

**RANCHO SANTIAGO COMMUNITY
COLLEGE DISTRICT**

**SCHEDULE OF PROCEEDS AND USE OF
GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES 2003 A AND 2005 B)
WITH INDEPENDENT AUDITOR'S REPORT**

For the period from July 1, 2004 through June 30, 2005

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES 2003 A AND 2005 B)**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying schedule of proceeds and use of general obligation bonds (Election of 2002, Series 2003 A and 2005 B) of the Rancho Santiago Community College District (the District) for the period from July 1, 2004 through June 30, 2005. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of proceeds and use of general obligation bonds is free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the schedule of proceeds and use of general obligation bonds. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of proceeds and use of general obligation bonds. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the schedule of proceeds and use of general obligation bonds has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of proceeds and use of general obligation bonds referred to in the first paragraph presents fairly, in all material respects, the proceeds and use of the District's General Obligation Bonds (Election of 2002, Series 2003 A and 2005 B) for the period from July 1, 2004 through June 30, 2005, on the basis of accounting described in Note 2.

Macias Gini & Company LLP

Certified Public Accountants

Los Angeles, California
November 11, 2005

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES 2003 A AND SERIES 2005 B)
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
FOR THE PERIOD FROM JULY 1, 2004 THROUGH JUNE 30, 2005**

Beginning Balance, unspent bond proceeds, as of July 1, 2004		\$ 41,511,917
Bond Proceeds	\$119,999,867	
Original Issue Premium	9,788,309	
Total Proceeds	<u>129,788,176</u>	
Bond Issuance Costs		1,840,308
Net Bond Proceeds		<u>127,947,868</u>
Interest Income		1,328,583
Total Available		<u>170,788,368</u>
 Project Expenditures:		
<i>Santa Ana College</i>		
Renovation of 14 Buildings	91,905	
Library Renovation	93,536	
Campus Infrastructure	148,072	
Athletic Fields	43,987	
Land Acquisition	4,024,557	
Women's Locker Room	16,158	
Public Safety Institute	684,467	
Digital Media	2,439,134	
Parking Structure	402,752	
<i>Total Expenditures for Santa Ana College</i>	<u>7,944,568</u>	
 <i>Santiago Canyon College</i>		
Infrastructure	258,339	
Site Acquisition	17,266,809	
Learning Resource Center	69,715	
Student Service/Classroom Building	1,500,090	
Science/Math Building	238,930	
Parking Facilities	442,245	
<i>Total Expenditures for Santiago Canyon College</i>	<u>19,776,128</u>	
 <i>Rancho Santiago Community College District Building (District)</i>		
Telephone/Computer Upgrade	487,818	
<i>Total Expenditures for District</i>	<u>487,818</u>	
 Total Project Expenditures		 <u>28,208,514</u>
 Ending Balance, unspent bond proceeds, as of June 30, 2005		 <u><u>\$ 142,579,854</u></u>

See accompanying notes to the schedule.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES 2003 A AND 2005 B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE OF GENERAL
OBLIGATION BONDS
FOR THE PERIOD FROM JULY 1, 2004 THROUGH JUNE 30, 2005**

NOTE 1 – BACKGROUND

On November 5, 2002, the voters of the Rancho Santiago Community District (District) approved the issuance of \$337,000,000 general obligation bonds to be used to finance the acquisition, construction and modernization of certain property and District facilities. On March 31, 2003, \$96,125,000 of Rancho Santiago Community College District, Election of 2002, Series 2003A Bonds were issued with a final maturity date of September 1, 2027 and interest rates ranging from 2% to 5%, depending on the maturity of the related bonds. Interest accrues from March 31, 2003 and is payable semiannually on March 1 and September 1 of each year commencing on March 1, 2004. The outstanding principal balance of these bonds at June 30, 2005 was \$92,705,000. On March 10, 2005, \$119,999,867 of Rancho Santiago Community College District, Election of 2002, Series 2005 B Bonds were issued with a final maturity date of September 1, 2029 and interest rates ranging from 2% to 5%, depending on the maturity of the related bonds. Interest accrues from March 10, 2005 and is payable semiannually on March 1 and September 1 of each year commencing on March 1, 2006. The outstanding principal balance of these bonds at June 30, 2005 was \$119,999,867.

The specific projects approved by the District's Board of Trustees to be funded by the bond proceeds include:

Santa Ana College

Renovation of 14 Buildings
Library Renovation
Campus Infrastructure
Athletic Fields
Land Acquisition
Women's Locker Room
Public Safety Institute (Off-Site)
Digital Media (Off-Site)
Parking Structure

Santiago Canyon College

Infrastructure
Site Acquisition (Off-Site)
Learning Resource Center
Student Services/Classroom Building
Science/Math Building
Parking Facilities

Rancho Santiago Community College District Building

Telephone/Computer Upgrade

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES 2003 A AND 2005 B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE OF GENERAL
OBLIGATION BONDS (CONTINUED)
FOR THE PERIOD FROM JULY 1, 2004 THROUGH JUNE 30, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The schedule of proceeds and use of general obligation bonds has been prepared on the cash basis of accounting, where the receipts of bond proceeds are reported when received and the disbursements of expenses from bond funds are reported when paid.

B. Bond Proceeds

Bond proceeds are recorded net of bond premiums and issuance costs.

C. Project Expenditures

Expenditures are recognized when payments for approved projects are made.

NOTE 3 – BONDED DEBT

On March 31, 2003, \$96,125,000 of the general obligation bonds were sold as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2004</u>	<u>Redeemed Current Period</u>	<u>Outstanding June 30, 2005</u>
March 31, 2003	2-5%	September 1, 2027	\$96,125,000	\$ 96,125,000	\$ 3,420,000	\$ 92,705,000

The annual debt service requirements to amortize the 2003 general obligation bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 6,395,000	\$ 3,995,863	\$ 10,390,863
2007	6,935,000	3,767,963	10,702,963
2008	1,500,000	3,589,263	5,089,263
2009	1,655,000	3,539,263	5,194,263
2010	1,800,000	3,497,888	5,297,888
2011-2015	11,605,000	16,505,663	28,110,663
2016-2020	17,230,000	13,769,000	30,999,000
2021-2025	25,385,000	8,868,937	34,253,937
2026-2028	20,200,000	2,034,750	22,234,750
Totals	\$ 92,705,000	\$ 59,568,590	\$ 152,273,590

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES 2003 A AND 2005 B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE OF GENERAL
OBLIGATION BONDS (CONTINUED)
FOR THE PERIOD FROM JULY 1, 2004 THROUGH JUNE 30, 2005**

NOTE 3 – BONDED DEBT (CONTINUED)

On March 10, 2005, \$119,999,867 of the general obligation bonds were sold as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding March 10, 2005</u>	<u>Redeemed Current Period</u>	<u>Outstanding June 30, 2005</u>
March 10, 2005	2-5%	September 1, 2029	\$119,999,867	\$119,999,867	\$ -	\$119,999,867

The annual debt service requirements to amortize the 2005 general obligation bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ -	\$ 7,948,001	\$ 7,948,001
2007	1,359,156	5,434,319	6,793,475
2008	1,709,268	5,437,407	7,146,675
2009	949,324	5,372,001	6,321,325
2010	1,218,440	5,380,085	6,598,525
2011-2015	10,640,109	26,941,916	37,582,025
2016-2020	19,341,780	26,449,533	45,791,313
2021-2025	29,621,790	24,198,522	53,820,312
2026-2029	55,160,000	7,957,581	63,117,581
Totals	\$ 119,999,867	\$ 115,119,365	\$ 235,119,232

Bonds Summary:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003 general obligation bonds	\$ 92,705,000	\$ 59,568,590	\$ 152,273,590
2005 general obligation bonds	119,999,867	115,119,365	235,119,232
Totals	\$ 212,704,867	\$ 174,687,955	\$ 387,392,822

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BONDS (ELECTION OF 2002, SERIES 2003 A AND 2005 B)
NOTES TO THE SCHEDULE OF PROCEEDS AND USE OF GENERAL
OBLIGATION BONDS (CONTINUED)
FOR THE PERIOD FROM JULY 1, 2004 THROUGH JUNE 30, 2005**

NOTE 4 – RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

The following is a reconciliation of project expenditures between the cash and accrual basis for the period from July 1, 2004 through June 30, 2005:

Expenditures:

Expenditures - Cash Basis	\$ 28,208,514
Due to Capital Project Fund	5,895
Change in Accounts Payable	<u>(534,905)</u>
Expenditures - Accrual Basis	<u>\$ 27,679,504</u>

Revenues:

Net Investment Interest Income - Cash Basis	\$ 1,328,583
Change in Accrued Investment Management Cost	5,905
Change in Interest Receivable	<u>300,347</u>
Net Interest Income - Accrual Basis	<u>\$ 1,634,835</u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. Bond Fund Compliance

The General Obligation Bonds (Election of 2002, Series 2003 A and 2005 B) are subject to financial and compliance audits annually. Refer to the Independent Auditor's Report on Compliance with Article XIII A of the Constitution of the State of California on the Proceeds and Use of General Obligation Bonds, which is included in this report.

B. Construction Contracts

The District has outstanding project construction commitments of \$16,318,464 at June 30, 2005.

NOTE 6 – SUBSEQUENT EVENTS

On August 23, 2005, \$53,559,229 of General Obligation Refunding Bonds were issued to advance refund a portion of the Series 2003A general obligation bonds. The refunding bonds have a final maturity date of September 1, 2023 and interest rates ranging from 4.25% to 5.25%, depending on the maturity of the related bonds. Interest accrues from March 31, 2006 and is payable semiannually on March 1 and September 1 of each year commencing on September 1, 2006.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARTICLE XIII A
OF THE CONSTITUTION OF THE STATE OF CALIFORNIA ON THE
PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES 2003 A AND 2005 B)**

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

We have examined Rancho Santiago Community College District's compliance with Article XIII A of the Constitution of the State of California on the use of general obligation bond proceeds Election of 2002, (Series 2003 A and 2005 B) for the period from July 1, 2004 through June 30, 2005. The compliance requirements are as follows:

- The Board of Trustee's evaluated the list of specific projects to address the District's needs for safety and information technology.
- Funds were properly expended for the specific projects on the Board of Trustee's published list.
- Funds were used for financing the acquisition, construction and modernization of certain property and District facilities, and no funds were used for teacher and administrator salaries and other school operating expenses.

Management is responsible for Rancho Santiago Community College District's compliance with those requirements. Our responsibility is to express an opinion on Rancho Santiago Community College District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Rancho Santiago Community College District's compliance with those requirements and by performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Rancho Santiago Community College District's compliance with specified requirements.

In our opinion, Rancho Santiago Community College District complied, in all material respects, with Article XIII A relating to the proceeds and use of general obligation bonds for the period from July 1, 2004 through June 30, 2005.

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

Maurer Jini & Company LLP

Certified Public Accountants

Los Angeles, California
November 11, 2005