

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**For the Year Ended June 30, 2010**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**For the Year Ended June 30, 2010**

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## 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 conducted a performance audit of the Rancho Santiago Community College District (the "District"), Measure E General Obligation Bond funds for the year ended June 30, 2010.

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

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

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

The results of our tests indicated that, in all significant respects, Rancho Santiago Community College District expended Measure E General Obligation Bond funds for the year ended June 30, 2010 only for the specific projects developed by the District's Board of Trustees, and approved by the voters in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**For the Year Ended June 30, 2010**

**BACKGROUND INFORMATION**

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

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

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

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**For the Year Ended June 30, 2010**

**OBJECTIVES**

The objectives of our Performance Audit were to:

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

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the fiscal period of July 1, 2009 to June 30, 2010. 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, 2010, 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, 2010**

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure detail and summary reports prepared by the District for the period of July 1, 2009 to June 30, 2010, 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 and Measure E as to the approved bond projects list. 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 fiscal year ended June 30, 2010, 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, 2010**

**CONCLUSION**

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

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2010**

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



**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**STATUS OF PRIOR FINDINGS AND RESPONSES  
For the Year Ended June 30, 2010**

There were no findings related to the performance audit for the year ended June 30, 2009.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**Fiscal Year Ended June 30, 2010**

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

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

**June 30, 2010**

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## 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, 2010, and have issued our report thereon dated November 16, 2010. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Revenue Bond Construction Fund of the Rancho Santiago Community College District as of and for the year ended June 30, 2010. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2010 on our consideration of the Rancho Santiago Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITORS' REPORT

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Revenue Bond Construction Fund of the Rancho Santiago Community College District as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT**

**BALANCE SHEET**

**REVENUE BOND CONSTRUCTION FUND - MEASURE E BOND PROGRAM**

**June 30, 2010**

**ASSETS**

Cash in County Treasury	\$ 120,802,625
Interest Receivable	93,077
Due from Component Units	37,878
Prepaid Expenses	<u>857,861</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 121,791,441</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ <u>2,524,628</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,524,628</u></b>

**FUND BALANCE**

Designated for Special Purposes	<u>119,266,813</u>
<b>TOTAL FUND BALANCE</b>	<b><u>119,266,813</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 121,791,441</u></b>
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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, 2010**

**REVENUES**

Other Local Revenues	\$	181
Investment Income		<u>1,682,850</u>
<b>TOTAL REVENUES</b>		<u>1,683,031</u>

**EXPENDITURES**

Other Expenses and Services		138,720
Capital Outlay		<u>24,829,059</u>
<b>TOTAL EXPENDITURES</b>		<u>24,967,779</u>

Deficiency of Revenues over Expenditures (23,284,748)

Fund Balance at Beginning of Year 142,551,561

Fund Balance at End of Year \$ 119,266,813

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, 2010**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Other Local Revenues	\$ -	\$ 181	\$ 181
Investment Income	<u>1,682,850</u>	<u>1,682,850</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,682,850</u>	<u>1,683,031</u>	<u>181</u>
<b>EXPENDITURES</b>			
Other Expenses and Services	140,305	138,720	1,585
Capital Outlay	<u>130,363,630</u>	<u>24,829,059</u>	<u>105,534,571</u>
<b>TOTAL EXPENDITURES</b>	<u>130,503,935</u>	<u>24,967,779</u>	<u>105,536,156</u>
Deficiency of Revenues over Expenditures	<u>\$ (128,821,085)</u>	(23,284,748)	<u>\$ 105,536,337</u>
Fund Balance at Beginning of Year		<u>142,551,561</u>	
Fund Balance at End of Year		<u>\$ 119,266,813</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, 2010**

**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, 2010**

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

**CAPITAL ASSETS AND LONG-TERM DEBT**

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

**ESTIMATES**

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

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

In accordance with the Budget and Accounting Manual, the District maintains substantially all of its cash in the Orange County Treasury as part of the common education investment pool. These pooled funds are carried at fair value. The fair market value of the Revenue Bond Construction Fund’s deposits in this pool as of June 30, 2010, as provided by the pool sponsor, was \$120,777,619, which is 97.98% of historical cost. This amount is a measurement of value at a point in time, therefore the decrease was not adjusted during the closing process.

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 3 – PURCHASE COMMITMENTS:**

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for various projects totaling approximately \$6,364,000 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.

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. The difference between the present value of the economic gain and the net carrying value of the refunded bonds has been netted against the new debt and amortized over the life of the new debt which is shorter than the life of the old debt. The amount of debt that remains outstanding at June 30, 2010 for the original Series A issuance is \$25,250,000. The amount of refunded debt to be paid from the escrow account at June 30, 2010 for Series A is \$49,170,000.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – GENERAL OBLIGATION BONDS: (continued)**

The outstanding bonded debt for Rancho Santiago Community College District at June 30, 2010 is:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2010
Series A	3/21/2003	2.5 - 5.0	2028	\$ 96,125,000	\$ 27,050,000	\$	\$ 1,800,000	\$ 25,250,000
Series B	3/10/2005	3.0 - 5.13	2030	119,999,867	116,931,443		949,324	115,982,119
Accreted Interest					1,808,810	612,626	55,676	2,365,760
Series C	9/21/2006	3.38 - 5.0	2032	120,874,329	118,864,329			118,864,329
Accreted Interest					3,678,375	2,109,900		5,788,275
Refunding Bond	8/5/2005	3.57 - 5.25	2024	53,559,299	53,559,299			53,559,299
Accreted Interest					445,779	159,249		605,028
				<u>\$ 390,558,495</u>	<u>\$ 322,338,035</u>	<u>\$ 2,881,775</u>	<u>\$ 2,805,000</u>	<u>322,414,810</u>
							Bond Premium	19,179,821
							Deferred Charge on Refunding	(2,597,651)
							Total Bonds Payable	<u>\$ 338,996,980</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2010, are as follows:

**Series A**

Year Ended June 30,	Principal	Current Interest Component	Total
2011	\$ 1,960,000	\$ 952,988	\$ 2,912,988
2012	2,125,000	886,400	3,011,400
2013	2,310,000	808,788	3,118,788
2014	2,500,000	721,488	3,221,488
2015	2,710,000	625,494	3,335,494
2016-2020	5,425,000	2,233,594	7,658,594
2021-2025	5,070,000	1,263,281	6,333,281
2026-2028	3,150,000	217,123	3,367,123
	<u>\$ 25,250,000</u>	<u>\$ 7,709,156</u>	<u>\$ 32,959,156</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – GENERAL OBLIGATION BONDS: (continued)**

**Series B**

Year Ended June 30,	Principal	Current Interest Component	Accreted Interest Component	Total
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	1,796,804	5,367,858	173,196	7,337,858
2014	2,112,095	5,358,070	227,905	7,698,070
2015	2,439,758	5,344,604	290,242	8,074,604
2016-2020	17,546,404	26,349,221	2,833,596	46,729,221
2021-2025	27,305,661	24,114,722	5,339,339	56,759,722
2026-2030	62,059,050	11,010,931	1,495,952	74,565,933
	<u>\$ 115,982,119</u>	<u>\$ 88,280,877</u>	<u>\$ 10,572,883</u>	<u>\$ 214,835,879</u>

**Series C**

Year Ended June 30,	Principal	Current Interest Component	Accreted Interest Component	Total
2011	\$	\$ 3,806,488	\$	\$ 3,806,488
2012	255,000	3,802,185		4,057,185
2013	660,000	3,786,332		4,446,332
2014	700,000	3,757,282		4,457,282
2015	760,000	3,726,007		4,486,007
2016-2020	8,955,000	17,859,067		26,814,067
2021-2025	39,847,622	14,641,533	1,617,378	56,106,533
2026-2030	49,291,686	48,365,392	33,813,314	131,470,392
2031-2032	18,395,021	36,504,352	49,579,979	104,479,352
	<u>\$ 118,864,329</u>	<u>\$ 136,248,638</u>	<u>\$ 85,010,671</u>	<u>\$ 340,123,638</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 4 – GENERAL OBLIGATION BONDS: (continued)**

**Refunding Bond**

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Current Interest Component</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2011	\$ 569,282	\$ 2,552,713	\$ 110,718	\$ 3,232,713
2012	903,458	2,552,713	226,542	3,682,713
2013	921,911	2,552,713	288,089	3,762,713
2014	1,239,648	2,552,713	470,353	4,262,714
2015	2,235,000	2,496,838		4,731,838
2016-2020	26,385,000	9,211,788		35,596,788
2021-2024	21,305,000	1,901,156		23,206,156
	<u>\$ 53,559,299</u>	<u>\$ 23,820,634</u>	<u>\$ 1,095,702</u>	<u>\$ 78,475,635</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, 2010, and have issued our report thereon dated November 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of control deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's Revenue Bond Construction Fund – Measure E Bond Program financial statements will not be prevented or detected and corrected on a timely basis.

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

Our consideration of internal control over Revenue Bond Construction Fund – Measure E Bond Program financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

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

  
VICENTI, LLOYD & STUTZMAN LLP

November 16, 2010



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

**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2010**

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

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

**STATUS OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2010**

There were no findings related to the financial audit of the Revenue Bond Construction Fund for the fiscal year ended June 30, 2009.