

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
2323 N. BROADWAY
SANTA ANA, CA 92706

MEASURE Q CITIZENS' BOND OVERSIGHT COMMITTEE
THURSDAY, JANUARY 19, 2017, MEETING 6:30 P.M.
DISTRICT BOARD ROOM, DISTRICT OFFICE

AGENDA

1. Call to Order and Introductions – Nguyen **Information**

Public Comment/Presentations

At this time, members of the public have the opportunity to address the Measure Q Citizens' Bond Oversight Committee on any item within the subject matter jurisdiction of the committee. Members of the community and/or employees wishing to address the committee are asked to complete a "Public Comment" form and submit it to the committee's staff prior to the start of the meeting. Completion of the information on the form is voluntary. Each speaker may speak up to three minutes; however, the chair of the committee may, in the exercise of discretion, extend additional time to a speaker if warranted, or expand or limit the number of individuals to be recognized for discussion on a particular matter. If a translator for the speaker is needed, please contact the Assistant to the Vice Chancellor at 2323 N. Broadway, Suite 401-B, Santa Ana, California, 714-480-7340, on the Monday prior to the meeting so appropriate accommodations may be made.

Please note that the committee cannot take action on any items not on the agenda, with certain exceptions as outlined in the Brown Act. Matters brought before the committee which are not on the agenda may, at the committee's discretion, be referred to staff or placed on the next agenda for committee consideration.

1. Annual Organizational Meeting **Action**

- Election of Committee Officers (Chair and Vice-Chair)
- Adoption of schedule of meeting dates and times for 2017/18
 - May 18, 2017
 - September 21, 2017
 - January 18, 2018
- Affirmation of the Citizens' Bond Oversight Committee Ethics Policy Statement
- Affirmation of Citizens' Bond Oversight Committee Bylaws

2. Approval of Meeting Minutes – November 1, 2016 **Action**

3. Measure Q Revenue Bond Construction Fund Audit Report **Receive and Accept**
for the fiscal year ended June 30, 2016 - Hardash

4. District Update – Dr. Rodriguez **Information**

5. Measure Q Projects Update – Matsumoto **Information**

6. Measure Q Financial Report – O'Connor **Information**

7. Santa Ana College Update – Dr. Rose **Information**

8. Committee Comments **Information**

9. Adjournment **Action**

The mission of the Rancho Santiago Community College District is to provide quality educational programs and services that address the needs of our diverse students and communities.

**CITIZENS' BOND OVERSIGHT COMMITTEE
ETHICS POLICY STATEMENT**

This Ethics Policy Statement provides general guidelines for Committee members in carrying out their responsibilities. Not all ethical issues that Committee members face are covered in this Statement. However, this Statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this Statement were developed from existing laws, rules, policies and procedures as well as from concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the provisions of this Ethics Policy.

POLICY

- **CONFLICT OF INTEREST.** A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds, or (2) any construction project which will benefit the Committee member's outside employment, business, or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

- **OUTSIDE EMPLOYMENT.** A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by bond proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interest of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of two (2) years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of two (2) years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the bond proceeds; and (2) any construction project.

- **COMMITMENT TO UPHOLD LAW.** A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California (particularly the Education Code) and all other applicable government entities, and the policies, procedures, rules and regulations of the Rancho Santiago Community College District.

- **COMMITMENT TO DISTRICT.** A Committee member shall place the interests of the District above any personal or business interest of the member.

CITIZENS' BOND OVERSIGHT COMMITTEE BYLAWS

Section 1. Committee Established. The Rancho Santiago Community College District (the "District") School Facilities Improvement No. 1 ("Improvement District") was successful at the election conducted on November 6, 2012 (the "Bond Election") in obtaining authorization from the Improvement District's voters to issue up to \$198,000,000 aggregate principal amount of the District's general obligation bonds ("Measure Q"). The election was conducted under Proposition 39, being chaptered as the Strict Accountability in Local School Construction Bonds Act of 2000, at Section 15264 *et seq.* of the Education Code of the State ("Prop 39"). Pursuant to Section 15278 of the Education Code, the District is now obligated to establish the Committee in order to satisfy the accountability requirements of Prop 39. The Board of Trustees of the Rancho Santiago Community College District (the "Board") hereby establishes the Citizens' Bond Oversight Committee (the "Committee") which shall have the duties and rights set forth in these Bylaws. The Committee does not have legal capacity independent from the District.

Section 2. Purposes. The purposes of the Committee are set forth in Prop 39, and these Bylaws are specifically made subject to the applicable provisions of Prop 39 as to the duties and rights of the Committee. The Committee shall be deemed to be subject to the *Ralph M. Brown Public Meetings Act* of the State of California and shall conduct its meetings in accordance with the provisions thereof. The District shall provide necessary administrative support to the Committee as shall be consistent with the Committee's purposes, as set forth in Prop 39.

The proceeds of general obligation bonds issued pursuant to the Election are hereinafter referred to as "bond proceeds." The Committee shall confine itself specifically to bond proceeds generated under Measure Q. Regular and deferred maintenance projects and all monies generated under other sources shall fall outside the scope of the Committee's review.

Section 3. Duties. To carry out its stated purposes, the Committee shall perform only the following duties:

3.1 **Inform the Public.** The Committee shall inform the public concerning the District's expenditure of bond proceeds. In fulfilling this duty, all official communications to either the Board or the public shall come from the Chair acting on behalf of the Committee. The Chair shall only release information that reflects the majority view of the Committee.

3.2 **Review Expenditures.** The Committee shall review expenditure reports produced by the District to ensure that (a) bond proceeds were expended only for the purposes set forth in the Measure Q; and (b) no bond proceeds were used for teacher or administrative salaries or other operating expenses in compliance with Attorney General Opinion 04-110, issued on November 9, 2004.

3.3 **Annual Report.** The Committee shall present to the Board, in public session, an annual written report which shall include the following:

(a) A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and

(b) A summary of the Committee's proceedings and activities for the preceding year.

3.4 Duties of the Board/Chancellor. Either the Board or the Chancellor, as the Board shall determine, shall have the following powers reserved to it, and the Committee shall have no jurisdiction over the following types of activities:

- (i) Approval of Measure Q projects to get funded;
- (ii) Approval of contracts;
- (iii) Approval of change orders;
- (iv) Expenditures of bond funds;
- (v) Handling of all legal matters;
- (vi) Approval of project plans and schedules;
- (vii) Approval of all deferred maintenance plans; and
- (viii) Approval of the sale of bonds.

3.5 Measure Q Projects Only. In recognition of the fact that the Committee is charged with overseeing the expenditure of bond proceeds, the Board has not charged the Committee with responsibility for:

(a) Projects financed through the State of California, developer fees, redevelopment tax increment, certificates of participation, lease/revenue bonds, the general fund or the sale of surplus property without bond proceeds shall be outside the authority of the Committee.

(b) The establishment of priorities and order of construction for the bond projects, which shall be made by the Board in its sole discretion.

(c) The selection of architects, engineers, soils engineers, construction managers, project managers, CEQA consultants and such other professional service firms as are required to complete the project based on District criteria established by the Board in its sole discretion.

(d) The approval of the design for each project including exterior materials, paint color, interior finishes, site plan and construction methods (modular vs. permanent) which shall be determined by the Board in its sole discretion.

(e) The selection of independent audit firm(s), performance audit consultants and such other consultants as are necessary to support the activities of the Committee.

(f) The approval of an annual budget for the Committee that is sufficient to carry out its activities.

(g) The appointment or reappointment of qualified applicants to serve on the Committee, subject to legal limitations, and based on criteria adopted in the Board's sole discretion as part of carrying out its function under Prop 39.

Section 4. Authorized Activities.

4.1 In order to perform the duties set forth in Section 3.0, the Committee may engage in the following authorized activities:

(a) Receive and review copies of the District's annual independent performance audit and annual independent financial audit, required by Article XIII A of the California Constitution.

(b) Inspect school facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the District's Vice Chancellor, Business Operations/Fiscal Services.

(c) Review copies of scheduled maintenance plans developed by the District.

(d) Review efforts by the District to maximize bond proceeds by implementing various cost-saving measures.

Section 5. Membership.

5.1 Number.

The Board of Trustees have determined that the Committee shall consist of at least seven (11) members appointed by the Board of Trustees from a list of candidates submitting written applications and through the online application process, and based on criteria established by Prop 39, to wit:

- One (1) student enrolled and active in a community college support group, such as student government.
- One (1) member active in a business organization representing the business community located in the District.
- One (1) member active in a senior citizens' organization.
- One (1) member active in a bona-fide taxpayers association.
- One (1) member active in a support organization for Santa Ana College, such as a foundation.
- Six (6) members of the community at-large.

5.2 Qualification Standards.

(a) To be a qualified person, he or she must be at least 18 years of age.

(b) The Committee may not include any employee, official of the District or any vendor, contractor or consultant of the District.

5.3 Ethics: Conflicts of Interest. Members of the Committee are not subject to Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 *et seq.*), and are not required to complete the Form 700. However, each member shall comply with the Committee Ethics Policy attached as "Attachment A" to these Bylaws.

5.4 Term. Except as otherwise provided herein, each member shall serve a term of two (2) years, commencing on the date of the first meeting of the Committee. No member may serve more than three (3) consecutive terms. At the Committee's first meeting, members will draw lots, or otherwise select a minimum majority (6) for an initial two (2) year term and the remaining members for an initial one (1) year term.

5.5 Appointment. Members of the Committee shall be appointed by the Board through the following process: (a) the District will advertise in the local newspapers, on its website and in other customary forums as well as solicit appropriate local groups for applications; (b) the Chancellor will review the applications; and (c) the Chancellor will make recommendations to the Board.

5.6 Removal; Vacancy. The Board may remove any Committee member for any reason, including failure to attend two consecutive Committee meetings without reasonable excuse or for failure to comply with the Committee Ethics Policy. Upon a member's removal, his or her seat shall be declared vacant. The Board, in accordance with the established appointment process shall fill any vacancies on the Committee. The Board shall seek to fill vacancies within 90 days of the date of occurrence of a vacancy. Members whose terms have expired may continue to serve on the Committee until their successor has been appointed.

5.7 Compensation. The Committee members shall not be compensated for their services.

5.8 Authority of Members. (a) Committee members shall not have the authority to direct staff of the District; (b) individual members of the Committee retain the right to address the Board as an individual; (c) the Committee shall not establish sub-committees for any purpose; and (d) the Committee shall have the right to request and receive copies of any public records relating to Measure Q funded projects.

Section 6. Meetings of the Committee.

6.1 Regular Meetings. The Committee shall meet at least once a year, but no more frequently than quarterly.

6.2 Location. All meetings shall be held within the Improvement District, located in Orange County, California.

6.3 Procedures. All meetings shall be open to the public in accordance with the *Ralph M. Brown Act*, Government Code Section 54950 *et seq.* Meetings shall be conducted according to such additional procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum, a minimum of six out of the eleven (11) membership categories, for the transaction of any business.

Section 7. District Support.

7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:

(a) preparation of and posting of public notices as required by the *Brown Act*, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;

(b) provision of a meeting room, including any necessary audio/visual equipment;

(c) preparation and copies of any documentary meeting materials, such as agendas and reports; and

(d) retention of all Committee records, and providing public access to such records on an Internet website maintained by the District.

7.2 District staff and/or District consultants shall attend Committee proceedings in order to report on the status of projects and the expenditure of bond proceeds.

Section 8. Reports. In addition to the Annual Report required in Section 3.2, the Committee may report to the Board from time to time in order to advise the Board on the activities of the Committee. Such report shall be in writing and shall summarize the proceedings and activities conducted by the Committee.

Section 9. Officers. The Chancellor shall appoint the initial Chair. Thereafter, the Committee shall elect a Chair and a Vice-Chair who shall act as Chair only when the Chair is absent. The Chair and Vice-Chair shall serve in such capacities for a term of one year and may be re-elected by vote of a majority of the members of the Committee.

Section 10. Amendment of Bylaws. Any amendment to these Bylaws shall be approved by a majority vote of the Board of Trustees of the District.

Section 11. Termination. The Committee shall automatically terminate and disband concurrently with the Committee's submission of the final Annual Report which reflects the final accounting of the expenditure of all Measure Q monies.

Measure Q Citizens' Bond Oversight Committee Meeting Minutes

Meeting of November 1, 2016
6:30 p.m.
District Board Room, District Office

Members Present:

David Brandt
Cecilia Aguiñaga
Zeke Hernandez
Jim Hossfeld
Irma Avila Macias
Manuel Peña

District Staff Present:

Peter Hardash, Vice Chancellor, Business Operations/Fiscal Services
Dr. Linda Rose, Santa Ana College President
Carri Matsumoto, Assistant Vice Chancellor, Facility Planning
Adam O'Connor, Assistant Vice Chancellor, Fiscal Services

1. **Meeting called:** Mr. Hernandez called the meeting at 6:33 p.m. Committee members were introduced.

Public Comments - There were no public comments.

2. **Approval of Meeting Minutes – May 12, 2016 – Mr. Hernandez:** Minutes from the May 12, 2016 meeting were distributed for review and approval. A motion was made, seconded and approved unanimously.
3. **District Update – Dr. Rodríguez:** Dr. Rodríguez was not present.
4. **Review and Approval of the 2015-16 Measure Q Citizens' Bond Oversight Committee Annual Report to the Community – Mr. Hardash:** Mr. Hardash reviewed with the committee the draft of the annual report to the community. Mr. Hardash stated that the financials were audited and while the final report has not been received, the auditor's have indicated the financial and performance audits for Measure Q are "clean". A motion was made, seconded and the committee unanimously accepted the report. The report is to be printed in final format, presented to the Board of Trustees, distributed and placed on the district website as information.
5. **Measure Q Projects Update and Sequencing – Ms. Matsumoto:** Ms. Matsumoto reviewed the following projects dated November 1, 2016:
 - ✓ **Central Plant and Infrastructure:** There have been numerous unforeseen conditions encountered on this project which is now approximately 38% complete. Target occupancy and completion dates are under review.

- ✓ **Johnson Student Center Demolition:** Decommissioning activities began during the summer of 2016; target out-to-bid timeline is under review.
 - ✓ **Johnson Student Center:** The schematic design phase for this project has been completed and is now in the design development phase. Review with the college and user groups continues. The timeline has changed, DSA approval is now anticipated in May 2018; construction start in September 2018 and occupancy in the fall of 2020.
 - ✓ **Science Center:** The District has received the construction development package; ongoing review meetings with the campus and user groups, M&O and Information Technology Services continues. New timeline includes DSA submittal in December 2016, approval anticipated in September 2017, construction start in January 2018 and target occupancy in summer 2020.
 - ✓ **Parking Lot at 17th/Bristol Street:** The architects are revising plans to include walls, columns and a fence as requested by the District and SAC to address neighbor concerns. Plans were submitted to the Department of Public Works. Target construction is under review.
 - ✓ **Master Program Budget:** This document lists the project, estimated budget (which will change as costs change), status, target construction date and target occupancy date. The budgets listed exclude costs beyond typical construction contingencies.
 - ✓ **Project Budget History:** This document lists the project, the initial start-up planning total project budget, current estimated total project budget and budget modification notes detailing changes in work, timelines and budgets.
6. **Measure Q Financial Summary – Mr. O’Connor:** Mr. O’Connor reviewed the Measure Q Projects Cost Summary with the committee dated October 12, 2016. This document lists the projects including agency costs, professional services costs, construction services costs and furniture and equipment costs. The last column, percentage spent, includes all expenditures and encumbrances to date. Mr. O’Connor reviewed the six projects. There were no questions from the committee.
 7. **Santa Ana College Update – Dr. Rose:** Dr. Rose provided the committee an update on facilities, construction, enrollments and events. Dr. Rose joined the SAC family in July 2016 and previously served as the Vice President of Academic Affairs at SAC for three years.
 8. **Comments:** Committee members shared brief comments.
 9. **Future Meetings:** The next meeting is scheduled for January 19, 2017 at 6:30 p.m. in the District Board Room at the District Office at 2323 N. Broadway.
 10. **Adjournment:** Mr. Hernandez adjourned the meeting at 7:55 p.m.



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

We have audited the financial statements of the Measure Q Revenue Bond Construction Fund of Rancho Santiago Community College District (the District) for the year ended June 30, 2016, and have issued our report thereon dated December 5, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 30, 2016. 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. As described in Note 1 to the financial statements, the District changed accounting policies related to fair value measurement and the accounting for certain external investment pools by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 72, Fair Value Measurement and Application, and No. 79, Certain External Investment Pools and Pool Participants, for the year ended June 30, 2016. 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 District's Measure Q Revenue Bond Construction Fund financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted in completing our audit.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 December 5, 2016.

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 auditor's 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.

Restriction on Use

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

Varrinck, Train, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2016

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT**

**MEASURE Q
REVENUE BOND CONSTRUCTION FUND**

AUDIT REPORT

JUNE 30, 2016

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT**

**MEASURE Q
REVENUE BOND CONSTRUCTION FUND**

FINANCIAL AUDIT

JUNE 30, 2016

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

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JUNE 30, 2016**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Rancho Santiago Community College District (the District), Measure Q Revenue Bond Construction Fund (Measure Q), as of and for the year ended June 30, 2016, and the related notes to the 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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure Q Revenue Bond Construction Fund (Measure Q) of the District at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure Q Revenue Bond Construction Fund specific to Measure Q, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the District's Measure Q Revenue Bond Construction Fund (Measure Q) 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 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* in considering the District's Measure Q Revenue Bond Construction Fund (Measure Q) internal control over financial reporting and compliance.

Vavrinich, Trinn, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2016

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

**BALANCE SHEET
JUNE 30, 2016**

ASSETS

| | |
|---------------------|-----------------------------|
| Investments | \$ 43,194,025 |
| Accounts receivable | 24,390 |
| Prepaid expenses | 931,204 |
| Total Assets | <u><u>\$ 44,149,619</u></u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|------------------|---------------------|
| Accounts payable | <u>\$ 2,464,374</u> |
|------------------|---------------------|

FUND BALANCE

| | |
|---|-----------------------------|
| Restricted | |
| Capital projects | 41,685,245 |
| Total Liabilities and Fund Balance | <u><u>\$ 44,149,619</u></u> |

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUES

Local revenues \$ 304,899

EXPENDITURES

Current Expenditures

Services and other expenditures 29,640

Capital outlay 11,442,730

Total Expenditures 11,472,370

DEFICIENCY OF REVENUES OVER EXPENDITURES (11,167,471)

FUND BALANCE, BEGINNING OF YEAR 52,852,716

FUND BALANCE, END OF YEAR \$ 41,685,245

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT MEASURE Q REVENUE BOND CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Measure Q Revenue Bond Construction Fund (Measure Q) 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 (AICPA).

Financial Reporting

The audited financial statements include only the Measure Q 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 2012. 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 Q 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 Q 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.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT MEASURE Q REVENUE BOND CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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 lapse at June 30.

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, 2016, the fund balance of the Measure Q 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.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT MEASURE Q REVENUE BOND CONSTRUCTION FUND

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

This Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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:

| 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 |

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Investment Pool. The District maintains an investment of \$43,194,025 with the Orange County Investment Pool, with an average maturity of 339 days.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 AAAm/AAM by Standard & Poor's.

NOTE 3 - 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 Treasury Investment Pool 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, 2016:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Uncategorized</u> |
|-------------------------------|----------------------|----------------------|
| Orange County Investment Pool | <u>\$ 43,300,423</u> | <u>\$ 43,300,423</u> |

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2016, consist of the following:

| | |
|-----------------|------------------|
| Interest income | <u>\$ 24,390</u> |
|-----------------|------------------|

NOTE 5 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consist of the following:

| | |
|-----------------|---------------------|
| Vendor payables | <u>\$ 2,464,374</u> |
|-----------------|---------------------|

NOTE 6 - FUND BALANCE

Fund balance is composed of the following element:

| | |
|--------------------------------|----------------------|
| Restricted Capital projects | <u>\$ 41,685,245</u> |
|--------------------------------|----------------------|

NOTE 7 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016, the Measure Q Revenue Bond Construction Fund had the following significant construction commitments as defined by the bond documents:

| | <u>Spent to Date</u> | <u>Remaining Construction Commitment</u> | <u>Expected Date of Completion</u> |
|-------------------------------------|--------------------------|--|--|
| Santa Ana College | | | |
| Johnson Student Center | \$ 509,350 | \$ 4,161,128 | 2020 |
| Central Plant Infrastructure | 18,223,372 | 24,270,115 | 2018 |
| 17th and Bristol Street Parking Lot | 136,167 | 46,114 | 2018 |
| Science Center | 1,709,966 | 3,366,404 | 2020 |
| | <u>\$ 20,578,855</u> | <u>\$ 31,843,761</u> | |

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's Measure Q Revenue Bond Construction Fund at June 30, 2016.

INDEPENDENT AUDITOR'S REPORT



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

Board of Trustees and Citizens' Oversight Committee
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 Rancho Santiago Community College District (the District) Measure Q Revenue Bond Construction Fund (Measure Q), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2016.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Measure Q Revenue Bond Construction Fund specific to Measure Q, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's Measure Q Revenue Bond Construction Fund (Measure Q) 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 Measure Q Revenue Bond Construction Fund (Measure Q) internal control. Accordingly, we do not express an opinion on the effectiveness of the District's Measure Q Revenue Bond Construction Fund (Measure Q) 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Measure Q Revenue Bond Construction Fund (Measure Q) 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 Measure Q Revenue Bond Construction Fund (Measure Q) of the 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, 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 Measure Q Revenue Bond Construction Fund (Measure Q) 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 Measure Q Revenue Bond Construction Fund (Measure Q) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrieh, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**FINANCIAL STATEMENT FINDINGS
JUNE 30, 2016**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

There were no audit findings reported in the prior year's Schedule of Financial Statement Findings.

**RANCHO SANTIAGO
COMMUNITY COLLEGE DISTRICT**

**MEASURE Q
REVENUE BOND CONSTRUCTION FUND
PERFORMANCE AUDIT**

JUNE 30, 2016

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

**PERFORMANCE AUDIT
TABLE OF CONTENTS
JUNE 30, 2016**

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INDEPENDENT AUDITOR'S 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 Q Revenue Bond Construction Fund (Measure Q) for the year ended June 30, 2016.

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 controls 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 Q Revenue Bond Construction Fund (Measure Q) 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
December 5, 2016

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT MEASURE Q REVENUE BOND CONSTRUCTION FUND

JUNE 30, 2016

AUTHORITY FOR ISSUANCE

The Measure Q Revenue Bond Construction Fund (the Bonds) were 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 from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$198,000,000 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 October 2014, the District issued General Obligation Bonds, Election of 2012, Series 2014 A in the amount of \$70,585,000. The Series 2014 A Bonds were authorized to be issued by a resolution adopted by the Board of Supervisors of the County, pursuant to a request of the District made by a resolution adopted by the Board of Trustees of the District on September 22, 2014. The Bonds represent the first series of bonds sold within the Authorization.

PURPOSE OF ISSUANCE

The net proceeds of the Bonds issued under the 2012 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 and construction 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.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT MEASURE Q REVENUE BOND CONSTRUCTION FUND

JUNE 30, 2016

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2015 through June 30, 2016. 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, 2016, 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, 2016, for the Measure Q 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 Q 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 Q 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.

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

JUNE 30, 2016

CONCLUSION

We reviewed construction expenditures totaling 52 percent of all expenditures from the detailed accounting of expenditures. Our sample included transactions totaling \$5,987,856 of the total expenditures of \$11,472,370. The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Measure Q 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.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

None reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
JUNE 30, 2016**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



**CITIZENS' BOND OVERSIGHT COMMITTEE MEETING
PROJECT UPDATES
JANUARY 19, 2017**



**SANTA ANA
COLLEGE**



PROJECTS

- ▶ Dunlap Hall Renovation - completed
- ▶ Central Plant & Infrastructure
- ▶ Johnson Demolition
- ▶ Johnson Student Center
- ▶ Science Center & Building J Demolition
- ▶ 17th & Bristol Street Parking Lot



PROJECT UPDATE SANTA ANA COLLEGE CENTRAL PLANT AND INFRASTRUCTURE

Project Summary:

- ▶ Construction of a new 18,000 square foot two-story central plant building, a new electrical building and replacement of all underground utilities (domestic water, sewer, fire water, storm drain, gas, electric and data).
- ▶ Mechanical Upgrades to seven (7) buildings connecting them to the new central plant building.
- ▶ Improvement to the aesthetic character of the campus by major improvement of the landscaping incorporating drought tolerant design features, construction of an amphitheater between the Dunlap building and library, and replacement of concrete paving along pedestrian walkways with new concrete and pavers throughout the campus.
- ▶ Central Plant facts:
 - ▶ Reduces electrical loads during peak demand periods.
 - ▶ Includes a new Energy Management System (EMS) to be able to control building temperatures and monitor system remotely.
 - ▶ Building is designed to meet LEED Silver certification.

Budget:

- ▶ \$68.17 million





PROJECT UPDATE SANTA ANA COLLEGE CENTRAL PLANT AND INFRASTRUCTURE

Current Activities:

- ▶ Install pavers between Buildings N & P
- ▶ Route new conduits for electrical and controls – Building N
- ▶ Install and insulate underground piping
- ▶ Excavate for north side footing – Amphitheater
- ▶ Set up fencing and temporary walkways



Upcoming Activities:

- ▶ Install new boxes and T-stats – Building N
- ▶ Backfill underground utilities – Building F
- ▶ Install rebar and starter wall formwork for Amphitheater
- ▶ Begin site demolition – phase 6
- ▶ Insulate piping for cooling tower and ice tank storage (Central Plant)

Current Status:

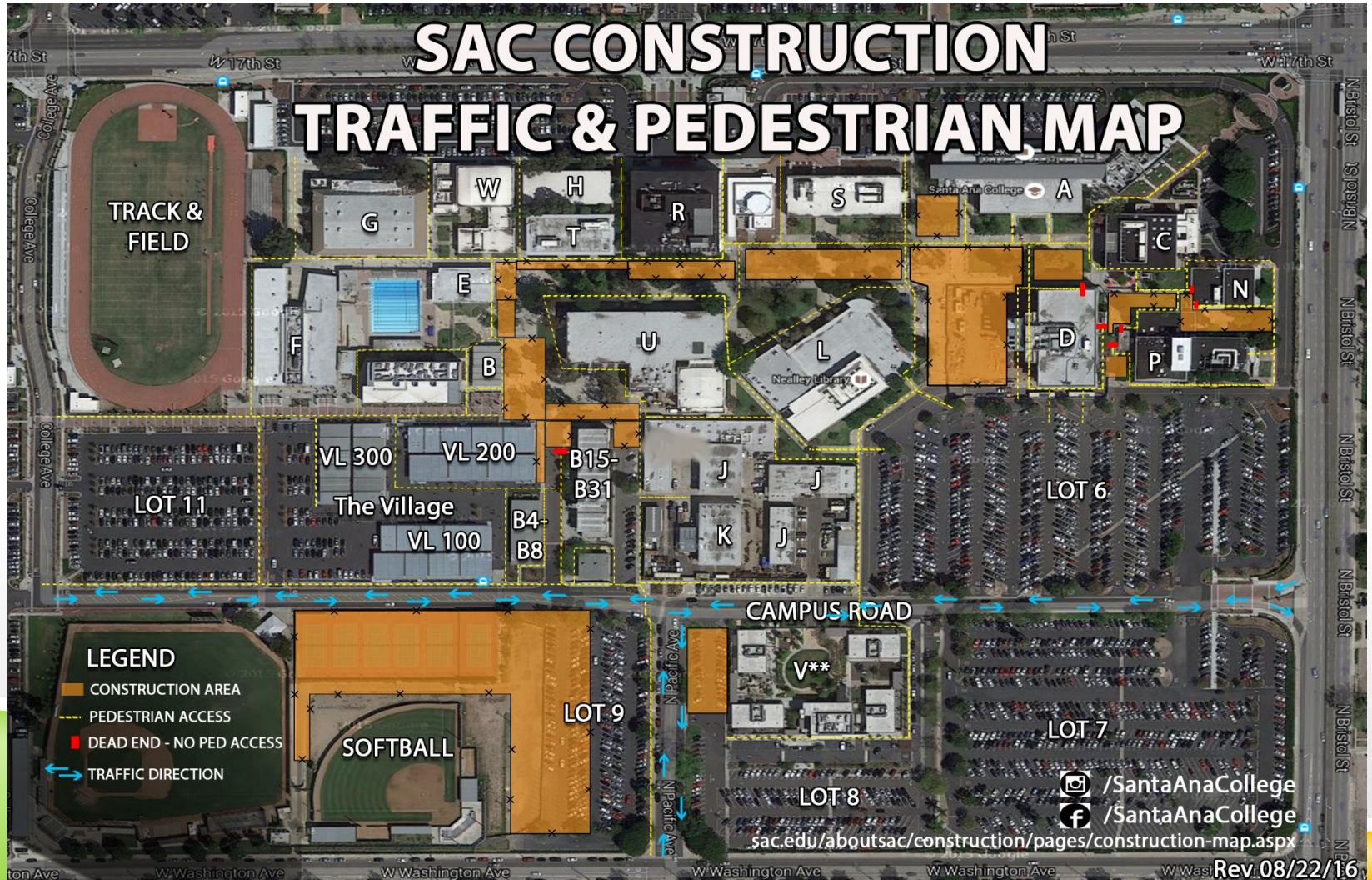
- ▶ There have been numerous unforeseen conditions encountered and weather delays.
- ▶ Night shift work to begin on various buildings for mechanical upgrades.
- ▶ The project is 50% complete.

Target Occupancy/Completion

- ▶ December 2017 (under review)
- ▶ Project Close-Out 2018 (under review)



SANTA ANA COLLEGE CENTRAL PLANT AND INFRASTRUCTURE TRAFFIC & PEDESTRIAN MAP





PROJECT UPDATE SANTA ANA COLLEGE JOHNSON DEMOLITION

Project Summary:

- ▶ Demolition of existing Johnson Student Center.

Current Status:

- ▶ Decommissioning activities began in summer 2016.
- ▶ Target out-to-bid spring/summer 2017.
- ▶ Target demolition to be undertaken in phases -
target start interior demolition fall 2017
target start exterior/hard demolition winter
2017 through spring 2018

Budget:

- ▶ \$2.5 million (increased budget due to costs associated with construction)





PROJECT UPDATE SANTA ANA COLLEGE JOHNSON STUDENT CENTER

Project Summary:

- ▶ Construction of a 59,638 square foot new Johnson Student Center.

Current Status:

- ▶ Design Development Phase. Review with College and user groups ongoing.
- ▶ New DSA approval anticipated June 2018.
- ▶ New Target construction start October 2018.
- ▶ Target occupancy fall 2020.

Budget:

- ▶ \$40.7 million target
\$38.96 million funded by Measure Q
Note: Budget is currently deficient by \$1.74 million

Programs Include:

- ▶ Campus Store
- ▶ Grab-n-Go / Coffee & Juice
- ▶ DSPS
- ▶ EOPS/CARE & CalWORKS
- ▶ Student Financial Services
- ▶ SSSP / Upward Bound
- ▶ Warehouse
- ▶ Reprographics
- ▶ Conference Center
- ▶ Financial Aid
- ▶ Student Placement
- ▶ Health & Wellness Center
- ▶ DSPS
- ▶ Office of Student Life
- ▶ ASG
- ▶ The Spot





PROJECT UPDATE SANTA ANA COLLEGE SCIENCE CENTER

Project Summary:

- ▶ Construction of a new 65,428 square foot science center housing modern laboratories, classrooms, lecture classrooms, and faculty offices.
- ▶ Demolition of (3) J Buildings.

Current Status:

- ▶ New DSA submittal December 22, 2016 – DSA review ongoing.
- ▶ DSA approval anticipated September 2017.
- ▶ Target construction start January 2018.
- ▶ Target occupancy summer 2020.

Budget:

- ▶ \$73.38 million

Programs Include:

- ▶ Division Office
- ▶ Faculty Offices
- ▶ (2) Standard Classrooms
- ▶ (1) Large Classroom
- ▶ (1) Large Divisible Classroom
- ▶ (1) Computer Lab
- ▶ (1) Engineering Lab & Support Space
- ▶ (6) Biology Labs & Support Space
- ▶ (2) Geology Labs & Support Space
- ▶ (5) Chemistry Labs & Support Space
- ▶ (1) Physics Labs & Support Space
- ▶ Student Collaboration Areas





PROJECT UPDATE SANTA ANA COLLEGE BUILDING J DEMOLITION (SCIENCE CENTER)

Project Summary:

- ▶ Relocation of Quick Copy Center into Temporary Village prior to demolition of (3) J Buildings.
- ▶ Relocation of maintenance storage items.
- ▶ Demolition of (3) J Buildings.

Current Status:

- ▶ Relocation of quick copy center anticipated for end of fall semester 2017.
- ▶ Target decommissioning activities of J Buildings fall/winter break 2017.

Budget:

- ▶ Included in Science Center Budget.



PROJECT UPDATE SANTA ANA COLLEGE PARKING LOT AT 17TH/BRISTOL ST.

Project Summary:

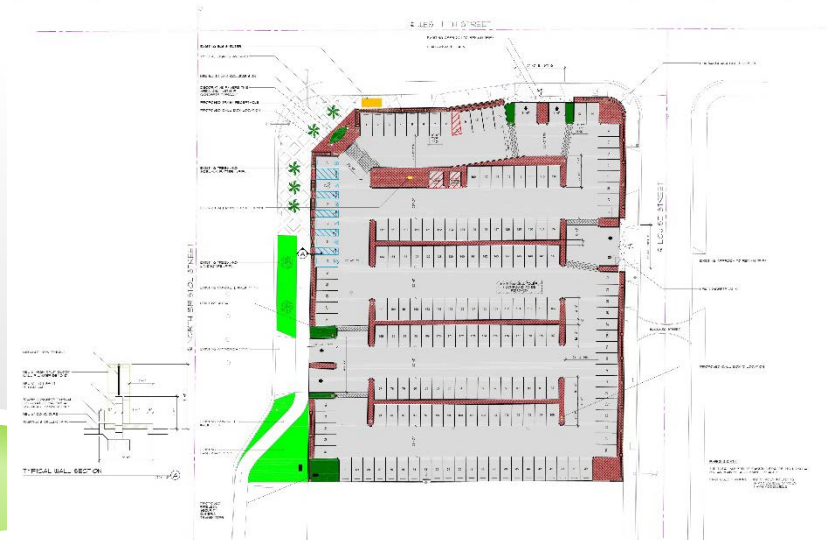
- ▶ New surface parking lot.

Current Status:

- ▶ Architect has completed revision of plans to include walls, columns and fence as requested by the District and the Campus to address neighbor concerns.
- ▶ Plans submitted to City of Santa Ana Department of Public Works on March 8, 2016.
- ▶ Plans submitted to DSA on March 22, 2016. Re-submittal scheduled for February 2017 with revised drawings and monument sign entrance.
- ▶ Target construction start spring/summer 2017.

Budget:

- ▶ \$2.5 million
- ▶ Acquisition of property was paid by Measure E funds.





MASTER PROGRAM BUDGET

| <u>PROJECT</u> | <u>ESTIMATED TOTAL BUDGET</u> | <u>STATUS</u> | <u>TARGET CONSTRUCTION</u> | <u>TARGET OCCUPANCY</u> |
|--|-----------------------------------|--------------------|--------------------------------|-----------------------------|
| ❖ Dunlap Hall Renovation | \$12.63 M | Completed | Completed | Completed |
| ❖ 17 th & Bristol Parking Lot | \$ 2.50 M | In Design | Summer 2017 | Fall 2017 |
| ❖ Central Plant | \$68.17 M | In Construction | Oct. 2015 – Dec. 2017 | December 2017 |
| ❖ Demolition (Johnson) | \$ 2.50 M | Planning | Fall 2017 – Spring 2018 | Not Applicable |
| ❖ Johnson Student Center | \$40.70 M * | Design Development | Oct. 2018 – Sept. 2020 | Fall 2020 |
| ❖ Science Center | \$73.38 M | DSA Review | Jan. 2018 – March 2020 | Summer 2020 |
| TOTAL | \$198.14M * | | | |

* Budget is deficient by \$1.74 million

Note: These budgets exclude costs beyond typical construction contingencies.



PROJECT BUDGET HISTORY

| MEASURE Q BUDGET HISTORY | | | |
|-------------------------------|---|---|--|
| PROJECT | INITIAL START-UP PLANNING TOTAL PROJECT BUDGET (February 2014) M (Million) | CURRENT ESTIMATED TOTAL PROJECT BUDGET (January 2017) | BUDGET MODIFICATION NOTES |
| Dunlap Hall Renovation | \$14.2M | 12.63M | <ol style="list-style-type: none"> 1) Prior to 2014, the project budget was initially set-up in Measure E. Certain softs costs are still expensed to Measure E. 2) In 2014, a new project budget was set-up in Measure Q to cover construction costs. 3) In November 2014, increase in budget due to expense transfers from Measure E. 4) In November 2014, increase in costs associated with an extension of time due to unforeseen conditions on the roof. 5) In April 2016, decrease budget by \$2.6 million expense transfers to Measure E. 6) In August 2016, decrease budget by \$1.2 million expense transfers to Measure E. |
| 17th & Bristol St Parking Lot | \$1.7M | \$2.50M | <ol style="list-style-type: none"> 1) The acquisition of the property was paid out of Measure E in April 2014. 2) In 2014, a new budget was needed for the development of property into a surface parking lot. 3) In 2015, adjusted costs for construction of parking lot based on estimator's review of construction documents. |
| Central Plant | \$68.17M | \$68.17M | <ol style="list-style-type: none"> 1) In February 2014, adjustment made to conceptual budget of \$40 million, due to a final scope of work, a new target construction budget, and a new construction schedule. |
| Johnson Center | \$16.7M | \$40.70M | <ol style="list-style-type: none"> 1) In 2014, an initial conceptual budget of \$16.7 million was established based on a renovation project. 2) In October 2014, budget increased to \$28.49 million due to a change in scope from a renovation project to a replacement project. 3) In November 2015, budget increased to \$40.70 million based on College's selection of Option 7 which included additional programs and an increase in square footage. 4) In April 2016, re-allocated \$2.7 million from Dunlap budget to increase budget to cover deficiency. The budget was deficient by \$5.64 million and is now deficient by \$2.9 million. 5) In August 2016, re-allocated \$1.2 million from Dunlap budget to increase budget to cover deficiency. The budget was deficient by \$2.9 million and is now deficient by \$1.7 million. |
| Johnson Demolition | \$1.8M | \$2.5M | <ol style="list-style-type: none"> 1) In 2015, a new budget was needed due to a change in scope from a renovation to a replacement project. 2) In April 2016, increased budget by \$700,000 due to estimated increase in demolition costs from \$1.8 million to \$2.5 million. |
| Science Center | \$66M | \$73.38M | <ol style="list-style-type: none"> 1) In 2014, an initial conceptual budget of \$66 million was established. 2) In October 2014, a new planning total budget was established of \$62.94 million based on a more defined scope. 3) In July 2015, budget increased to \$73.38 million based on College's selection of Option A3 which outlined the final program including additional labs and an increase in square footage. The new program changed from STEM to Science Center. |



QUESTIONS



RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

MEASURE Q

Projects Cost Summary
12/31/16 on 01/09/17

| Special Project Numbers | Description | Project Allocation | Total PY Expenditures | FY 2016-2017 | | Cumulative Exp & Enc | Project Balance | % Spent |
|--------------------------|--|--------------------|-----------------------|-------------------|-------------------|----------------------|--------------------|------------|
| | | | | Expenditures | Encumbrances | | | |
| ACTIVE PROJECTS | | | | | | | | |
| SANTA ANA COLLEGE | | | | | | | | |
| 3032 | Dunlap Hall Renovation | 12,634,041 | 12,620,659 | - | 13,382 | 12,634,041 | 0 | 100% |
| | Agency Cost | | 559 | - | | 559 | | |
| | Professional Services | | 1,139,116 | - | 13,382 | 1,152,498 | | |
| | Construction Services | | 11,480,984 | - | - | 11,480,984 | | |
| | Furniture and Equipment | | - | - | | - | | |
| 3035 | Johnson Student Center | 38,957,630 | 509,351 | 424,120 | 3,758,559 | 4,692,030 | 34,265,600 | 12% |
| | Agency Cost | | 343 | 4,239 | 1,994 | 6,576 | | |
| | Professional Services | | 509,007 | 419,881 | 3,756,561 | 4,685,450 | | |
| | Construction Services | | - | - | 4 | 4 | | |
| | Furniture and Equipment | | - | 0 | - | - | | |
| 3042 | Central Plant Infrastructure | 68,170,000 | 13,755,800 | 12,763,556 | 12,166,759 | 38,686,116 | 29,483,884 | 57% |
| | Agency Cost | | 322,282 | - | 1,905 | 324,187 | | |
| | Professional Services | | 5,629,739 | 864,793 | 5,705,875 | 12,200,407 | | |
| | Construction Services | | 7,803,780 | 11,898,764 | 6,458,978 | 26,161,522 | | |
| | Furniture and Equipment | | - | - | - | - | | |
| 3043 | 17th & Bristol Street Parking Lot | 2,500,000 | 136,167 | 3,275 | 42,839 | 182,281 | 2,317,719 | 7% |
| | Agency Cost | | 15,110 | - | 139 | 15,249 | | |
| | Professional Services | | 68,061 | 3,275 | 42,700 | 114,036 | | |
| | Construction Services | | 52,996 | - | - | 52,996 | | |
| | Furniture and Equipment | | - | - | - | - | | |
| 3049 | Science Center & Building J Demolition | 73,380,861 | 1,709,965 | 1,242,842 | 2,527,506 | 5,480,313 | 67,900,548 | 7% |
| | Agency Cost | | 348 | 386,712 | 1,688 | 388,748 | | |
| | Professional Services | | 1,709,617 | 856,130 | 2,525,818 | 5,091,565 | | |
| | Construction Services | | - | - | - | - | | |
| | Furniture and Equipment | | - | - | - | - | | |
| 3056 | Johnson Demolition | 2,500,000 | 605 | 990 | 700 | 2,295 | 2,497,705 | 0% |
| | Agency Cost | | 120 | - | - | 120 | | |
| | Professional Services | | 485 | - | - | 485 | | |
| | Construction Services | | - | 990 | 700 | 1,690 | | |
| | Furniture and Equipment | | - | - | - | - | | |
| TOTAL | | 198,142,532 | 28,732,546 | 14,434,784 | 18,509,745 | 61,677,075 | 136,465,457 | 31% |
| ACTIVE PROJECTS | | 198,142,532 | 28,732,546 | 14,434,784 | 18,509,745 | 61,677,075 | 136,465,457 | 31% |

SOURCE OF FUNDS

| | |
|------------------------|--------------------|
| ORIGINAL Bond Proceeds | 198,000,000 |
| Interest Earned | 142,532 |
| Totals | 198,142,532 |