



MATSON
& ISOM

REDWOODS COMMUNITY
COLLEGE DISTRICT

Eureka, California

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

June 30, 2014

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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

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, 2014.

Management's Responsibility for the Schedule

The District's management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 financial statements. The procedures selected depend on the auditors' 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 District'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 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.

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.

Opinion

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 of 2004, Series 2005, 2007, 2013 and Refunding Bonds) for the year ended June 30, 2014, on the basis of accounting described in note 2.

INDEPENDENT AUDITORS' REPORT

Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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.

Matson and Isom

December 30, 2014
Redding, California

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

*Redwoods Community
College District
General Obligation Bonds*

Year Ended June 30, 2014

Beginning Balance - July 1, 2013	\$ 1,179,245
Bond Proceeds	32,460,000
Original issue premium	2,866,950
Total Proceeds	35,326,950
Payment on refunded debt to bond escrow agent	(27,274,207)
Payment to debt service fund	(297,984)
Bond issuance costs	(621,759)
Net Proceeds	7,133,000
Interest received	44,223
Amounts repaid from Capital Outlay Projects Fund	4,561,092
Subtotal	12,917,560
Project expenditures:	
Academic building	2,079,438
Southern Humboldt Instructional	119,253
ADA and safety upgrades	13,522
Mandatory Life Safety Remediation	44,648
Firing range upgrade	20,470
NMR for AA-T Chemistry	32,250
Datatel Self Service Module	19,565
Reserve for Repurposing Vacated Buildings	44,638
Technology network upgrades	22,794
Miscellaneous project expenditures	27,624
Project management	45,642
Total Project Expenditures	2,469,844
Ending Balance - June 30, 2014	\$ 10,447,716

The accompanying notes are an integral part of this 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 \$7,320,000, 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.

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, 2013	Accretion/ Additions	Amortization/ Reductions	Outstanding June 30, 2014
2004 G.O. Bond, Series 2005	\$ 14,856,138	\$ -	\$ 14,856,138	\$ -
2004 G.O. Bond, Series 2007	14,452,687	-	14,452,687	-
2004 G.O. Bond, Series 2013	-	7,708,486	17,224	7,691,262
2014 G.O. Refunding Bonds	-	27,618,464	-	27,618,464
Total	\$ 29,308,825	\$ 35,326,950	\$ 29,326,049	\$ 35,309,726

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%. \$ 25,140,000

Unamortized issuance premium on 2014 General Obligation Refunding Bonds. 2,478,464

Total 2014 General Obligation Refunding Bonds **27,618,464**

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%. 7,320,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2013. 371,262

Total 2004 General Obligation Bonds, Series 2013 **7,691,262**

Total General Obligation Bonds **\$ 35,309,726**

NOTES TO THE SCHEDULE

June 30, 2014

*Redwoods Community
College District
General Obligation Bonds***Refunded Debt**

The 2014 General Obligation Refunding Bonds were issued to refinance the 2004 General Obligation Bonds Series 2005 and 2007. The District recognized a financial statement gain of \$1,254,618 on the refinance and it is being amortized over the life of the new debt. The issuance resulted in an economic gain of \$2,249,623.

The annual debt service requirements to amortize the Series 2013 and General Obligation Refunding Bonds bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 230,000	\$ 622,752	\$ 852,752
2016	1,215,000	1,429,919	2,644,919
2017	1,240,000	1,394,369	2,634,369
2018	1,335,000	1,345,569	2,680,569
2019	1,435,000	1,281,419	2,716,419
2020-2024	8,735,000	5,533,444	14,268,444
2025-2029	12,255,000	3,191,244	15,446,244
2030-2031	6,014,995	450,850	6,465,845
Total	\$ 32,459,995	\$ 15,249,566	47,709,561
Less: Current interest			(15,249,566)
Add: Unamortized issuance premium			2,849,731
Net Principal			\$ 35,309,726

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, 2014:

Expenditures - cash basis	\$ 2,469,844
Change in accounts payable	(40,094)
Change in accrued payroll	1,053
Total Expenditures - Accrual Basis	\$ 2,430,803
Interest income - cash basis	\$ 44,223
Change in interest receivable	20,200
Interest Income - Accrual Basis	\$ 64,423

NOTES TO THE SCHEDULE

June 30, 2014

*Redwoods Community
College District
General Obligation Bonds*

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, 2014.

Construction Contracts

The District has outstanding construction commitments related to these projects in the amount of \$348,548 at June 30, 2014.

6. AMOUNTS REPAYED FROM CAPITAL OUTLAY PROJECTS FUND

In the prior years, Measure Q bond funds were used to pay expenses on projects that were to be partially funded by State of California construction bond proceeds. Those funds totaling \$4,561,092 were returned to the Measure Q Bond Fund on July 1, 2013.

OTHER REPORT SECTION



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**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, 2014, and the related notes to the Schedule, and have issued our report thereon dated December 30, 2014.

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 financial statements, 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 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.

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.

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

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.

Matson and Isom

December 30, 2014
Redding, California