Treasurer's Investment Pool will be invested in the OCIF and shall be invested by the Treasurer in accordance with this Investment Policy Statement, as amended from time to time. The local agency's authorized representative will execute an agreement with the Treasurer. This agreement specifies the contractual terms and conditions by which the Treasurer will manage and invest local agency's excess funds which have been deposited for investment with the Treasurer.

XVIII. WITHDRAWAL

As required by Government Code Sections 27000.3, 27133(h), 27136 and 53684(c), withdrawal of participant funds for the purpose of investing or depositing these funds outside the County treasury shall require prior written approval from the Treasurer or designee. The Treasurer shall thereafter review the withdrawal request consistent with his/her trust and fiduciary duties. Prior to approving or disapproving the withdrawal request, the Treasurer or designee shall make a finding of the effect on the stability and predictability of the investments and on the interests of the other depositors in the County treasury.

XIX. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs, but focusing on, in order of importance, preservation of capital, liquidity, and yield.

The Treasurer's investment strategy is to actively manage the portfolios to create less risk than a benchmark comparable index and to use economies of scale to invest and administer the program at a reasonable cost. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be the indices most comparable to the fund, such as money rate data published in Barron's, The Wall Street Journal, Bloomberg, or other bond fund indices. The standards enumerated herein do not constitute a guarantee of the fund's performance.

XX. INVESTMENT POLICY STATEMENT REVIEW

This Investment Policy Statement shall be reviewed on an annual basis by the Treasury Oversight Committee prior to being presented to for review and approval by, the Board of Supervisors in an open session.

XXI. FINANCIAL REPORTING

The monthly Treasurer's Investment Report and all compliance Audit Reports shall be provided to the Orange County Board of Supervisors, the County Executive Officer, the Chief Financial Officer, the Director of Auditor-Controller Internal Audit, the Auditor-Controller, the Treasury Oversight Committee, the presiding judge of the Superior Court, the director or director executive officer and Treasurer or other official responsible for the funds of any Local Agency who has investments in the OCIF as allowed by Government Code Sections 53607, 53646, and 53686.

All reports filed by the Treasurer in accordance with Government Code Section 53646 shall, among other matters, state compliance of the portfolio with the Investment Policy Statement, or the manner in which the portfolio is not in compliance. A statement will also be filed by the Treasurer in accordance with Government Code 53646(b) denoting the ability of each pool to meet its expenditure requirements for the next six months or provide an explanation of why sufficient money may not be available.

XXII. LEGISLATIVE CHANGES

Any State of California law that further restricts allowable maturities, investment type, percentage allocations, or any other provision of this Investment Policy Statement will, upon effectiveness, be incorporated into this Investment Policy Statement and supersede any and all previous applicable language.

XXIII. DISASTER RECOVERY PROGRAM

The Treasurer's Disaster Plan includes critical phone numbers and addresses of key treasury and investment personnel as well as currently approved bankers and broker/dealers. Three copies of the Disaster Plan for home, office, and car have been distributed to key treasury and investment personnel. The plan provides for an offsite location to be communicated at the time of readiness if our offices are uninhabitable.

In the event the Treasurer or authorized staff is unable to invest the portfolio, the Treasurer has an agreement with the custodian for a daily sweep of all uninvested cash with the custody bank into a money market mutual fund. Until normal operations of the Treasurer's office have been restored, the limitations on the size of an individual issuer and the percentage restrictions by investment type would be allowed to exceed those approved in this Investment Policy Statement and would be required to be reported to the Board of Supervisors and pool participants in a timely manner.

INVESTMENT POLICY STATEMENT
GLOSSARY

This Glossary is for general reference purposes only and does not constitute an exhaustive or exclusive list of terms and definitions applicable to this Investment Policy Statement. The definitions included herein do not modify any of the terms of this Investment Policy Statement or applicable law.

ACCRUED INTEREST: The amount of interest that is earned but unpaid since the last interest payment date.

ADJUSTABLE RATE NOTE: (See Floating Rate Note)

AGENCY SECURITIES: (See U.S. Government Agency Securities)

AMORTIZATION: The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

AVERAGE LIFE: The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

ASKED PRICE: The price at which securities are offered from a seller.

ASSET BACKED SECURITIES (ABS): (See Receivable-Backed Securities)

BANKERS' ACCEPTANCE (BA): Negotiable money market instruments issued primarily to finance international trade. These are time drafts in which a bank "accepts" as its financial responsibility to pay the principal at maturity even if the importer does not. In essence, these are bank obligations collateralized by goods being shipped between an exporter and an importer.

BASIS POINT: When a yield is expressed as 7.32%, the digits to the right of the decimal point are known as basis points. One basis point equals 1/100 of one percent. Basis points are used more often to describe changes in yields on bonds, notes and other fixed-income securities.

BID PRICE: The price at which a buyer offers to buy a security.

BOOK ENTRY: The system, maintained by the Federal Reserve, by which most money market securities are "delivered" to an investor's custodian bank. The Federal Reserve maintains a computerized record of the ownership of these securities, and records any changes in ownership corresponding to payments made over the Federal Reserve wire (delivery versus payment). The owners of these securities do not receive physical certificates.

BOOK VALUE: The original cost of the investment, plus accrued interest and amortization of any premium or discount.

BROKER: A broker brings buyers and sellers together and is compensated for his/her service.

CALLABLE BONDS: Bonds that may be redeemed by the issuing company prior to the maturity date.

CALL PRICE: The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

CALL RISK: The risk to a bondholder that a bond may be redeemed prior to maturity.

CAPITAL GAIN/LOSS: The profit or loss realized from the sale of a capital asset.

CERTIFICATE OF DEPOSIT (CD or NCD): A deposit of funds at a bank for a specified period of time that earns interest at a specified rate. Commonly known as "CDs" or "negotiable CDs."

COLLATERAL: Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public moneys.

COMMERCIAL PAPER (CP): Short-term unsecured promissory notes issued by corporations for maturities of 270 days or less.

CONSUMER RECEIVABLE-BACKED BONDS: (See Receivable-Backed Securities)

CONVEXITY: A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

CREDIT OUTLOOK: (See Rating Outlook)

CREDIT QUALITY: The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized statistical rating organizations.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CREDIT WATCH: indicates that a company's credit is under review and credit ratings are subject to change.

*+(positive)	Credit is under review for possible upgrade.
*- (negative)	Credit is under review for possible downgrade.
*	Credit is under review, direction uncertain.

COUPON: The rate at which a bond pays interest.

CURRENT YIELD: The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVE: A security whose interest rate of principal amount may vary and are determined by a market index or a combination of market indexes.

DISCOUNT: The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as Treasury bills and bankers acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION: An investment principle designed to spread the risk in a portfolio by dividing investments among different sectors, industries and companies.

DOLLAR-WEIGHTED AVERAGE MATURITY: A calculation that expresses the "average maturity" of an investment portfolio using each investment's maturity weighted by the size of that investment.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

FEDERAL FUNDS RATE: Interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. A target rate is set by the FOMC.

FEDERAL OPEN MARKET COMMITTEE (FOMC): This committee sets Federal Reserve guidelines regarding purchases and sales of government securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: A U.S. centralized banking system, which has supervisory powers over the 12 Federal Reserve banks and about 6,000 member banks.

FITCH, INC: (see Nationally Recognized Statistical Rating Organization)

FIXED-INCOME SECURITIES: Securities that return a fixed income over a specified period.

FLOATING RATE NOTE: A debt security whose interest rate is reset periodically (monthly, quarterly, annually) and is based on a market index (e.g. Treasury bills, London Interbank Offered Rate (LIBOR), Secured Overnight Financing Rate (SOFR) etc.).

INTEREST: The amount earned while owning a debt security, generally calculated as a percentage of the principal amount.

INTERNAL CONTORLS: An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management.

INVESTMENT COMPANY ACT OF 1940: Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

LIQUIDITY: The speed and ease with which an investment can be converted to cash.

LOCAL AGENCY: County, city, city and county, including a chartered city or county, school district, community college district, public district, county board of education, county superintendent of schools, or any public or municipal corporation.

MARK-TO-MARKET: The market valuation for every security in a portfolio used in determining Net Asset Value (NAV).

MARKET RISK: The risk that changes in overall market conditions or interest rate may adversely affect current market prices.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract between the parties of a repurchase agreement establishing each party's rights in all current and future transactions until termination of the contract by either party.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES (MTN): Debt securities issued by a corporation or depository institution with a maturity ranging from nine months to five years. The term "medium-term note" refers to the time it takes for an obligation to mature, and includes other corporate debt securities originally issued for maturities longer than five years, but which have now fallen within the five-year maturity range. MTNs issued by banks are also called "bank notes."

MONEY MARKET: The market in which short-term debt instruments (Treasury bills, discount notes, commercial paper, bankers acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUNDS: An investment company that pools money from investors and invest in a variety of short-term money market instruments.

MOODY'S INVESTORS SERVICE, INC: (See Nationally Recognized Rating Services)

MUNICIPAL DEBT: Bonds, notes and other securities issued by a state, municipality or county.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): Firms that review the creditworthiness of the issuers of debt securities, and express their opinion in the form of letter ratings (e.g. AAA, AA, A, BBB, etc.). The primary rating agencies are the following: Standard & Poor's Corporation; Moody's Investor Services, Inc.; and Fitch, Inc.

NEGOTIABLE CD: (See Certificates of Deposit)

NET ASSET VALUE (NAV): A per-share valuation of a mutual fund based on total assets minus total liabilities.

NON-CALLABLE: Bond that cannot be called at the option of the issuer.

OFFER PRICE: The price asked by a seller of securities.

PAR or PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in $1,000 increments per bond.

PHYSICAL DELIVERY: The delivery of an investment to a custodian bank in the form of a physical certificate and/or supporting documents evidencing the investment (as opposed to "book entry" delivery).

PORTFOLIO: A group of securities held by an individual or institutional investor.

PREMIUM: The difference between the par value of a bond and the market value of the bond, when the market value is above par.

PRICE RISK: The risk that the price of a bond sold prior to maturity will be less than the price at which the bond was originally purchased.

PRIMARY DEALER: Banks and securities brokerages authorized to buy and sell government securities in direct dealings with the Federal Reserve Bank of New York in its execution of Federal Open Market Operations.

PRIME RATE: The base rate that banks use in pricing commercial loans to their best and most creditworthy customers.

PRINCIPAL: The face value or par value of an investment.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information of the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

RATING OUTLOOK: The potential direction of the credit rating assigned by a NRSRO for a specific company.

REINVESTMENT RISK: The risk that coupon payments (or other payments received) cannot be reinvested at the same rate as the initial investment.

RECEIVABLE-BACKED SECURITIES: Securities collateralized with consumer receivables, such as automobile loans, credit card receivables, or home equity loans, which are owned by the issuer, but placed with a trustee for the benefit of the investor.

RECEIVABLE PASS-THROUGH CERTIFICATE: A debt obligation that is backed by a portfolio of receivables, normally issued by a bank or financial institution. The interest and principal of the obligation is paid out of the cash flow generated by the receivables portfolio.

REFUNDED BOND: A bond secured by an escrow fund that is sufficient to pay off the entire issue of bonds at the next call date (pre-funded) or maturity (escrowed to maturity).

REGISTERED STATE WARRANT: A short-term obligation of a state governmental body issued in anticipation of revenue.

REPURCHASE AGREEMENT (REPO): The purchase of securities, on a temporary basis, with the seller's simultaneous agreement to repurchase the securities back at a later date at a specified price that includes interest for the buyer's holding period.

RULE 2a-7 OF THE INVESTMENT COMPANY ACT: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 60-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

RULE G-37 OF THE MUNICIPAL SECURITIES RULEMAKING BOARD: Federal regulations to sever any connection between the making of political contributions and the awarding of municipal securities business.

SAFEKEEPING: Storage and protection of a customer's financial assets, valuables, or documents, provided as a service by an institution serving as Agent or Custodian and, where control is delegated by the customer.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency responsible for supervising and regulating the securities industry.

SINKING FUND: Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

STANDARD & POOR'S CORPORATION: (See Nationally Recognized Rating Services)

STRUCTURED INVESTMENT VEHICLE (SIV): A pool of investment assets that attempts to profit from credit spreads between short-term debt and long-term structured finance products such as asset-backed securities (ABS). Funding for SIVs comes from the issuance of commercial paper that is continuously renewed or rolled over; the proceeds are then invested in longer maturity assets that have less liquidity but pay higher yields. SIVs often employ great amounts of leverage to generate returns.

SUPRANATIONAL: An entity that is formed by two or more central governments with the purpose of promoting economic development for the member countries. Examples include the International Bank for Reconstruction and Development, International Finance Corporation, and the Inter-American Development Bank.

THIRD-PARTY CUSTODIAL AGREEMENT: (See Custodian)

TOTAL RETURN: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price appreciation) + (Dividends paid) + (Capital gains) = Total Return

TRADE DATE: The date and time corresponding to an investor's commitment to buy or sell a security.

U. S. GOVERNMENT AGENCY SECURITIES: Debt securities issued by U.S. Government sponsored enterprises and federally related institutions. These government agencies include: Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), Federal National Mortgage Association (FNMA or Fannie Mae), Federal Farm Credit Banks (FFCB) and Tennessee Valley Authority (TVA).

U.S. TREASURY SECURITIES: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the U.S. and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

> Treasury bills: non-interest-bearing discount securities with maturities under one year issued by the U.S. Treasury to finance the national debt.
>
> Treasury notes: interest-bearing obligations of the U.S. Treasury with maturities ranging from two to ten years from date of issue.
>
> Treasury bonds: interest-bearing obligations issued by the U.S. Treasury with maturities that range from ten to thirty years from date of issue.

UNIFORM NET CAPITAL RULE: SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

VARIABLE RATE NOTE: (See Floating Rate Note)

VOLATILITY: A degree of fluctuation in the price and valuation of securities.

WEIGHTED AVERAGE MATURITY (WAM): The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 60 days and no one security may have a maturity that exceeds 397 days.

WHEN ISSUED (WI): A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

YIELD: The annual rate of return on a debt investment computed as though held to maturity expressed as a percentage.

YIELD TO CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD TO MATURITY (YTM): The rate of return earned on an investment considering all cash flows and timing factors: interest earnings, discounts, and premiums above par.

ZERO-COUPON BONDS/U.S. TREASURY STRIPS: A bond which represents ownership of a single coupon or principal payment due on a U.S. Treasury bond. Zeros or strips mature at face value at a specified date in the future and make no payments until that date. They always sell at a discount from face value.