

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, 2009 THROUGH JUNE 30, 2010

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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, 2009 through June 30, 2010. 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, 2009 through June 30, 2010, on the basis of accounting described in Note 2.

*Nystrom & Company LLP*

November 30, 2010

MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS  
(ELECTION OF 2006, SERIES A)  
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010

Beginning balance, unspent bond proceeds, as of July 1, 2009	\$ 22,231,079
Interest received	<u>74,819</u>
Project Expenditures:	
Disabled access improvements	89,700
Flooring replacement	37,128
Other campus infrastructure	205,689
Replace equipment - theater, recording studio, physical education	82,835
Solar technology - energy generation	713,520
Athletic field improvements and renovation	1,236
Library - Learning Resource Center	1,029,415
Student Center Cafeteria	51,549
Maintenance - warehouse	2,622,579
Modernize vocational program facilities and equipment	45,642
Enterprise resource planning and network upgrade	540,429
Lake County Center	1,097,511
Willits - Northern Mendocino County Center	31,876
Bond project management	367,896
Point Arena Field Station	37,912
Energy Projects	<u>239,256</u>
Total project expenditures	<u>7,194,173</u>
Ending balance, unspent bond proceeds, as of June 30, 2010	<u><u>\$ 15,111,725</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, 2009 THROUGH JUNE 30, 2010

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
- Athletic field improvements and renovation
- 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
- 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, 2009 THROUGH JUNE 30, 2010

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  
Energy Projects  
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  
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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, 2009</u>	<u>Issued Current Period</u>	<u>Redeemed Current Period</u>	<u>Outstanding June 30, 2010</u>
March 29, 2007	4.0 - 5.0%	August 1, 2031	\$30,000,000	\$ 29,050,000	\$ -	\$ 700,000	\$ 28,350,000

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>
2011	\$ 815,000	\$ 1,374,450	\$ 2,189,450
2012	145,000	1,355,250	1,500,250
2013	210,000	1,348,150	1,558,150
2014	280,000	1,338,350	1,618,350
2015	360,000	1,325,550	1,685,550
2016 – 2020	3,320,000	6,277,675	9,597,675
2021 – 2025	6,370,000	5,081,750	11,451,750
2026 – 2030	10,850,000	2,962,500	13,812,500
2031 – 2032	<u>6,000,000</u>	<u>306,750</u>	<u>6,306,750</u>
Total	\$ <u>28,350,000</u>	\$ <u>21,370,425</u>	\$ <u>49,720,425</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, 2009 through June 30, 2010 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, 2009 THROUGH JUNE 30, 2010

Project Name	09/10		08/09		09/10		09/10		09/10		Cumulative	
	Cash Basis Expenditures	08/09 Payables	08/09 Receivables	09/10 Payables	09/10 Receivables	09/10 Expenditures	09/10 Receivables	09/10 Expenditures	Prior Years Accrual Basis Expenditures	Prior Years Accrual Basis Expenditures	Accrual Basis Expenditures at June 30, 2010	
Disabled access improvements	\$ 89,700	\$ -	\$ -	\$ -	\$ -	\$ 89,700	\$ -	\$ 27,943	\$ -	\$ 117,643		
Flooring replacement	37,128	-	-	7,079	-	44,207	-	173,697	-	217,904		
HVAC upgrades and additions	-	-	-	-	-	-	-	318,542	-	318,542		
Other campus infrastructure	205,689	(72,282)	-	-	-	133,407	-	189,412	-	322,819		
Renovation for instructional and student service expansion	-	-	-	-	-	-	-	427,393	-	427,393		
Replace equipment - theater, recording studio, P.E.	82,835	-	4,870	-	-	87,705	-	389,722	-	477,427		
Solar technology - energy generation	713,520	-	-	-	-	713,520	-	713,678	-	1,427,198		
Technology upgrades in classrooms	-	-	-	-	-	-	-	264,049	-	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	1,236	-	-	29,587	-	30,823	-	36,372	-	67,195		
Library - Learning Resource Center	1,029,415	(132,592)	-	518,864	-	1,415,687	-	1,702,987	-	3,118,674		
Student Center Cafeteria (renovate current Library Bldg.)	51,549	-	-	47,918	-	99,467	-	2,263	-	101,730		
Maintenance - Warehouse	2,622,579	(5,044)	-	465,895	-	3,083,430	-	362,693	-	3,446,123		
Modernize vocational program facilities and equipment	45,642	-	-	-	-	45,642	-	27,538	-	73,180		
Enterprise resource planning and network upgrade	540,429	(40,308)	-	24,194	-	524,315	-	3,595,802	-	4,120,117		
Lake County Center	1,097,511	(5,957)	-	16,680	-	1,108,234	-	197,988	-	1,306,222		
Willits - Northern Mendocino County Center	31,876	(9,682)	-	-	-	22,194	-	55,081	-	77,275		
Bond project management	367,896	(38,115)	-	2,958	-	332,739	-	603,806	-	936,545		
Re-roof Court Center buildings	-	-	-	-	-	-	-	75,036	-	75,036		
Distance Education Technology	-	-	-	-	-	-	-	-	-	-		
Allied Health - Nursing Facility	-	-	-	-	-	-	-	-	-	-		
Media - Computer Graphics Lab	-	-	-	-	-	-	-	-	-	-		
Point Arena Field Station	37,912	(1,993)	-	-	-	35,919	-	93,977	-	93,977		
Soccer Field	-	-	-	-	-	-	-	6,493	-	42,412		
Energy projects	239,256	(1,250)	-	1,641	-	239,647	-	1,250	-	240,897		
Scheduled Maintenance Funds for New Buildings	-	-	-	-	-	-	-	-	-	-		
Parking lot expansion and upgrades	-	-	-	-	-	-	-	-	-	-		
Program Total	\$ 7,194,173	\$ (307,223)	\$ 4,870	\$ 1,114,816	\$ -	\$ 8,006,636	\$ -	\$ 10,357,731	\$ -	\$ 18,364,367		

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, 2009 THROUGH JUNE 30, 2010

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 \$17,516,890 at June 30, 2010.

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, 2009 through June 30, 2010. 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, 2009 through June 30, 2010.

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 30, 2010