

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2007

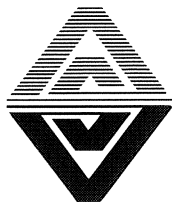
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
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For the Year Ended June 30, 2007

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Objectives.....	2
Scope of the Audit.....	2
Background Information	3
Procedures Performed.....	4
Conclusion	5
Schedule of Findings and Recommendations.....	6



INDEPENDENT AUDITORS' REPORT

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

We have examined the Rancho Santiago Community College District's compliance with the performance requirements for the Proposition 39 General Obligation Bonds for the year ended June 30, 2007, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for 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 with such requirements thereof 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 the District's compliance with those requirements and 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, the Rancho Santiago Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 9, 2007

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2007

OBJECTIVES

The objectives of our Performance Audit were to:

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

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2006 to June 30, 2007. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2007, were not reviewed or included within the scope of our audit or in this report.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2007

BACKGROUND INFORMATION

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

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

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2007

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the period of July 1, 2006 to June 30, 2007, for the Revenue Bond Construction Fund. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39 as to the bond projects. We performed the following procedures:

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

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2007

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Rancho Santiago Community College District has properly accounted for the expenditures of the funds held in the Revenue Bond Construction Fund and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the Revenue Bond Construction Fund, and expended by the District, were not expended for salaries of administrative staff or other operating expenditures.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2007**

There were no findings and recommendations related to the performance audit of the Revenue Bond Construction Fund – Measure E Bond Program for the year ended June 30, 2007.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
REVENUE BOND CONSTRUCTION FUND
FINANCIAL AUDIT**

Fiscal Year Ended June 30, 2007

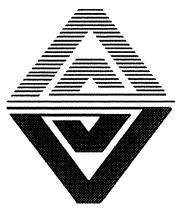
RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
REVENUE BOND CONSTRUCTION FUND
FINANCIAL AUDIT**

June 30, 2007

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Balance Sheet – Revenue Bond Construction Fund	3
Statement of Revenues, Expenditures and Change in Fund Balance – Revenue Bond Construction Fund	4
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Revenue Bond Construction Fund	5
Notes to Financial Statements.....	6-11
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	12-13
Schedule of Findings and Questioned Costs.....	14



INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Rancho Santiago Community College District, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Bond Construction Fund of the Rancho Santiago Community College District as of and for the year ended June 30, 2007. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2007 on our consideration of the Rancho Santiago Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Revenue Bond Construction Fund of the Rancho Santiago Community College District as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 9, 2007

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

BALANCE SHEET

REVENUE BOND CONSTRUCTION FUND - MEASURE E BOND PROGRAM

June 30, 2007

ASSETS

Cash in County Treasury	\$ 192,438,316
Interest Receivable	<u>838,942</u>
TOTAL ASSETS	<u>\$ 193,277,258</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ <u>4,061,352</u>
TOTAL LIABILITIES	<u>4,061,352</u>

FUND BALANCE

Designated for Special Purposes	<u>189,215,906</u>
TOTAL FUND BALANCE	<u>189,215,906</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 193,277,258</u>
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See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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

For the Fiscal Year Ended June 30, 2007

REVENUES

Interest Income \$ 9,191,040

Other Local Revenue 2,011,374

TOTAL REVENUES 11,202,414

EXPENDITURES

Other Expenses and Services 181,354

Capital Outlay 42,938,313

TOTAL EXPENDITURES 43,119,667

Deficiency of Revenues over Expenditures (31,917,253)

OTHER FINANCING SOURCES

Proceeds from Sale of Bonds 120,874,329

TOTAL OTHER FINANCING SOURCES 120,874,329

Excess of Revenues over Expenditures
and Other Financing Sources 88,957,076

Fund Balance at Beginning of Year 100,258,830

Fund Balance at End of Year \$ 189,215,906

See the accompanying notes to the financial statements.

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

BUDGET AND ACTUAL - REVENUE BOND CONSTRUCTION FUND -

MEASURE E BOND PROGRAM

For the Fiscal Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest Income	\$ 6,500,000	\$ 9,191,040	\$ 2,691,040
Other Local Revenue	<u>-</u>	<u>2,011,374</u>	<u>2,011,374</u>
TOTAL REVENUES	<u>6,500,000</u>	<u>11,202,414</u>	<u>4,702,414</u>
EXPENDITURES			
Other Expenses and Services	305,173	181,354	123,819
Capital Outlay	<u>192,130,799</u>	<u>42,938,313</u>	<u>149,192,486</u>
TOTAL EXPENDITURES	<u>192,435,972</u>	<u>43,119,667</u>	<u>149,316,305</u>
Deficiency of Revenues over Expenditures	<u>(185,935,972)</u>	<u>(31,917,253)</u>	<u>154,018,719</u>
OTHER FINANCING SOURCES			
Proceeds from Sale of Bonds	<u>120,875,133</u>	<u>120,874,329</u>	<u>(804)</u>
Excess of Revenues over Expenditures and Other Financing Sources	<u>\$ (65,060,839)</u>	88,957,076	<u>\$ 154,017,915</u>
Fund Balance at Beginning of Year		<u>100,258,830</u>	
Fund Balance at End of Year		<u>\$ 189,215,906</u>	

See the accompanying notes to the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

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

FUND STRUCTURE

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

BASIS OF ACCOUNTING

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

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

BUDGET

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

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

CAPITAL ASSETS AND LONG-TERM DEBT

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

NOTE 2 – DEPOSITS AND INVESTMENTS:

Cash in County

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Orange County Treasury as part of the common education investment pool. These pooled funds are carried at fair value. The fair market value of the Revenue Bond Construction Fund’s deposits in this pool as of June 30, 2007, as provided by the pool sponsor, was \$192,438,316. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3 – PURCHASE COMMITMENTS:

As of June 30, 2007, the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$12,241,000 to be funded from bond proceeds.

NOTE 4 – GENERAL OBLIGATION BONDS:

On November 5, 2002, the District voters authorized the issuance and sale of general obligation bonds totaling \$337,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities. On March 21, 2003, the District issued General Obligation Bonds, Election of 2002, Series 2003A of \$96,125,000 of current interest bonds. Interest ranges from 2.5% to 5.0% payable semiannually on March 1 and September 1.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

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

On September 21, 2006, the District issued the General Obligation Bonds, Election 2002, Series C of \$86,255,000 of current interest bonds and \$34,619,329 of capital appreciation bonds. Interest ranges from 3.375% to 5.0% payable semiannually March 1 and September 1.

On August 5, 2005, the District issued 2005 General Obligation Refunding Bonds of \$49,925,000 of current interest bonds and \$3,634,299 of capital appreciation bonds. Interest rates range from 3.57% to 5.25% payable semiannually on March 1 and September 1.

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

The refunding proceeds were issued to pay off a portion of the Series A general obligation bonds. The refunding proceeds were placed into an irrevocable escrow account and will be used to fund the future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements. The difference in cash flow requirements related to this refunding is a savings of cash outflow of approximating \$3,500,000. The present value of the economic gain to the District amounts to approximately \$3,077,000. The net carrying value of the bonds refunded was \$1,924,935 less than the amount paid into the escrow account. This amount has been netted against the new debt and amortized over the life of the new debt which is shorter than the life of the old debt. The amount of debt that remains outstanding at June 30, 2007 for the original Series A issuance is \$30,205,000. The amount of refunded debt to be paid from the escrow account at June 30, 2007 for Series A is \$49,170,000.

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

The outstanding bonded debt for Rancho Santiago Community College District at June 30, 2007 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2006	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2007
2003A	3/21/2003	2.5 - 5.0	2028	\$ 96,125,000	\$ 37,140,000	\$	\$ 6,935,000	\$ 30,205,000
Series B	3/10/2005	3.0 - 5.13	2029	119,999,867	119,999,867			119,999,867
Accreted Interest						782,633		782,633
Series C	9/21/2006	3.38 - 5.0	2032	120,874,329		120,874,329		120,874,329
Refunding Bond	8/5/2005	3.57 - 5.25	2024	53,559,299	53,559,299			53,559,299
Accreted Interest						145,033		145,033
				<u>\$ 390,558,495</u>	<u>\$ 210,699,166</u>	<u>\$ 121,801,995</u>	<u>\$ 6,935,000</u>	325,566,161
						Bond Premium		22,408,957
						Deferred Charge on Refunding		<u>(3,154,289)</u>
						Total Bonds Payable		<u>\$ 344,820,829</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007, are as follows:

Series A

Year Ended June 30,	Principal	Current Interest Component	Total
2008	\$ 1,500,000	\$ 1,102,763	\$ 2,602,763
2009	1,655,000	1,057,075	2,712,075
2010	1,800,000	1,009,388	2,809,388
2011	1,960,000	952,988	2,912,988
2012	2,125,000	886,400	3,011,400
2013-2017	10,445,000	3,143,988	13,588,988
2018-2022	2,500,000	1,972,500	4,472,500
2023-2027	7,120,000	728,531	7,848,531
2028	1,100,000	24,750	1,124,750
	<u>\$ 30,205,000</u>	<u>\$ 10,878,383</u>	<u>\$ 41,083,383</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007, are as follows:

Series B

Year Ended June 30,	Principal	Current Interest Component	Current Accreted Interest Component	Total
2008	\$ 1,359,156	\$ 5,418,419	\$ 45,844	\$ 6,823,419
2009	1,709,268	5,417,232	80,732	7,207,232
2010	949,324	5,360,602	55,676	6,365,602
2011	1,218,440	5,365,310	86,560	6,670,310
2012	1,503,907	5,370,161	126,093	7,000,161
2013-2017	12,462,568	26,892,309	1,687,432	41,042,309
2018-2022	21,018,805	25,480,028	3,586,195	50,085,028
2023-2027	33,743,399	21,191,938	5,086,601	60,021,938
2028-2029	46,035,000	3,981,131		50,016,131
	<u>\$ 119,999,867</u>	<u>\$ 104,477,130</u>	<u>\$ 10,755,133</u>	<u>\$ 235,232,130</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007, are as follows:

Series C

Year Ended June 30,	Principal	Current Interest Component	Accreted Interest Component	Total
2008	\$	\$ 3,896,938	\$	\$ 3,896,938
2009	2,010,000	3,851,713		5,861,713
2010		3,806,488		3,806,488
2011		3,806,488		3,806,488
2012	255,000	3,802,185		4,057,185
2013-2017	3,890,000	18,636,100		22,526,100
2018-2022	17,435,000	16,635,490		34,070,490
2023-2027	63,667,622	16,430,450	1,617,378	81,715,450
2028-2032	33,616,707	76,937,925	83,393,293	193,947,925
	<u>\$ 120,874,329</u>	<u>\$ 147,803,777</u>	<u>\$ 85,010,671</u>	<u>\$ 353,688,777</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2007, are as follows:

Refunding Bond

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Current Accreted Interest Component</u>	<u>Total</u>
2008	\$	\$ 2,552,713	\$	\$ 2,552,713
2009		2,552,713		2,552,713
2010		2,552,713		2,552,713
2011	569,282	2,552,713	110,718	3,232,713
2012	903,458	2,552,713	226,542	3,682,713
2013-2017	12,931,559	12,120,474	758,442	25,810,475
2018-2022	31,070,000	6,241,538		37,311,538
2023-2024	8,085,000	353,194		8,438,194
	<u>\$ 53,559,299</u>	<u>\$ 31,478,771</u>	<u>\$ 1,095,702</u>	<u>\$ 86,133,772</u>



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

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

We have audited the financial statements of Rancho Santiago Community College District (the District) as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's Bond Construction Fund – Measure E Bond Program financial statement that is more than inconsequential will not be prevented or detected by the District's internal control.

**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**

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Bond Construction Fund – Measure E Bond Program financial statements will not be prevented or detected by the District’s internal control.

Our consideration of internal control over Bond Construction Fund – Measure E Bond Program financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 above.

Compliance and Other Matters

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

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

Vicenti Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

November 9, 2007

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007**

There were no findings and questioned costs related to the financial audit of the Revenue Bond Construction Fund for the fiscal year ended June 30, 2007.