

Redwoods Community College District

Eureka, California

SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
INDEPENDENT AUDITORS' REPORTS

June 30, 2017



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Redwoods Community College District

General Obligation Bonds

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Measure Q Citizens' Bond Oversight Committee
Redwoods Community College District
Eureka, California

Report on the Schedule

We have audited the accompanying schedule of proceeds and use of general obligation bonds (Election of 2004, Series 2005, 2007, 2013, and Refunding Bonds) – cash basis (the Schedule) of the Redwoods Community College District (the District) for the year ended June 30, 2017, and the related notes to the schedule.

Management's Responsibility for the Schedule

The District's management is responsible for the preparation and fair presentation of the Schedule in accordance with the cash basis of accounting described in note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedule 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 Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

In our opinion, the Schedule presents fairly, in all material respects, the proceeds and use of the District's General Obligation Bonds (Election of 2004, Series 2005, 2007, 2013 and Refunding Bonds) for the year ended June 30, 2017, on the basis of accounting described in note 2.

Basis of Accounting

We draw attention to note 2 of the Schedule, which describes the basis of accounting. The Schedule was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than 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 February 6, 2018, on our consideration of the District's internal control over 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 to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Team, LLP

February 6, 2018
Redding, California

Redwoods Community College District

General Obligation Bonds

SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS (ELECTION OF 2004, SERIES 2005, 2007, 2013, AND REFUNDING BONDS) – CASH BASIS

Year Ended June 30, 2017

Beginning Balance - July 1, 2016	\$ 5,748,211
Interest received	40,203
Subtotal	5,788,414
Project expenditures:	
Science wing modernization DN science lab	1,371,395
Physical and life science buildings repurpose or demo	33,294
Physical education lab upgrades	4,223
ADA and safety upgrades	22,049
Mandatory life safety remediation	392,373
Portable	8,000
Security and fire alarm upgrades	6,902
Automotive technology lab upgrade	53,365
Technology network upgrades	79,270
Construction technology lab upgrade	37,888
Miscellaneous project expenditures	2,380
Utility infrastructure replacement	21,535
Project management	294,430
Total Project Expenditures	2,327,104
Ending Balance - June 30, 2017	\$ 3,461,310

The accompanying notes are an integral part of this schedule.

Redwoods Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

1. GENERAL INFORMATION

To strengthen local job and vocational training programs, and increase academic classes for students with two-year and four-year college goals, the voters of Humboldt County approved a \$40,320,000 General Obligation Bond (the Bonds) issue for the Redwoods Community College District (the District) on November 2, 2004, under the provisions of Article XIII A of the Constitution of the state of California and Title I, Division 1, Part 10, Chapter 1 of the *California Education Code* (commencing at Section 15100). The Bonds were issued pursuant to provisions of the Constitution of the state of California affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55% vote. The total net proceeds of \$18 million, \$15 million, and \$7.32 million, from the Bonds Series 2005, 2007, and 2013, respectively, received by the District are to be spent on construction, renovation, and land acquisition for various approved projects, or for the reduction of debt service related to this debt.

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

- I. Expand and renovate the Health Occupation Career Training Center by expanding classrooms, labs, and other facilities needed for the training of dental hygienists.
- II. Renovate and add science and technology labs used for career training, including police and fire science, and for students whose goal it is to transfer to a four-year university.
- III. Expand and renovate career training facilities in the construction trades industry.
- IV. Build, relocate, and renovate career training facilities in the fine woodworking industry.
- V. Expand and renovate career training facilities in the automotive industry.
- VI. Develop modern career training facilities in tourism and hospitality industries.
- VII. Upgrade and renovate computer labs used for career training.
- VIII. Add classrooms to allow for more students to take the classes they need to transfer to a four-year university.
- IX. Make seismic, safety, and American with Disabilities Act upgrades and improvements.
- X. Renovate and repair college buildings.
- XI. Add hi-tech infrastructure to increase the number of distance learning students.

Redwoods Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

(Continued)

2. SIGNIFICANT ACCOUNTING POLICIES

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 expenditures from bond funds are reported when paid.

Project Expenditures Expenditures are recognized when payments for approved projects are made.

3. BONDED DEBT

The information presented below is for information purposes only.

	Outstanding July 1, 2016	Accretion/ Additions	Amortization/ Reductions	Outstanding June 30, 2017
2004 G.O. Bond, Series 2013	\$ 7,555,334	\$ -	\$ 102,964	\$ 7,452,370
2014 G.O. Refunding Bonds	25,974,711	-	1,304,377	24,670,334
Total	\$ 33,530,045	\$ -	\$ 1,407,341	\$ 32,122,704

June 30, 2017

GENERAL OBLIGATION BONDS

2014 General Obligation Refunding Bonds, issued in the original amount of \$25,140,000. Final maturity on August 1, 2031. Interest rates range from 2.000% to 4.250%.

\$ 22,625,000

Unamortized issuance premium on 2014 General Obligation Refunding Bonds.

2,045,334

Total 2014 General Obligation Refunding Bonds

24,670,334

2004 General Obligation Bonds, Series 2013, issued in the original amount of \$7,320,000. Final maturity on August 1, 2030. Interest rates range from 2.000% to 5.250%.

7,150,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2013.

302,370

Total 2004 General Obligation Bonds - Series 2013

7,452,370

TOTAL GENERAL OBLIGATION BONDS

\$ 32,122,704

Redwoods Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

(Continued)

The annual debt service requirements to amortize the Series 2013 and General Obligation Refunding Bonds payable, outstanding as of June 30, 2017, are as follows:

Years Ending June 30	Principal	Interest	Total
2018	\$ 1,335,000	\$ 1,345,569	\$ 2,680,569
2019	1,435,000	1,281,419	2,716,419
2020	1,510,000	1,252,719	2,762,719
2021	1,630,000	1,179,419	2,809,419
2022	1,750,000	1,100,619	2,850,619
2023-2027	10,695,000	4,269,744	14,964,744
2028-2032	11,420,000	1,373,037	12,793,037
Total	\$ 29,775,000	\$ 11,802,526	41,577,526
Less: Current interest			(11,802,526)
Add: Unamortized issuance premium			2,347,704
Net Principal			\$ 32,122,704

4. RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

The following reconciliation is between the cash and accrual basis of accounting:

June 30, 2017	
Expenditures - cash basis	\$ 2,327,104
Change in accounts payable	(215,550)
Change in accrued payroll	(1,022)
Total Expenditures - Accrual Basis	\$ 2,110,532

5. COMMITMENTS AND CONTINGENCIES

Bond Fund Compliance

The General Obligation Bonds (Election of 2004, Series 2013 and Refunding Bonds) are subject to annual performance audits. Refer to the District's Proposition 39 and Measure Q General Obligation Bonds Performance Audit June 30, 2017.

Construction Contracts

The District has outstanding construction commitments related to these projects in the amount of \$305,367 at June 30, 2017.

OTHER REPORT SECTION

INDEPENDENT AUDITORS' 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

To the Board of Trustees and Measure Q Citizens' Bond Oversight Committee
Redwoods Community College District
Eureka, 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 schedule of proceeds and use of general obligation bonds (Election of 2004, Series 2005, 2007, 2013, and Refunding Bonds) – cash basis (the Schedule) of the Redwoods Community College District (the District) as of and for the year ended June 30, 2017, and the related notes to the Schedule, and have issued our report thereon dated February 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 opinion on the Schedule, but not for the purpose of expressing an opinion of 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 control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over 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 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.

INDEPENDENT AUDITORS' 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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is 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 Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of the testing, and not to provide an opinion of the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Jam, LLP

February 6, 2018
Redding, California