

**REDWOODS COMMUNITY COLLEGE DISTRICT  
MEASURE Q BOND FUND  
GENERAL OBLIGATION BONDS**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**



**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
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June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure Q bond building fund of Redwoods Community College District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Measure Q bond building fund's basic 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 an opinion 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 from 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 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.

## **Auditor's Responsibility (continued)**

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 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure Q bond building fund's general obligation bonds as issued by the District, through the County of Humboldt, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure Q bond building fund of Redwoods Community College District as of June 30, 2019 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the Measure Q bond building fund'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 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 Measure Q bond building fund's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated November 25, 2019 on our consideration of the Measure Q bond building fund's compliance with the requirements of Proposition 39. That report is an integral part of our audit of the Measure Q bond building fund for the fiscal year ended June 30, 2019 should be considered in assessing the results of our financial audit.

*CWDL, Certified Public Accountants*

San Diego, California  
November 25, 2019

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## **FINANCIAL SECTION**

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**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Balance Sheet  
June 30, 2019**

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**ASSETS**

Cash in county treasury \$ 855,203

**Total Assets** 855,203

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable 6,238

**Total Liabilities** 6,238

**Fund Balance**

Restricted for capital projects 848,965

**Total Liabilities and Fund Balance** \$ 855,203

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Fiscal Year Ended June 30, 2019**

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<b>REVENUES</b>	
Interest income	<u>\$        40,656</u>
<b>Total Revenues</b>	<u>40,656</u>
<b>EXPENDITURES</b>	
Capital outlay	<u>850,559</u>
<b>Total Expenditures</b>	<u>850,559</u>
<b>Net Change in Fund Balance</b>	(809,903)
<b>Restricted Fund Balance, July 1, 2018</b>	<u>1,658,868</u>
<b>Restricted Fund Balance, June 30, 2019</b>	<u>\$        848,965</u>

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 1 – BACKGROUND 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 net proceeds of the Bonds, and any other series of general obligation bonds issued under the 2004 Authorization, will be used for the purposes specified in the District bond proposition submitted at the election, which includes:

- 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 Americans 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.



**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

*Financial Reporting Entity*

The accompanying financial statements are used to account for the transactions of the Measure Q Bond Fund as defined in Note 1 and are not intended to present fairly the financial position and results of operations of Redwoods Community College District in conformity with accounting principles generally accepted in the United States of America.

*Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The Measure Q Bond Fund of the District is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial sources.

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*Budgets and Budgetary Accounting*

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. The Board of Trustees revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

*Encumbrances*

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash in County Treasury*

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the Humboldt County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county is authorized to deposit cash and invest excess funds by California Government Code §53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Humboldt County Treasury was not available.

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

*Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

*Fund Balance Reserves and Designations*

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts has been restricted, committed or assigned.

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

*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 Bond Fund are determined by its measurement focus. The Measure Q Bond 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 balances is considered a measure of "available spendable resources." Thus, the capital assets and long-term liabilities associated with the Measure Q Bond Fund are accounted for in the basic financial statements of the Redwoods Community College District.

*Deferred Inflows and Deferred Outflows of Resources*

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement number 63 and 65. At June 30, 2019 the District's Measure Q Bond Fund did not have any deferred inflows or deferred outflows of resources

**NOTE 3 – CASH AND INVESTMENTS**

*Cash in County Treasury*

The District maintains significantly all of its cash in the Humboldt County Treasury as part of the common investment pool. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 3 – CASH AND INVESTMENTS, continued**

*Cash in County Treasury, continued*

The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The county is restricted by Government Code §53635 pursuant to §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.

*Investments*

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State: U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposits placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

*a. Credit Risk*

Credit risk is the risk that an issuer of their counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banks' acceptances, commercial paper, negotiable certificates of deposit, and repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's Measure Q Bond Fund was not exposed to credit risk. The Humboldt County Investment Pool is unrated.

*b. Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. At year end, the District's Measure Q Bond Fund was not exposed to custodial credit risk

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 3 – CASH AND INVESTMENTS, continued**

*c. Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District's Measure Q Bond Fund was not exposed to concentration of credit risk.

*d. Interest Rate Risk*

This is the risk that changes in interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposures to interest rate risk by investing in the county pool.

*e. Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Measure Q Bond Fund was not exposed to foreign currency risk.

*f. Investment Accounting Policy*

The District is required by GASB statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure; however, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 4 - GENERAL OBLIGATION BONDS**

As of June 30, 2019, the principal balance outstanding on the District's Measure Q bonded debt, not including accreted interest, was \$27,005,000.

Series	Date of Issuance	Yield Rate	Maturity Date	Original Issue	Balance July 1, 2018	Additions	Redeemed	Balance June 30, 2019	Due Within One Year
2004 GO Bonds - Series 2013	10/16/2013	0.75-4.40%	8/1/2030	\$ 7,320,000	\$ 7,020,000	\$ -	\$ 170,000	\$ 6,850,000	\$ 220,000
2014 Refunding Bonds	4/2/2014	0.25-4.29%	8/1/2031	25,140,000	21,420,000	-	1,265,000	20,155,000	1,290,000
				<u>\$ 32,460,000</u>	<u>\$ 28,440,000</u>	<u>\$ -</u>	<u>\$ 1,435,000</u>	<u>\$ 27,005,000</u>	<u>\$ 1,510,000</u>

**2004 GO Bonds - Series 2013**

On October 16, 2013, Series 2013 general obligation bonds were issued, which consisted of current interest bonds and term bonds with an initial par amount of \$7,320,000 with stated yield rates of 0.75% to 4.40% and maturing through August 1, 2030.

The annual requirements to amortize all Measure Q Series 2013 general obligation bonds payable outstanding as of June 30, 2019, are as follows:

**2004 GO Bonds - Series 2013**

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Fiscal Year	Principal	Interest	Total
2020	\$ 220,000	\$ 306,288	\$ 526,288
2021	270,000	296,488	566,488
2022	330,000	284,488	614,488
2023	380,000	270,288	650,288
2024	445,000	256,013	701,013
2025-2029	3,310,000	(887,663)	2,422,337
2030-2032	1,895,000	101,719	1,996,719
Total	<u>\$ 6,850,000</u>	<u>\$ 627,621</u>	<u>\$ 7,477,621</u>

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Notes to Financial Statements  
June 30, 2019**

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**NOTE 4 - GENERAL OBLIGATION BONDS, continued**

**Series 2014A General Obligation Bonds**

On April 2, 2014, 2014 general obligation refunding bonds were issued, which consisted of current interest bonds with an initial par amount of \$25,140,000 with stated yield rates of 0.25% to 4.29% and maturing through August 1, 2031.

The annual requirements to amortize all Measure Q 2014 general obligation refunding bonds payable outstanding as of June 30, 2019, are as follows:

**2014 Refunding Bonds**

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Fiscal Year	Principal	Interest	Total
2020	\$ 1,290,000	\$ 909,781	\$ 2,199,781
2021	1,360,000	843,531	2,203,531
2022	1,420,000	788,231	2,208,231
2023	1,475,000	730,056	2,205,056
2024	1,545,000	654,556	2,199,556
2025-2029	8,945,000	2,005,031	10,950,031
2030-2032	4,120,000	215,047	4,335,047
Total	<u>\$ 20,155,000</u>	<u>\$ 6,146,233</u>	<u>\$ 26,301,233</u>

**NOTE 6 - COMMITMENTS & CONTINGENCIES**

The District has outstanding construction commitments related to these projects in the amount of \$148,836 at June 30, 2019.



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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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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**

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

We have audited, in accordance with the 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 financial statements of the Measure Q bond building fund, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Measure Q bond building fund's basic financial statements, and have issued our report thereon dated November 25, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Measure Q bond building fund'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 Measure Q bond building fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure Q bond building fund'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 entity'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 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Measure Q bond building fund'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 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 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.

*CWDL, Certified Public Accountants*

San Diego, California  
November 25, 2019



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

We were engaged to conduct a performance audit of the Redwoods Community College District (the District) Building Fund (Measure Q) for the year ended June 30, 2019.

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Building Fund (Measure Q) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*CWDL, Certified Public Accountants*

San Diego, California  
November 25, 2019

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# **BACKGROUND**

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**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Background Information  
June 30, 2019**

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**LEGISLATIVE HISTORY**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts or county offices of education "for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities", upon approval by 55% of the electorate.

Education Code Section 15278 provides additional accountability measures:

1. A requirement that the school district establish and appoint members to an independent citizens' oversight committee.
2. A requirement that the school district expend bond funds only for the purposes described in Section 1(b)(3) of Article XIII A of the California Constitution, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.
3. A requirement to conduct an annual independent performance audit required by Section 1(b)(3)C of Article XIII A of the California Constitution.
4. A requirement to conduct an annual independent financial audit required by Section 1(b)(3)D of Article XIII A of the California Constitution.

**REDWOODS COMMUNITY COLLEGE DISTRICT MEASURE Q GENERAL OBLIGATION BONDS**

The Measure Q General Obligation Bonds (the Bonds) were issued pursuant to the Constitution and Laws of the State of California (the State), including the provisions of Chapters 1 and 1.5, of Part 10, of the *California Education Code*, and other applicable provisions of law. The Bonds were authorized to be issued by a resolution adopted by the Board of Trustees of the District (the Resolution) on November 2, 2004.

The District received authorization at an election held on November 2, 2004, to issue bonds of the District in an aggregate principal amount, not to exceed \$40,300,000, to finance specific construction and renovation projects approved by eligible voters within the District. The proposition received approval by at least 55% of the votes cast by eligible voters within the District (the 2004 Authorization). The Bonds represent the first, second, and third series of the authorized bonds to be issued under the 2004 Authorization.

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Background Information  
June 30, 2019**

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**Objectives of the Audit**

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure Q.
2. Determine whether salary transactions charged to the Building Fund were in support of Measure Q and not for District general administration or operations.

**Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2018 to June 30, 2019. The population of expenditures tested included all 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 proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2019, were not reviewed or included within the scope of our audit or in this report.

**Procedures Performed**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019 for the Building Fund (Measure Q). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure Q as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2018 and ending June 30, 2019, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$459,690. This represents 54 percent of the total expenditures of \$850,559.
3. Based on our testing, we verified that funds from the Building Fund (Measure Q) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

**Conclusion**

The results of our tests indicated that, in all significant respects, the Redwoods Community College District has properly accounted for the expenditures held in the Building Fund (Measure Q) and that such expenditures were made for authorized Bond projects.

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## **FINDINGS AND RESPONSES SECTION**

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**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2019**

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This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

***There were no financial statement findings or questioned costs identified during 2018-19.***

**MEASURE Q BOND BUILDING FUND  
REDWOODS COMMUNITY COLLEGE DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2019**

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*There were no financial statement findings or questioned costs identified during 2017-18.*