Board of Trustees and Citizens' Oversight Committee  
Rancho Santiago Community College District  
Santa Ana, California

We have audited the financial statements of the Measure E Revenue Bond Construction Fund (Measure E) of Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 6, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the 2012 fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Measure E financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements of the financial statements.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 26, 2012.
Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Rancho Santiago Community College District and the Rancho Santiago Citizens’ Bond Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

Van Ninderen, Tinelli, DeGree & Co., LLP
Rancho Cucamonga, California
November 26, 2012
Rancho Santiago
Community College District

Measure E General Obligation Bonds
Election 2002

Audit Report

June 30, 2012
RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT

MEASURE E GENERAL OBLIGATION BONDS
ELECTION 2002

FINANCIAL AUDIT

JUNE 30, 2012
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
MEASURE E REVENUE BOND CONSTRUCTION FUND

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JUNE 30, 2012

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  Statement of Revenues, Expenditures, and Changes in Fund Balance 4

  Notes to Financial Statements 5

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INDEPENDENT AUDITORS' REPORT

Board of Trustees and Citizens' Oversight Committee
Rancho Santiago Community College District
Santa Ana, California

We have audited the accompanying financial statements of the Measure E Revenue Bond Construction Fund (Measure E) of Rancho Santiago Community College District (the District) as of the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Rancho Santiago Community College District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 of the notes to financial statements, the financial statements present only the Measure E Revenue Bond Construction Fund (Measure E) and do not purport to, and do not present fairly, the financial position of the District as of June 30, 2012, and the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. The Measure E Revenue Bond Construction Fund (Measure E) financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position - modified accrual basis of the Measure E Revenue Bond Construction Fund (Measure E) of Rancho Santiago Community College District as of June 30, 2012, and the results of its operations - modified accrual basis for the year then ended in conformity with the basis of accounting described in Note 1.
In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2012, on our consideration of the District's Measure E Revenue Bond Construction Fund (Measure E) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Vanmichi, Tsoi, Day & Co., LLP

Rancho Cucamonga, California
November 26, 2012
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
MEASURE E REVENUE BOND CONSTRUCTION FUND

BALANCE SHEET
JUNE 30, 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$ 72,240,650</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>27,433</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 72,268,083</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 2,798,770</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Capital Projects</td>
<td>69,469,313</td>
</tr>
<tr>
<td><strong>Total Liabilities and Fund Balance</strong></td>
<td><strong>$ 72,268,083</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
MEASURE E REVENUE BOND CONSTRUCTION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>Local revenues</td>
<td>$ 509,056</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
</tr>
<tr>
<td>Current Expenditures</td>
<td></td>
</tr>
<tr>
<td>Services and other expenditures</td>
<td>78,608</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>28,945,281</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>29,023,889</td>
</tr>
<tr>
<td><strong>DEFICIENCY OF REVENUES OVER EXPENDITURES</strong></td>
<td>(28,514,833)</td>
</tr>
<tr>
<td><strong>FUND BALANCE, BEGINNING OF YEAR</strong></td>
<td>97,984,146</td>
</tr>
<tr>
<td><strong>FUND BALANCE, END OF YEAR</strong></td>
<td>$ 69,469,313</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Measure E Revenue Bond Construction Fund (Measure E) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

Financial Reporting Entity

The audited financial statements include only the Measure E Revenue Bond Construction Fund of Rancho Santiago Community College District (the District). This Fund was established to account for the receipt of proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of November 2002. These financial statements are not intended to present fairly the financial position and the changes in financial position of the District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Measure E Revenue Bond Construction Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Measure E Revenue Bond Construction Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. These fund financial statements do not include the adoption of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as the District was not required to adopt GASB Statement No. 54 under the reporting requirements of GASB Statement No. 35.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.
Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance - Governmental Funds

As of June 30, 2012, the fund balance of the Measure E Revenue Bond Construction Fund was classified as follows:

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTE 2 - 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 - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit receipts and collections of monies with their County Treasurer (Education Code Section 41001). 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 are 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:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County pool. The District maintains an investment of $72,240,650 with the Orange County Investment Pool. The fair value of this investment is approximately $72,328,140 with an average maturity of 347 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Investment Pool is rated Aaa by Moody's Investor Service.
NOTE 3 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2012, consist of the following:

Interest income $ 27,433

NOTE 4 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2012, consist of the following:

Vendor payables $ 2,798,770

NOTE 5 - FUND BALANCE

Fund balance is composed of the following element:

Restricted
Capital projects $ 69,469,313

NOTE 6 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the Measure E Revenue Bond Construction Fund had the following significant construction commitments as defined by the bond documents:

<table>
<thead>
<tr>
<th>CAPITAL PROJECTS</th>
<th>Spent to Date</th>
<th>Remaining Construction Commitment</th>
<th>Expected Date of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Ana College</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renovation of Buildings</td>
<td>$ 8,682,970</td>
<td>$ 2,290,747</td>
<td>2015</td>
</tr>
<tr>
<td>Renovate Campus Infrastructure</td>
<td>23,208,339</td>
<td>7,010,537</td>
<td>2015</td>
</tr>
<tr>
<td>Renovate and Expand Athletic Fields</td>
<td>3,406,752</td>
<td>9,457,248</td>
<td>2013</td>
</tr>
<tr>
<td>Improvements/Enhancements</td>
<td>1,307,333</td>
<td>10,692,667</td>
<td>2015</td>
</tr>
<tr>
<td>Santiago Canyon College</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>35,211,541</td>
<td>3,247,060</td>
<td>2015</td>
</tr>
<tr>
<td>Design/Construct Arts, Humanities, and Social Science Building</td>
<td>20,778,655</td>
<td>13,350,295</td>
<td>2013</td>
</tr>
<tr>
<td>Design/Construct Gymnasium Building/Pool Complex</td>
<td>16,013,122</td>
<td>6,248,878</td>
<td>2012</td>
</tr>
<tr>
<td></td>
<td>$ 108,608,712</td>
<td>$ 52,297,432</td>
<td></td>
</tr>
</tbody>
</table>
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 Measure E Revenue Bond Construction Fund at June 30, 2012.
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees and Citizens' Oversight Committee
Rancho Santiago Community College District
Santa Ana, California

We have audited the accompanying financial statements of the Measure E Revenue Bond Construction Fund of Rancho Santiago Community College District (the District) for the year ended June 30, 2012, and have issued our report thereon dated November 26, 2012. 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.

As discussed in Note 1 of the notes to financial statements, the financial statements present only the Measure E Revenue Bond Construction Fund (Measure E) and do not purport to, and do not present fairly, the financial position of the District as of June 30, 2012, and the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. The Measure E Revenue Bond Construction Fund (Measure E) financial statements are prepared on the modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
Our consideration of internal control over 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, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rancho Santiago Community College District's Measure E Revenue Bond Construction Fund's financial statements are free of 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.

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

Vermick, Train, Day & Co., LLP

Rancho Cucamonga, California
November 26, 2012
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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None reported.
None reported.
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JUNE 30, 2012

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>Authority for Issuance</td>
<td>2</td>
</tr>
<tr>
<td>Purpose of Issuance</td>
<td>3</td>
</tr>
<tr>
<td>Authority for the Audit</td>
<td>3</td>
</tr>
<tr>
<td>Objectives of the Audit</td>
<td>3</td>
</tr>
<tr>
<td>Scope of the Audit</td>
<td>4</td>
</tr>
<tr>
<td>Procedures Performed</td>
<td>4</td>
</tr>
<tr>
<td>Conclusion</td>
<td>4</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>5</td>
</tr>
</tbody>
</table>
This page left blank intentionally.
INDEPENDENT AUDITORS’ REPORT ON PERFORMANCE

Board of Trustees and Citizens' Oversight Committee
Rancho Santiago Community College District
Santa Ana, California

We were engaged to conduct a performance audit of Rancho Santiago Community College District (the District) Measure E Revenue Bond Construction Fund for the year ended June 30, 2012.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Measure E Revenue Bond Construction Fund only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 26, 2012
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AUTHORITY FOR ISSUANCE

The Measure E Revenue Bond Construction Fund (the Bonds) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The District received authorization at an election held on November 5, 2002, to issue bonds of the District in an aggregate principal amount not to exceed $337,000,000 to finance the acquisition, construction, and modernization of certain property and District facilities. The Measure required approval by at least 55 percent of the votes cast by eligible voters within the District.

In March 2003, the District issued General Obligation Bonds, Election of 2002, Series 2003A in the amount of $96,125,000. The Series 2003A Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on February 11, 2003, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on January 13, 2003. The Bonds represent the first series of bonds sold within the Authorization.

In February 2005, the District issued General Obligation Bonds, Election of 2002, Series B in the amount of $119,999,867.25. The Series B Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on January 11, 2005, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on December 13, 2004. The Bonds represent the second series of bonds sold within the Authorization.

In September 2006, the District issued General Obligation Bonds, Election of 2002, Series C in the amount of $120,874,238.55. The Series C Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County on September 12, 2006, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on August 28, 2006. The Bonds represent the third series of bonds sold within the Authorization and will account for substantially all of the remaining amount of Authorization.

In August 2005, the District issued 2005 General Obligation Refunding Bonds, in the amount of $53,559,298.50. The Refunding Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District on March 8, 2005. The Bonds were issued to advance refund a portion of the General Obligation Bonds, Election of 2002, Series 2003A Bonds.

In November 2011, the District issued 2011 General Obligation Refunding Bonds, in the amount of $10,300,000. The Refunding Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District on October 10, 2011. The Bonds were issued to advance refund a portion of the General Obligation Bonds, Election of 2002, Series 2003A Bonds.

In March 2012, the District issued 2012 General Obligation Refunding Bonds, in the amount of $62,985,000. The Refunding Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District on February 27, 2012. The Bonds were issued to advance refund a portion of the General Obligation Bonds, Election of 2002, Series A and Series B Bonds.
PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2002 Authorization will be used for the purpose specified in the District bond proposition submitted at the Election, which include the purposes of improving safety and the quality of education in the District by helping to finance the acquisition, construction, and modernization of certain property and District facilities.

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school district, community college districts, or county offices of education for the following: "construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reduction of the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other District operating expenses.

2. The District must list the specific facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety and information technology needs in developing the project list.

3. Requires the District to appoint a Citizens' Oversight Committee.

4. Requires the District to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until after all of the proceeds have been expended.

5. Requires the District to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Bond Funds have been made in accordance with the Bond project list approved by the voters through the approval of the Measure E.

2. Determine whether salary transactions charged to the Bond Funds were in support of Measure E and not for District general administration or operations.
SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2011 through June 30, 2012. The population of 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 proceeds of the Bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2012, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2012, for the Measure E Revenue Bond Construction Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for all expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure E as to the approved bond projects list. We performed the following procedures:

1. Determine District procedures for disbursement of funds related to the voter approved Measure E General Obligation Bonds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees. This will be accomplished through the inspection of specified documents evidencing certain types of transactions and detailed attributes thereof; including, but not limited to, the specific documents related to bid procedures for contracts and services, invoices for services rendered, and other appropriate documents deemed necessary to provide a basis for the results of our objective.

2. Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other expense that would otherwise be the obligation of the General Fund.

3. From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. Expenditures from all projects will be included in the sample.

CONCLUSION

We reviewed construction expenditures totaling 50 percent of all expenditures and other uses from the detailed accounting of expenditures. Our sample included transactions totaling $14,384,100 of the total expenditures and other uses of $29,023,889. The results of our tests indicated that, in all significant respects, Rancho Santiago Community College District has properly accounted for the expenditures held in the Measure E Revenue Bond Construction Fund and that such expenditures were made for authorized Bond projects. There were no salaries of administrators charged to the Bond Funds for District general administration or operations. District procedures for disbursement of funds were applied in accordance with laws and regulations, as well as policies approved by the Board of Trustees.
None reported.