

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Bond Oversight Committee
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706-1640

We have conducted a performance audit of the Rancho Santiago Community College District (the "District"), Measure E General Obligation Bond funds for the year ended June 30, 2011.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the Rancho Santiago Community College District's compliance with the performance requirements for the Proposition 39 Measure E General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the Rancho Santiago Community College District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of Rancho Santiago Community College District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Rancho Santiago Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2011 only for the specific projects developed by the District's Board of Trustees, and approved by the voters in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In November 2002, a general obligation bond proposition of the Rancho Santiago Community College District was approved by the voters of the District. The voters authorized the District to issue up to \$337,000,000 of general obligation bonds to finance the construction, acquisition, and modernization of certain property and District facilities.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Trustees of the District established a Bond Oversight Committee and appointed its members. The principal purpose of the Bond Oversight Committee, as set out in State law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure E bond authorization. The Bond Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct, an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Revenue Bond Construction Fund have been expended only for the authorized bond projects.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Rancho Santiago Community College District Revenue Bond Construction Fund.
- Determine whether expenditures charged to the Revenue Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure E in November 2002.
- Determine compliance with specific Education Code Sections related to oversight of bond expenditures.
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Bond Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period of July 1, 2010 to June 30, 2011. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure detail and summary reports prepared by the District for the period of July 1, 2010 to June 30, 2011, for the Revenue Bond Construction Fund. We also reviewed documentation, including the District website, for compliance with Education Code Sections 15278-15282. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39 and Measure E as to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Proposition 39 Bond election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified that funds from the Revenue Bond Construction Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Revenue Bond Construction Fund were not used for salaries of administrative staff or other operating expenses of the District.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

For the Year Ended June 30, 2011

CONCLUSION

The results of our tests indicated that, in all significant respects, the Rancho Santiago Community College District has properly accounted for the expenditures of the funds held in the Revenue Bond Construction Fund and that such expenditures were made for authorized bond projects. Further, it was noted that the funds held in the Revenue Bond Construction Fund, and expended by the District, were not expended for salaries of administrative staff or other operating expenditures.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE E BOND PROGRAM
PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2011**

There were no findings related to the performance audit for the years ended June 30, 2011, and June 30, 2010.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
REVENUE BOND CONSTRUCTION FUND –
MEASURE E BOND PROGRAM
FINANCIAL AUDIT**

Fiscal Year Ended June 30, 2011

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
REVENUE BOND CONSTRUCTION FUND –
MEASURE E BOND PROGRAM
FINANCIAL AUDIT**

June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Bond Oversight Committee
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, CA 92706-1640

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Rancho Santiago Community College District (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Revenue Bond Construction Fund of the Rancho Santiago Community College District as of and for the year ended June 30, 2011. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Revenue Bond Construction Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Revenue Bond Construction Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Revenue Bond Construction Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the Rancho Santiago Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Revenue Bond Construction Fund of the Rancho Santiago Community College District as of June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET

REVENUE BOND CONSTRUCTION FUND - MEASURE E BOND PROGRAM

June 30, 2011

ASSETS

Cash in County Treasury	\$ 98,927,758
Interest Receivable	78,215
Prepaid Expenses	<u>149,446</u>
TOTAL ASSETS	\$ <u>99,155,419</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ <u>1,171,273</u>
TOTAL LIABILITIES	<u>1,171,273</u>

FUND BALANCE

Restricted	<u>97,984,146</u>
TOTAL FUND BALANCE	<u>97,984,146</u>

TOTAL LIABILITIES AND FUND BALANCE	\$ <u>99,155,419</u>
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See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
REVENUE BOND CONSTRUCTION FUND - MEASURE E BOND PROGRAM**

For the Fiscal Year Ended June 30, 2011

REVENUES

Other Local Revenues	\$ 51,809
Investment Income	<u>622,259</u>
TOTAL REVENUES	<u>674,068</u>

EXPENDITURES

Other Expenses and Services	113,358
Capital Outlay	<u>21,843,377</u>
TOTAL EXPENDITURES	<u>21,956,735</u>

Deficiency of Revenues over Expenditures (21,282,667)

Fund Balance at Beginning of Year 119,266,813

Fund Balance at End of Year \$ 97,984,146

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - REVENUE BOND CONSTRUCTION FUND -**

MEASURE E BOND PROGRAM

For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Other Local Revenues	\$ -	\$ 51,809	\$ 51,809
Investment Income	<u>1,245,988</u>	<u>622,259</u>	<u>(623,729)</u>
TOTAL REVENUES	<u>1,245,988</u>	<u>674,068</u>	<u>(571,920)</u>
EXPENDITURES			
Other Expenses and Services	99,679	113,358	(13,679)
Capital Outlay	<u>105,583,484</u>	<u>21,843,377</u>	<u>83,740,107</u>
TOTAL EXPENDITURES	<u>105,683,163</u>	<u>21,956,735</u>	<u>83,726,428</u>
Deficiency of Revenues over Expenditures	<u>\$ (104,437,175)</u>	(21,282,667)	<u>\$ 83,154,508</u>
Fund Balance at Beginning of Year		<u>119,266,813</u>	
Fund Balance at End of Year		<u>\$ 97,984,146</u>	

See the accompanying notes to the financial statements.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Revenue Bond Construction Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Revenue Bond Construction Fund of the Rancho Santiago Community College District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at fair value in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Rancho Santiago Community College District Revenue Bond Construction Fund does not currently have any nonspendable fund balance.

Restricted: Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District Board of Trustees. These amounts cannot be used for any other purpose unless the District Board of Trustees removes or changes the specified use by taking the same formal action (vote or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Rancho Santiago Community College District Revenue Bond Construction Fund does not currently have any committed fund balance.

Assigned: Amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. Rancho Santiago Community College District Revenue Bond Construction Fund does not currently have any assigned fund balance.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Revenue Bond Construction Fund are determined by its measurement focus. The Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Revenue Bond Construction Fund are accounted for in the basic financial statements of the Rancho Santiago Community College District.

ESTIMATES

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Excesses of expenditures over appropriations, by major object account, occurred in the Other Expenses and Services account by \$13,679.

NOTE 3 – DEPOSITS AND INVESTMENTS:

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Orange County Treasury as part of the common education investment pool. These pooled funds are carried at fair value. The fair market value of the Revenue Bond Construction Fund’s deposits in this pool as of June 30, 2011, as provided by the pool sponsor, was \$98,958,426, which is 100.031% of historical cost. This amount is a measurement of value at a point in time; therefore the increase was not adjusted during the closing process.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 3 – DEPOSITS AND INVESTMENTS: (continued)

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 4 – PURCHASE COMMITMENTS:

As of June 30, 2011, the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$3,841,000 to be funded from bond proceeds.

NOTE 5 – 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 March 21, 2003, the District issued General Obligation Bonds, Election of 2002, Series 2003A of \$96,125,000 of current interest bonds. Interest ranges from 2.5% to 5.0% payable semiannually on March 1 and September 1.

On March 10, 2005, the District issued General Obligation Bonds, Election 2002, Series B of \$111,175,000 of current interest and \$8,824,867 of capital appreciation bonds. Interest ranges from 3.0% to 5.125% payable semiannually on March 1 and September 1.

On September 21, 2006, the District issued the 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 3.375% to 5.0% payable semiannually March 1 and September 1.

On August 5, 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% to 5.25% payable semiannually on March 1 and September 1.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – GENERAL OBLIGATION BONDS: (continued)

Capital appreciation bonds were issued for Series B, C and the Refunded Bond with maturity dates from September 1, 2007 through September 1, 2025, September 1, 2024 through September 1, 2031, and September 1, 2010 through September 1, 2013 respectively.

The refunding proceeds were issued to pay off a portion of the Series A general obligation bonds. The refunding proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased. The difference between the present value of the economic gain and the net carrying value of the refunded bonds has been netted against the new debt and amortized over the life of the new debt which is shorter than the life of the old debt. The amount of debt that remains outstanding at June 30, 2011 for the original Series A issuance is \$23,290,000. The amount of refunded debt to be paid from the escrow account at June 30, 2010 for Series A is \$49,170,000.

The outstanding bonded debt for Rancho Santiago Community College District at June 30, 2011 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2010	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2011
Series A	3/21/2003	2.5 - 5.0	2028	\$ 96,125,000	\$ 25,250,000	\$	\$ 1,960,000	\$ 23,290,000
Series B	3/10/2005	3.0 - 5.13	2030	119,999,867	115,982,119		1,218,440	114,763,679
Accreted Interest					2,365,760	613,025	86,560	2,892,225
Series C	9/21/2006	3.38 - 5.0	2032	120,874,329	118,864,329			118,864,329
Accreted Interest					5,788,275	2,226,212		8,014,487
Refunding Bond	8/5/2005	3.57 - 5.25	2024	53,559,299	53,559,299		569,282	52,990,017
Accreted Interest					605,028	165,579	110,718	659,889
				<u>\$ 390,558,495</u>	<u>\$ 322,414,810</u>	<u>\$ 3,004,816</u>	<u>\$ 3,945,000</u>	<u>321,474,626</u>
							Bond Premium	18,103,442
							Deferred Charge on Refunding	(2,412,105)
							Total Bonds Payable	<u>\$ 337,165,963</u>

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2011, are as follows:

Series A

Year Ended June 30,	Principal	Current Interest Component	Total
2012	\$ 2,125,000	\$ 886,400	\$ 3,011,400
2013	2,310,000	808,788	3,118,788
2014	2,500,000	721,488	3,221,488
2015	2,710,000	625,494	3,335,494
2016	2,925,000	521,531	3,446,531
2017-2021	2,500,000	2,075,625	4,575,625
2022-2026	6,070,000	1,018,969	7,088,969
2027-2028	2,150,000	97,875	2,247,875
	<u>\$ 23,290,000</u>	<u>\$ 6,756,170</u>	<u>\$ 30,046,170</u>

Series B

Year Ended June 30,	Principal	Current Interest Component	Accreted Interest Component	Total
2012	\$ 1,503,907	\$ 5,370,161	\$ 126,093	\$ 7,000,161
2013	1,796,804	5,367,858	173,196	7,337,858
2014	2,112,095	5,358,070	227,905	7,698,070
2015	2,439,758	5,344,604	290,242	8,074,604
2016	2,787,544	5,329,018	362,456	8,479,018
2017-2021	19,341,780	26,041,847	3,288,221	48,671,848
2022-2026	29,621,791	23,547,953	6,018,209	59,187,953
2027-2030	55,160,000	6,556,056		61,716,056
	<u>\$ 114,763,679</u>	<u>\$ 82,915,567</u>	<u>\$ 10,486,322</u>	<u>\$ 208,165,568</u>

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5 – GENERAL OBLIGATION BONDS: (continued)

Series C

Year Ended June 30,	Principal	Current Interest Component	Accreted Interest Component	Total
2012	\$ 255,000	\$ 3,802,185	\$	\$ 4,057,185
2013	660,000	3,786,332		4,446,332
2014	700,000	3,757,282		4,457,282
2015	760,000	3,726,007		4,486,007
2016	615,000	3,701,085		4,316,085
2017-2021	12,990,000	17,354,058		30,344,058
2022-2026	51,562,622	12,545,676	1,617,378	65,725,676
2027-2031	42,965,430	72,055,163	59,964,570	174,985,163
2032	8,356,277	11,714,362	23,428,724	43,499,363
	<u>\$ 118,864,329</u>	<u>\$ 132,442,150</u>	<u>\$ 85,010,672</u>	<u>\$ 336,317,151</u>

Refunding Bond

Year Ended June 30,	Principal	Current Interest Component	Accreted Interest Component	Total
2012	\$ 903,458	\$ 2,552,713	\$ 226,542	\$ 3,682,713
2013	921,911	2,552,713	288,089	3,762,713
2014	1,239,648	2,552,713	470,353	4,262,714
2015	2,235,000	2,496,838		4,731,838
2016	2,865,000	2,369,338		5,234,338
2017-2021	30,035,000	7,789,944		37,824,944
2022-2024	14,790,000	953,663		15,743,663
	<u>\$ 52,990,017</u>	<u>\$ 21,267,922</u>	<u>\$ 984,984</u>	<u>\$ 75,242,923</u>



**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***

The Board of Trustees
The Bond Oversight Committee
Rancho Santiago Community College District
2323 North Broadway
Santa Ana, California 92706-1640

We have audited the financial statements of Rancho Santiago Community College District (the District) as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 18, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rancho Santiago Community College District's internal control over the Revenue Bond Construction Fund – Measure E Bond Program financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the fund financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in 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 control deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's Revenue Bond Construction Fund – Measure E Bond Program financial statements will not be prevented or detected and corrected on a timely basis.

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

Our consideration of internal control over Revenue Bond Construction Fund – Measure E Bond Program financial reporting 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 financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rancho Santiago Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters related to the Revenue Bond Construction Fund – Measure E Bond Program that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, the Bond Oversight Committee, and management and is not intended to be and should not be used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 18, 2011

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
REVENUE BOND CONSTRUCTION FUND
MEASURE E BOND PROGRAM**

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

There were no findings related to the financial audit of the Revenue Bond Construction Fund for the fiscal years ended June 30, 2011 and June 30, 2010.