

**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, 2011

TABLE OF CONTENTS

June 30, 2011

*Redwoods Community
College District
General Obligation Bonds*

	Page Number
Independent Auditors' Report	1
Schedule of Proceeds and Use of General Obligation Bonds (Election of 2004, Series 2005 and 2007)	3
Notes to the Schedule	5
 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 <i>Government Auditing Standards</i>	7



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico
3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding
1726 Court Street
P.O. Box 990700
Redding, CA 96099-0700
Phone (530) 241-2515
Fax (530) 241-1106

Colusa
108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City
1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

Formerly



Nystrom & Company^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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, 2011. 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, 2011, on the basis of accounting described in note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011, 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

December 27, 2011

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

*Redwoods Community
College District
General Obligation Bonds*

For the Year Ended June 30, 2011

Beginning Balance - July 1, 2010	\$ 14,176,608
Interest Received	141,922
Project expenditures:	
LRC: Old Library	(30,958)
Student Services/Admin. Building	(460,961)
Academic Building	(120,689)
Site improvements	(31,309)
Modernize Retrofit/New Construction	(40,274)
Southern Humboldt Instructional	(126,593)
Jefferson School Feasibility	(36,085)
CRMC Science Lab	(22,856)
Emergency Generators	(9,309)
Portable Lease Purchase	(16,000)
Science Wing Modernization	(4,548)
Technology Infrastructure Upgrade	(79,646)
Spray Booth Water Bath	(1,243)
Total Project Expenditures	(980,471)
Ending Balance - June 30, 2011	\$ 13,338,059

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, 2011

*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.

	<u>Outstanding July 1, 2010</u>	<u>Accretion/ Additions</u>	<u>Amortization/ Reductions</u>	<u>Outstanding June 30, 2011</u>
2004 G.O. Bond, Series 2005	\$ 16,596,917	\$ -	\$ 553,593	\$ 16,043,324
2006 G.O. Bond, Series 2007	14,935,485	-	152,508	14,782,977
Total	\$ 31,532,402	\$ -	\$ 706,101	\$ 30,826,301

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%. \$ 15,715,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2005. 328,324

Total 2004 General Obligation Bonds, Series 2005 16,043,324

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%. 14,510,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2007. 272,977

Total 2004 General Obligation Bonds, Series 2007 14,782,977

Total General Obligation Bonds \$ 30,826,301

NOTES TO THE SCHEDULE

June 30, 2011

*Redwoods Community
College District
General Obligation Bonds*

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 705,000	\$ 1,333,399	\$ 2,038,399
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
2017-2021	6,790,000	5,156,282	11,946,282
2022-2026	8,395,000	3,509,284	11,904,284
2027-2031	9,310,000	1,327,888	10,637,888
2032	1,135,000	28,381	1,163,381
Total	<u>\$ 30,225,000</u>	<u>\$ 16,328,290</u>	46,553,290
Less: Current interest			(16,328,290)
Add: Unamortized issuance premium			601,301
Net Principal			<u>\$ 30,826,301</u>

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, 2011:

Expenditures - cash basis	\$ 980,471
Change in accounts payable	120,290
Total Expenditures - Accrual Basis	<u>\$ 1,100,761</u>
Interest income - cash basis	\$ 141,922
Change in interest receivable	(50,000)
Interest Income - Accrual Basis	<u>\$ 91,922</u>

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, 2001.

Construction Contacts

The District has outstanding construction commitments related to these projects in the amount of \$8,218,265 at June 30, 2011.

OTHER REPORT



matson and isom

Founded in 1962 by
Robert M. Matson and
W. Howard Isom

Chico
3013 Ceres Avenue
Chico, CA 95973
Phone (530) 891-6474
Fax (530) 893-6689

Redding
1726 Court Street
P.O. Box 990700
Redding, CA 96099-0700
Phone (530) 241-2515
Fax (530) 241-1106

Colusa
108 Seventh Street
Colusa, CA 95932
Phone (530) 458-8236
Fax (530) 458-2938

Yuba City
1190 Civic Center Blvd.
Yuba City, CA 95993
Phone (530) 671-1550
Fax (530) 671-3517

www.matson-isom.com

Formerly



Nystrom & Company^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS

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, 2011, and have issued our report thereon dated December 27, 2011. 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.

**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 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*.

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

December 27, 2011