

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2006, SERIES A)
WITH INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mendocino-Lake Community
College District
Ukiah, California

We have audited the accompanying schedule of proceeds and use of general obligation bonds (Election of 2006, Series A) of the Mendocino-Lake Community College District (District) for the period from July 1, 2008 through June 30, 2009. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of proceeds and use of general obligation bonds is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of proceeds and use of general obligation bonds. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of proceeds and use of general obligation bonds. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the schedule of proceeds and use of general obligation bonds 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 referred to in the first paragraph presents fairly, in all material respects, the proceeds and use of the District's General Obligation Bonds (Election 2006, Series A) for the period from July 1, 2008 through June 30, 2009, on the basis of accounting described in Note 2.

Nystrom & Company LLP

November 25, 2009

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2006, SERIES A)
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

Beginning balance, unspent bond proceeds, as of July 1, 2008	\$ 26,505,890
Interest received	<u>527,258</u>
Project Expenditures:	
Disabled access improvements	26,964
Flooring replacement	105,607
HVAC upgrades and additions	79,198
Other campus infrastructure	117,130
Renovation for instructional and student service expansion	109,163
Replace equipment - theater, recording studio, physical education	347,290
Solar technology - energy generation	690,803
Technology upgrades in classrooms	118,176
Athletic field improvements and renovation	35,172
Library - Learning Resource Center	1,067,232
Student Center Cafeteria	2,263
Maintenance - warehouse	283,663
Modernize vocational program facilities and equipment	26,538
Enterprise resource planning and network upgrade	1,231,466
Lake County Center	146,943
Willits - Northern Mendocino County Center	43,111
Bond project management	272,873
Media - Computer Graphics Lab	93,977
Point Arena Field Station	4,500
Campus lighting	<u>-</u>
Total project expenditures	<u>4,802,069</u>
Ending balance, unspent bond proceeds, as of June 30, 2009	<u><u>\$ 22,231,079</u></u>

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

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF PROCEEDS
AND USE OF GENERAL OBLIGATION BONDS
(ELECTION 2006, SERIES A)
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

NOTE 1 GENERAL INFORMATION

To finance the improvement and expansion of academic facilities, the upgrading of computers and technology, and the acquisition and improvement of real property for the Mendocino-Lake Community College District, the voters of Mendocino and Lake counties approved a \$67.5 million General Obligation Bond (Bonds) issue for the Mendocino-Lake Community College District (District) on November 7, 2006 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 proceeds of \$30 million from the Bonds Series A issuance received by the District (net of \$1.57 million of premium in excess of bond issuance costs which was transferred to a debt service fund of the District for the reduction of future debt service related to this debt) are to be spent on construction, renovation, equipment and land acquisition for various approved projects.

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

- Disabled access improvements
- Flooring replacement
- HVAC upgrades and additions
- Other campus infrastructure
- Renovation for instructional and student service expansion
- Replace equipment - theater, recording studio, physical education
- Solar technology - energy generation
- Technology upgrades in classrooms
- Re-roof Agriculture Headhouse
- Re-roof Center for Visual and Performing Arts
- Re-roof Child Care Center
- Re-roof Physical Education building
- Re-roof Vocational - Technology building
- Athletic field improvements and renovation
- Library - Learning Resource Center
- Student Center Cafeteria (renovate current library building)
- Maintenance - warehouse
- Modernize vocational program facilities and equipment

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MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF PROCEEDS
AND USE OF GENERAL OBLIGATION BONDS
(ELECTION 2006, SERIES A)
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

NOTE 1 GENERAL INFORMATION
(Continued)

Enterprise resource planning and network upgrade
Lake County Center
Willits - Northern Mendocino County Center
Bond project management
Re-roof Court Center buildings
Distance education technology
Allied Health - Nursing Facility
Media - Computer Graphics Lab
Point Arena Field Station
Soccer field
Campus lighting
Scheduled maintenance funds for new buildings
Parking lot expansion and upgrades

NOTE 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.

(Continued on following page)

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
 NOTES TO THE SCHEDULE OF PROCEEDS
 AND USE OF GENERAL OBLIGATION BONDS
 (ELECTION 2006, SERIES A)
 FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

NOTE 3 BONDED DEBT

On March 29, 2007, \$30,000,000 of the general obligation bonds (Series A) were sold as follows:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2008</u>	<u>Issued Current Period</u>	<u>Redeemed Current Period</u>	<u>Outstanding June 30, 2009</u>
March 29, 2007	4.0 - 5.0%	August 1, 2031	\$30,000,000	\$ 29,215,000	\$ -	\$ 165,000	\$ 29,050,000

The annual debt service requirements to amortize the Series A bonds payable, outstanding as of June 30, 2009, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 700,000	\$ 1,422,250	\$ 2,122,250
2011	815,000	1,390,750	2,205,750
2012	145,000	1,358,150	1,503,150
2013	210,000	1,352,350	1,562,350
2014	280,000	1,343,950	1,623,950
2015 – 2019	2,680,000	6,478,100	9,158,100
2020 – 2024	5,790,000	5,530,500	11,320,500
2025 – 2029	9,820,000	3,724,750	13,544,750
2030 – 2032	<u>8,610,000</u>	<u>887,250</u>	<u>9,497,250</u>
Total	\$ <u>29,050,000</u>	\$ <u>23,488,050</u>	\$ <u>52,538,050</u>

NOTE 4 RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

The following is a reconciliation of project expenditures between the cash and accrual basis of accounting for the period from July 1, 2008 through June 30, 2009 and includes cumulative totals to date:

(Continued on following page)

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF PROCEEDS
AND USE OF GENERAL OBLIGATION BONDS
(ELECTION 2006, SERIES A)
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

Project Name	08/09	07/08	07/08	08/09	08/09	08/09	Prior Years	Cumulative
	Cash Basis Expenditures	07/08 Payables	07/08 Receivables	08/09 Payables	08/09 Receivables	Accrual Basis Expenditures	Accrual Basis Expenditures	Accrual Basis Expenditures at June 30, 2009
Disabled access improvements	\$ 26,964	\$ -	\$ -	\$ -	\$ -	\$ 26,964	\$ 979	\$ 27,943
Flooring replacement	105,607	-	-	-	-	105,607	68,090	173,697
HVAC upgrades and additions	79,198	-	-	-	-	79,198	239,344	318,542
Other Campus Infrastructure	117,130	-	-	72,282	-	189,412	-	189,412
Renovation for instructional and student service expansion	109,163	(3,561)	-	-	-	105,602	321,791	427,393
Replace equipment - theater, recording studio, P.E.	347,290	-	-	-	(4,870)	342,420	47,302	389,722
Solar technology - energy generation	690,803	(3,187)	-	-	-	687,616	26,062	713,678
Technology upgrades in classrooms	118,176	(15,177)	-	-	-	102,999	161,050	264,049
Re-roof Agriculture Headhouse	-	-	-	-	-	-	59,441	59,441
Re-roof Center for Visual and Performing Arts	-	-	-	-	-	-	333,010	333,010
Re-roof Child Care Center	-	-	-	-	-	-	45,624	45,624
Re-roof Physical Education building	-	-	-	-	-	-	454,327	454,327
Re-roof Voc/Tech Building	-	-	-	-	-	-	199,607	199,607
Athletic field improvements and renovation	35,172	-	-	-	-	35,172	1,200	36,372
Library - Learning Resource Center	1,067,232	(3,055)	-	132,592	-	1,196,769	506,218	1,702,987
Student Center Cafeteria (renovate current Library Bldg.)	2,263	(1,508)	-	-	-	755	1,508	2,263
Maintenance - Warehouse	283,663	-	-	5,044	-	288,707	73,986	362,693
Modernize vocational program facilities and equipment	26,538	-	-	-	-	26,538	1,000	27,538
Enterprise resource planning and network upgrade	1,231,466	(51,369)	89	40,308	-	1,220,494	2,375,308	3,595,802
Lake County Center	146,943	(19,804)	-	5,957	-	133,096	64,892	197,988
Willits - Northern Mendocino County Center	43,111	-	-	9,682	-	52,793	2,288	55,081
Bond project management	272,873	(13,942)	-	38,115	-	297,046	306,760	603,806
Re-roof Court Center Buildings	-	-	-	-	-	-	75,036	75,036
Distance Education Technology	-	-	-	-	-	-	-	-
Allied Health - Nursing Facility	-	-	-	-	-	-	-	-
Media - Computer Graphics Lab	93,977	-	-	-	-	93,977	-	93,977
Point Arena Field Station	4,500	-	-	1,993	-	6,493	-	6,493
Soccer Field	-	-	-	-	-	-	-	-
Campus Lighting	-	-	-	1,250	-	1,250	-	1,250
Scheduled Maintenance Funds for New Buildings	-	-	-	-	-	-	-	-
Parking Lot Expansion and Upgrades	-	-	-	-	-	-	-	-
Program Total	\$ 4,802,069	\$ (111,603)	\$ 89	\$ 307,223	\$ (4,870)	\$ 4,992,908	\$ 5,364,823	\$ 10,357,731

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF PROCEEDS
AND USE OF GENERAL OBLIGATION BONDS
(ELECTION 2006, SERIES A)
FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009

NOTE 5 COMMITMENTS AND CONTINGENCIES

Bond Fund Compliance – The General Obligation Bonds (Election of 2006, Series A) are subject to financial and compliance audits annually. Refer to the Independent Auditors' Report on Compliance with Article XIII A of the Constitution of the State of California on the Proceeds and Use of General Obligation Bonds, which is included in this report.

Construction Contracts – The District has outstanding construction commitments related to these bond funds of \$1,359,458 at June 30, 2009.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
ARTICLE XIII A OF THE CONSTITUTION OF THE STATE
OF CALIFORNIA ON THE PROCEEDS AND USE OF GENERAL
OBLIGATION BONDS (ELECTION OF 2006, SERIES A)

Board of Trustees
Mendocino-Lake Community
College District
Ukiah, California

We have examined the Mendocino-Lake Community College District's compliance with Article XIII A of the Constitution of the State of California on the proceeds and use of general obligation bonds (Election of 2006, Series A) for the period from July 1, 2008 through June 30, 2009. The compliance requirements are as follows:

The Board of Trustees evaluated the list of specific projects to address the District's needs for safety and information technology.

Funds were properly expended for the specific projects on the Board of Trustee's published list.

Funds were used for financing the acquisition, construction and modernization of certain property and District facilities, and no funds were used for teacher and administrator salaries and other school operating expenses.

Management is responsible for Mendocino-Lake Community College District's compliance with those requirements. Our responsibility is to express an opinion on Mendocino-Lake Community College District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Mendocino-Lake Community College District's compliance with those requirements and by performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Mendocino-Lake Community College District's compliance with specified requirements.

In our opinion, Mendocino-Lake Community College District complied, in all material respects, with the aforementioned requirements for the period from July 1, 2008 through June 30, 2009.

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

Nystrom & Company LLP

November 25, 2009