

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS

MEASURE Q

FINANCIAL AND PERFORMANCE AUDITS

June 30, 2018

RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT

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June 30, 2018

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**FINANCIAL AUDIT OF MEASURE Q
REVENUE BOND CONSTRUCTION FUND**



CliftonLarsonAllen

CliftonLarsonAllen LLP
2210 East Route 66
Glendora, CA 91740
626-857-7300 | fax 626-857-7302
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying Measure Q Revenue Bond Construction Fund financial statements of the Rancho Santiago Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's Measure Q Revenue Bond Construction Fund 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 statements 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 opinions 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 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 the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure Q Revenue Bond Construction Fund of the District as of June 30, 2018, 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 November 20, 2018 on our consideration of the District's internal control over the Measure Q Revenue Bond Construction Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over the Measure Q Revenue Bond Construction Fund 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 internal control over the Measure Q Revenue Bond Construction Fund financial reporting and compliance.



CliftonLarsonAllen LLP
Glendora, California
November 20, 2018

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

**BALANCE SHEET
June 30, 2018**

Assets

Cash in county treasury	\$ 54,437,507
Accounts receivable	77,727
Due from other funds	537,900
Prepaid expenditures	<u>777,684</u>
Total Assets	<u>\$ 55,830,818</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 364,700
Due to other funds	<u>26,295</u>
Total Liabilities	<u>390,995</u>

Fund Balance

Restricted	<u>55,439,823</u>
Total Fund Balance	55,439,823
Total Liabilities and Fund Balance	<u>\$ 55,830,818</u>

See the accompanying notes to the financial statement.

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

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018**

Revenues	
Interest and investment income	\$ 495,778
Other income	877
Total Revenues	496,655
 Expenditures	
Other services	621,502
Capital outlay	24,461,344
Total Expenditures	25,082,846
Excess (deficiency) of revenues over expenditures	(24,586,191)
 Other Financing Sources (Uses)	
Proceeds from sale of bond	70,600,000
Total Other Financing Sources (Uses)	70,600,000
Net change in fund balance	46,013,809
Fund Balance at Beginning of Year	9,426,014
Fund Balance at End of Year	\$ 55,439,823

See the accompanying notes to the financial statement.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

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.

Financial Reporting

The audited financial statements include only the Measure Q Revenue Bond Construction Fund (Fund) of Rancho Santiago Community College District (the District). This Fund was established to account for the receipt of the proceeds of general obligation bond issuances and the expenditures of the proceeds under the General Obligation Bond Election of November 6, 2012.

Fund Structure

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Measure Q Revenue Bond Construction Fund related to the current reporting period. Fund expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do 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 Measure Q Revenue Bond Construction Fund 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 cost, which approximates fair value.

Budget

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

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

and expenditures primarily resulting from events unknown at the time of the budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object accounts.

Fund Balance Classification

The governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure Q Revenue Bond Construction Fund is therefore classified as restricted.

Capital Assets and Long-Term Debt

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure Q Revenue Bond Construction Fund are determined by its measurement focus. The Measure Q Revenue Bond Construction 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 Measure Q Revenue Bond Construction Fund are accounted for in the basic financial statements of the 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

Cash in County

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. These pooled funds are carried at amortized cost which approximates fair value.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018**

NOTE 2: DEPOSITS AND INVESTMENTS

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. Any investment losses are proportionately shared by all funds in the pool.

NOTE 3: BONDED DEBIT

On November 6, 2012, the District voters authorized the issuance and sale of general obligation bonds totaling \$198,000,000. Proceeds from the sale of the bonds will be used to finance the construction, acquisition, and modernization of certain property and District facilities. On October 14, 2014, the District issued General Obligation Bonds, Election 2012, Series 2014A of \$70,585,000 of current interest bonds. On December 28, 2017, the District issued General Obligation Bonds, Election 2012, Series B of \$70,600,000 of current interest bonds. The General Obligation Bonds are reflected in the long term debt balance on the District's financial statements.

NOTE 4: COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various claims and legal actions related to various construction projects. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's Measure Q General Obligation Bond Funds financial statements.

Purchase Commitments

As of June 30, 2018, the District was committed under various capital expenditure purchase agreements for Measure Q Revenue Bond Construction Fund projects totaling approximately \$51.8 million to be funded through future General Obligation Bond issues.



**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**

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

We have audited, 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, the Measure Q Revenue Bond Construction Fund financial statements of the Rancho Santiago Community College District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's Measure Q Revenue Bond Construction Fund financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the 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.

**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***

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 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 non-compliance 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California

November 20, 2018

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

**SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

There were no findings related to the financial audit of the Measure Q Revenue Bond Construction Fund for the year ended June 30, 2018.

In addition, there were no findings related to the financial audit of the Measure Q Revenue Bond Construction Fund for the year ended June 30, 2017.

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



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITOR'S REPORT

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

We have conducted a performance audit of the Rancho Santiago Community College District (the District) Measure Q General Obligation Bond funds for the year ended June 30, 2018.

We conducted our performance audit in accordance with *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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 14 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure Q bond funds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution. Management is responsible for the 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 the 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 internal control.

The results of our tests indicated that, in all significant respects, the District expended Measure Q General Obligation Bond funds for the fiscal year ended June 30, 2018, 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.

A handwritten signature in black ink that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP
Glendora, California
November 20, 2018

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
PERFORMANCE AUDIT OF MEASURE Q**

June 30, 2018

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.

On November 6, 2012, a general obligation bond proposition (Measure Q) of the District was approved by the voters of that District. Measure Q authorized the District to issue up to \$198,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Trustees of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' 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 Q bond authorization. The Citizens' 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 Measure Q Revenue Bond Construction Fund have been expended only for the authorized bond projects.

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure Q Revenue Bond Construction Fund.
- Determine whether expenditures charged to the Measure Q Revenue Bond Construction Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure Q in November 2012.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal period from July 1, 2017 to June 30, 2018. The sample of expenditures tested included 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, 2018, were not reviewed or included within the scope of our audit or in this report.

**RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT
PERFORMANCE AUDIT OF MEASURE Q**

June 30, 2018

PROCEDURES PERFORMED

- We identified the expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.
- We selected a judgmental sample of expenditures considering all object codes and projects for the year ended June 30, 2018. Our sample included 36 transactions totaling \$14,497,952. This represents 57.8% of total expenditures of \$25,082,846.
- We reviewed the actual invoices and supporting documentation to determine that expenditures charged to projects were:
 - Supported by invoices with evidence of proper approval and documentation of receipt of goods or services;
 - Supported by proper bid documentation, as applicable;
 - Properly expended on the authorized bond projects as listed on the voter-approved bond project list;

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure Q Revenue Bond Construction Fund and that such expenditures were made on authorized bond projects.