



MATSON
& ISOM

REDWOODS COMMUNITY
COLLEGE DISTRICT

Eureka, California

SCHEDULE OF PROCEEDS AND
USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2004, SERIES 2005 AND 2007) WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2012

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College District
General Obligation Bonds*

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MATSON
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying schedule of proceeds and use of general obligation bonds (Election of 2004, Series 2005 and 2007) – cash basis of the Redwoods Community College District (the District), for the year ended June 30, 2012. The Schedule is the responsibility of the District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 2, the Schedule was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of proceeds and use of general obligation bonds – cash basis referred to in the first paragraph presents fairly, in all material respects, the proceeds and use of the District's General Obligation Bonds (Election 2004, Series 2005 and 2007) for the year ended June 30, 2012, on the basis of accounting described in note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013, on our consideration of the 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 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.

Matson and Isom

January 23, 2013
Redding, California

**SCHEDULE OF PROCEEDS AND USE OF
GENERAL OBLIGATION BONDS
(ELECTION OF 2004, SERIES 2005 AND 2007)**

*Redwoods Community
College District
General Obligation Bonds*

Year Ended June 30, 2012

| | |
|---|----------------------|
| Beginning Balance - July 1, 2011 | \$ 13,338,059 |
| Interest Received | 98,928 |
| Amounts Loaned to Capital Outlay Projects Fund | (5,261,623) |
| Project expenditures: | |
| LRC: Old Library | (82,185) |
| Student Services/Admin. Building | (2,059,032) |
| Academic Building | (78,522) |
| Site improvements | (103,960) |
| Modernize Retrofit/New Construction | (7,701) |
| Student Union Building | (5,281) |
| Southern Humboldt Instructional | (441,403) |
| CRMC Science Lab | (449,478) |
| Woodshop Dust Collector | (8,000) |
| Emergency Generators | (6,500) |
| Science Wing Modernization | (42,811) |
| Technology Infrastructure Upgrade | (1,148,072) |
| Spray Booth Water Bath | (5,719) |
| Document Storage and Archiving | (72,272) |
| Firing Range Upgrade | (3,273) |
| Security and Firm Alarm Upgrades | (13,340) |
| Voice Over Internet Protocol | (9,847) |
| Furnishings and Equipment | (6,241) |
| Miscellaneous Project Expenditures | (1,697) |
| Project Management | (94,764) |
| Total Project Expenditures | (4,640,098) |
| Ending Balance - June 30, 2012 | \$ 3,535,266 |

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

To strengthen local job and vocational training programs, and increase academic classes for students with 2-year and 4-year college goals, the voters of Humboldt County approved a \$40,320,000 General Obligation Bond (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 Education Code of the State of California (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 and \$15 million, from the Bonds Series 2005 and 2007, 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 4-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 4-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

NOTES TO THE SCHEDULE

June 30, 2012

*Redwoods Community
College District
General Obligation Bonds***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.

Bond Proceeds Bond proceeds are recorded at face value with bond premiums and issuance costs shown as separate items.

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, 2011 | Accretion/ Additions | Amortization/ Reductions | Outstanding June 30, 2012 |
|-----------------------------|-------------------------------------|---------------------------------|-------------------------------------|--------------------------------------|
| 2004 G.O. Bond, Series 2005 | \$ 16,043,324 | \$ - | \$ 578,593 | \$ 15,464,731 |
| 2006 G.O. Bond, Series 2007 | 14,782,977 | - | 162,782 | 14,620,195 |
| Total | \$ 30,826,301 | \$ - | \$ 741,375 | \$ 30,084,926 |

GENERAL OBLIGATION BONDS

2004 General Obligation Bonds, Series 2005, issued in the original amount of \$18,000,000. Final maturity on August 1, 2029. Interest rates range from 3.375% to 8.000%. \$ 15,160,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2005. 304,731

Total 2004 General Obligation Bonds, Series 2005 **15,464,731**

2004 General Obligation Bonds, Series 2007, issued in the original amount of \$15,000,000. Final maturity on August 1, 2031. Interest rates range from 4.000% to 6.000%. 14,360,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2007. 260,195

Total 2004 General Obligation Bonds, Series 2007 **14,620,195**

Total General Obligation Bonds **\$ 30,084,926**

NOTES TO THE SCHEDULE

June 30, 2012

*Redwoods Community
College District
General Obligation Bonds*

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|----------------------|----------------------|----------------------|
| 2013 | \$ 740,000 | \$ 1,293,399 | \$ 2,033,399 |
| 2014 | 780,000 | 1,264,905 | 2,044,905 |
| 2015 | 1,160,000 | 1,229,611 | 2,389,611 |
| 2016 | 1,210,000 | 1,185,141 | 2,395,141 |
| 2017 | 1,255,000 | 1,138,183 | 2,393,183 |
| 2018-2022 | 7,065,000 | 4,869,736 | 11,934,736 |
| 2023-2027 | 8,785,000 | 3,112,498 | 11,897,498 |
| 2028-2032 | 8,525,000 | 901,412 | 9,426,412 |
| Total | \$ 29,520,000 | \$ 14,994,885 | 44,514,885 |
| Less: Current interest | | | (14,994,885) |
| Add: Unamortized issuance premium | | | 564,926 |
| Net Principal | | | \$ 30,084,926 |

4. RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

The following is a reconciliation between the cash and accrual basis of accounting for the year ended June 30, 2012:

| | |
|---|---------------------|
| Expenditures - cash basis | \$ 4,640,098 |
| Change in accounts payable | 837,946 |
| Change in accrued payroll | 3,574 |
| Total Expenditures - Accrual Basis | \$ 5,481,618 |
| Interest income - cash basis | \$ 98,928 |
| Change in interest receivable | 20,200 |
| Interest Income - Accrual Basis | \$ 119,128 |

5. COMMITMENTS AND CONTINGENCIES**Bond Fund Compliance**

The General Obligation Bonds (Election of 2004, Series 2005 and 2007) are subject to annual performance audits. Refer to the District's Proposition 39 and Measure Q General Obligation Bonds Performance Audit June 30, 2012.

Construction Contracts

The District has outstanding construction commitments related to these projects in the amount of \$11,209,341 at June 30, 2012.

NOTES TO THE SCHEDULE

June 30, 2012

*Redwoods Community
College District
General Obligation Bonds*

6. AMOUNTS LOANED TO CAPITAL OUTLAY PROJECTS FUND

The amounts loaned to capital outlay projects fund shown in the Schedule of Proceeds and Use of General Obligation Bonds in the amount of \$5,261,623 represents bond proceeds used to fund construction progress payments on two partially state funded construction projects on campus. These projects are funded partially by Measure Q bond proceeds, but primarily on a reimbursement basis with State of California construction bond proceeds disbursed by the State Department of Finance. During the spring and summer of 2012, the State experienced a cash flow problem resulting in the delay of reimbursement distributions. As of June 30, 2012, the District was owed a total of \$8,017,663 in reimbursements for expenditures incurred and paid by the District between March 1, 2012 and June 30, 2012.

OTHER REPORT

**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
Redwoods Community College District
Eureka, California

We have audited the schedule of proceeds and use of general obligation bonds (Election of 2004, Series 2005 and 2007) – cash basis (the Schedule) of the Redwoods Community College District (the District), as of and for the year ended June 30, 2012, and have issued our report thereon dated January 23, 2012. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Schedule, 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 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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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

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

Matson and Isom

January 23, 2012
Redding, California