



MATSON
& ISOM

MENDOCINO-LAKE
COMMUNITY COLLEGE DISTRICT

Ukiah, California

SCHEDULE OF PROCEEDS AND
USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2006, SERIES A AND B) WITH
INDEPENDENT AUDITORS' REPORT

June 30, 2012

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Community College District
General Obligation Bonds*

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MATSON
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INDEPENDENT AUDITORS' REPORT

To the 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 and B) – cash basis (the Schedule) of the Mendocino-Lake Community College District (the District) for the year ended June 30, 2012. 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 2006, Series A and B) for the year ended June 30, 2012, on the basis of accounting described in note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, 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

November 30, 2012
Redding, California

**SCHEDULE OF PROCEEDS AND USE OF
GENERAL OBLIGATION BONDS
(ELECTION OF 2006, SERIES A AND B) –
CASH BASIS**

*Mendocino-Lake
Community College District
General Obligation Bonds*

Beginning Balance - Unspent Bond Proceeds as of July 1, 2011	\$ 2,052,815
Bond proceeds	37,499,792
Original issue premium	1,370,451
Total Proceeds	38,870,243
Bond issuance costs	1,370,451
Net Proceeds	37,499,792
Interest received	145,889
Subtotal	37,645,681
Project expenditures:	
Other campus infrastructure	359,197
Library - Learning Resource Center	11,485,988
Student Center cafeteria	36,207
Maintenance - warehouse	116,476
Modernize vocational program facilities and equipment	132,124
Enterprise resource planning and network upgrade	97,610
Lake County Center	5,518,496
Willits - Northern Mendocino County Center	437,397
Bond project management	265,254
Allied Health - nursing facility	219
Point Arena Field Station	618
Energy projects	6,639
Total Project Expenditures	18,456,225
Ending Balance - Unspent Bond Proceeds as of June 30, 2012	\$ 21,242,271

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

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 (the Bonds) issue for the Mendocino-Lake Community College District (the 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 and the net proceeds of \$37.5 million of Bond Series B 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
- Enterprise resource planning and network upgrade
- Lake County Center
- Willits - Northern Mendocino County Center
- Bond project management

NOTES TO THE SCHEDULE

June 30, 2012

*Mendocino-Lake
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General Obligation Bonds*

- Re-roof Court Center buildings
- Distance education technology
- Allied Health - nursing facility
- Media - Computer Graphics Lab
- Point Arena Field Station
- Energy projects
- Scheduled maintenance funds for new buildings
- Parking lot expansion and upgrades

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 (discounted value for capital appreciation bonds) 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 general obligation bond, Series A, beginning March 29, 2007, matures on August 1, 2031, and bears interest ranging from 4.0% to 5.0%. The general obligation bond, Series B, beginning August 16, 2011, matures August 1, 2051, and bears interest ranging from 2.00% to 11.750%. The outstanding balances as of June 30, 2012, are as follows:

	Outstanding June 30, 2011	Issued Current Period	Redeemed Current Period	Outstanding June 30, 2012
Series A	\$ 27,535,000	\$ -	\$ 145,000	\$ 27,390,000
Series B	\$ -	\$ 39,070,576	\$ 970,000	\$ 38,100,576

NOTES TO THE SCHEDULE

June 30, 2012

*Mendocino-Lake
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The annual debt service requirements to amortize the Series A and B bonds payable, outstanding as of June 30, 2012, are as follows:

	Principal	Interest	Total
2013	\$ 290,000	\$ 2,000,082	\$ 2,290,082
2014	280,000	1,989,482	2,269,482
2015	413,501	1,998,180	2,411,681
2016	475,001	1,980,680	2,455,681
2017	573,255	2,021,306	2,594,561
2018-2022	4,746,908	10,280,774	15,027,682
2023-2027	8,279,447	11,568,058	19,847,505
2028-2032	14,409,542	11,194,274	25,603,816
2033-2037	6,248,739	27,820,056	34,068,795
2038-2042	18,742,028	25,770,251	44,512,279
2043-2047	5,005,106	54,580,561	59,585,667
2048-2052	4,456,265	74,131,181	78,587,446
Total	\$ 63,919,792	\$225,334,885	\$ 289,254,677

Accretion

General Obligation Bonds as of June 30, 2012, have been increased by \$1,570,784, to include accumulated accretion of the capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

NOTES TO THE SCHEDULE

June 30, 2012

*Mendocino-Lake
Community College District
General Obligation Bonds*

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, 2011, through June 30, 2012, and includes cumulative totals to date:

	June 30, 2012		2011		2012		June 30, 2012	Previous Years	Total
	Cash Basis Expenditures	Payables	Receivables	Payables	Receivables	Accrual Basis Expenditures	Accrual Basis Expenditures	Expenditures	
Disabled access improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,643	\$ 117,643	
Flooring replacement	-	-	-	-	-	-	218,138	218,138	
HVAC upgrades and additions	-	-	-	-	-	-	318,542	318,542	
Other campus infrastructure	359,198	-	-	-	-	359,198	487,463	846,661	
Renovation for instructional and student service expansion	-	-	-	-	-	-	452,479	452,479	
Replace equipment - theater, recording studio, P.E.	-	-	-	-	-	-	477,427	477,427	
Solar technology - energy generation	-	-	-	-	-	-	1,427,198	1,427,198	
Technology upgrades in classrooms	-	-	-	-	-	-	298,448	298,448	
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	-	-	-	-	-	-	750,665	750,665	
Library - Learning Resource Center	11,485,987	(1,557,888)	-	461,556	-	10,389,655	11,736,767	22,126,422	
Student Center cafeteria (renovate current Library bldg.)	36,207	(3,208)	-	28	-	33,027	339,910	372,937	
Maintenance - warehouse	116,476	(7,700)	-	-	-	108,776	4,589,376	4,698,152	
Modernize vocational program facilities and equipment	132,124	(117)	-	-	-	132,007	155,332	287,339	
Enterprise resource planning and network upgrade	97,610	(16,368)	-	-	-	81,242	4,258,743	4,339,985	
Lake County Center	5,518,496	(13,236)	-	662,838	-	6,168,098	1,884,981	8,053,079	
Willits - Northern Mendocino County Center	437,397	(16,490)	-	18,493	-	439,400	1,491,652	1,931,052	
Bond project management	265,254	(2,562)	-	702	-	263,394	1,225,277	1,488,671	
Re-roof Court Center buildings	-	-	-	-	-	-	75,036	75,036	
Distance Education Technology	-	-	-	-	-	-	-	-	
Allied Health - nursing facility	219	-	-	-	-	219	18,095	18,314	
Media - Computer Graphics Lab	-	-	-	-	-	-	93,977	93,977	
Point Arena Field Station	618	-	-	148	-	766	82,107	82,873	
Energy projects	6,639	-	-	-	-	6,639	361,999	368,638	
Scheduled maintenance funds for new buildings	-	-	-	-	-	-	-	-	
Parking lot expansion and upgrades	-	-	-	-	-	-	-	-	
Program Total	\$ 18,456,225	\$ (1,617,569)	\$ -	\$ 1,143,765	\$ -	\$ 17,982,421	\$ 31,953,264	\$ 49,935,685	

NOTES TO THE SCHEDULE

June 30, 2012

*Mendocino-Lake
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General Obligation Bonds*

5. COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has outstanding construction commitments related to these bond funds of \$10,007,978 at June 30, 2012.

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
Mendocino-Lake Community College District
Ukiah, California

We have audited the schedule of proceeds and use of general obligation bonds (Election of 2006, Series A and B) – cash basis (the Schedule) of the Mendocino-Lake Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. 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.

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

This report is intended solely for the information and use of the Board of Trustees, the 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

November 30, 2012
Redding, California