



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, 2013**

**TABLE OF CONTENTS**

June 30, 2013

*Mendocino-Lake  
Community College District  
General Obligation Bonds*

	<b>Page Number</b>
Independent Auditors' Report	1
Schedule of Proceeds and Use of General Obligation Bonds (Election of 2006, Series A and B) – Cash Basis	3
Notes to the Schedule	4
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>	10



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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, 2013.

### ***Management's Responsibility for the Schedule***

The District's management is responsible for the preparation and fair presentation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District'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 information.

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 2, the Schedule was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

### ***Opinion***

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, 2013, on the basis of accounting described in note 2.

## INDEPENDENT AUDITORS' REPORT

Continued

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the District'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 the 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 District's internal control over financial reporting and compliance.

*Matson and Isom*

December 3, 2013  
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*

<b>Beginning Balance - Unspent Bond Proceeds as of July 1, 2012</b>	\$ 21,242,271
Interest received	75,498
<b>Subtotal</b>	<b>21,317,769</b>
Project expenditures:	
Disabled access improvements	17,196
Other campus infrastructure	10,980
Library - Learning Resource Center	1,960,593
Student Center cafeteria	3,173,698
Modernize vocational program facilities and equipment	26,510
Enterprise resource planning and network upgrade	52,680
Lake County Center	6,469,660
Willits - Northern Mendocino County Center	3,704,653
Bond project management	263,981
Allied Health - nursing facility	199,081
Point Arena Field Station	67,836
Energy projects	383,154
<b>Total Project Expenditures</b>	<b>16,330,022</b>
<b>Ending Balance - Unspent Bond Proceeds as of June 30, 2013</b>	<b>\$ 4,987,747</b>

*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 District), the voters of Mendocino and Lake counties approved a \$67.5 million General Obligation Bond (the Bonds) issue for 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 *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 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
- Reroof Agriculture Headhouse
- Reroof Center for Visual and Performing Arts
- Reroof Child Care Center
- Reroof Physical Education building
- Reroof 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

**NOTES TO THE SCHEDULE**

June 30, 2013

*Mendocino-Lake  
Community College District  
General Obligation Bonds*

Bond project management  
 Reroof 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, 2013, are as follows:

	<b>Outstanding June 30, 2012</b>	<b>Issued Current Period/ Accretion</b>	<b>Redeemed Current Period</b>	<b>Outstanding June 30, 2013</b>
Series A	\$ 27,390,000	\$ -	\$ 210,000	\$ 27,180,000
Series B	\$ 38,100,576	\$ 1,922,474	\$ 80,000	\$ 39,943,050

**NOTES TO THE SCHEDULE**

June 30, 2013

*Mendocino-Lake  
Community College District  
General Obligation Bonds*

The annual debt service requirements to amortize the Series A and B bonds payable, outstanding as of June 30, 2013, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	637,661	2,013,955	2,651,616
2019-2023	5,387,847	10,470,910	15,858,757
2024-2028	9,155,848	11,792,884	20,948,732
2029-2033	12,979,181	14,156,630	27,135,811
2034-2038	6,518,414	29,500,765	36,019,179
2039-2043	18,788,887	28,295,814	47,084,701
2044-2048	4,891,883	58,081,781	62,973,664
2049-2053	3,528,314	61,032,421	64,560,735
<b>Total</b>	<b>\$ 63,629,792</b>	<b>\$ 223,334,808</b>	<b>\$ 286,964,600</b>

**Accretion**

General Obligation Bonds as of June 30, 2013, have been increased by \$3,493,258 to include accumulated accretion of the capital appreciation bonds.



**NOTES TO THE SCHEDULE**

June 30, 2013

*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, 2012, through June 30, 2013, and includes cumulative totals to date:

	June 30, 2013		2012		June 30, 2013		Previous Years	Total
	Cash Basis Expenditures	Payables	Receivables	Payables	Receivables	Accrual Basis Expenditures	Accrual Basis Expenditures	Expenditures
Disabled access improvements	\$ 17,196	\$ -	\$ -	\$ -	\$ -	\$ 17,196	\$ 117,643	\$ 134,839
Flooring replacement	-	-	-	-	-	-	218,138	218,138
HVAC upgrades and additions	-	-	-	-	-	-	318,542	318,542
Other campus infrastructure	10,980	-	-	-	-	10,980	846,661	857,641
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
Reroof Agriculture Headhouse	-	-	-	-	-	-	59,441	59,441
Reroof Center for Visual and Performing Arts	-	-	-	-	-	-	333,010	333,010
Reroof Child Care Center	-	-	-	-	-	-	45,624	45,624
Reroof Physical Education building	-	-	-	-	-	-	454,327	454,327
Reroof Voc/Tech building	-	-	-	-	-	-	199,607	199,607
Athletic field improvements and renovation	-	-	-	-	-	-	750,665	750,665
Library - Learning Resource Center	1,960,593	(461,556)	-	39,464	-	1,538,501	22,126,422	23,664,923
Student Center cafeteria (renovate current Library bldg.)	3,173,698	(28)	-	178,071	-	3,351,741	372,937	3,724,678
Maintenance - warehouse	-	-	-	-	-	-	4,698,152	4,698,152
Modernize vocational program facilities and equipment	26,510	-	-	-	-	26,510	287,339	313,849
Enterprise resource planning and network upgrade	52,680	-	-	1,754	-	54,434	4,339,985	4,394,419
Lake County Center	6,469,660	(662,838)	-	25,776	(376,016)	5,456,582	8,053,079	13,509,661
Willits - Northern Mendocino County Center	3,704,653	(18,493)	-	554,295	-	4,240,455	1,931,052	6,171,507
Bond project management	263,981	(702)	-	175	-	263,454	1,488,671	1,752,125
Reroof Court Center buildings	-	-	-	-	-	-	75,036	75,036
Distance Education Technology	-	-	-	-	-	-	-	-
Allied Health - nursing facility	199,081	-	-	9,155	-	208,236	18,314	226,550
Media - Computer Graphics Lab	-	-	-	-	-	-	93,977	93,977
Point Arena Field Station	67,836	(148)	-	-	-	67,688	82,873	150,561
Energy projects	383,154	-	-	-	-	383,154	368,638	751,792
Scheduled maintenance funds for new buildings	-	-	-	-	-	-	-	-
Parking lot expansion and upgrades	-	-	-	-	-	-	-	-
<b>Program Total</b>	<b>\$ 16,330,022</b>	<b>\$ (1,143,765)</b>	<b>\$ -</b>	<b>\$ 808,690</b>	<b>\$ (376,016)</b>	<b>\$ 15,618,931</b>	<b>\$ 49,935,685</b>	<b>\$ 65,554,616</b>

**NOTES TO THE SCHEDULE**

June 30, 2013

*Mendocino-Lake  
Community College District  
General Obligation Bonds*

**5. COMMITMENTS AND CONTINGENCIES**

**Construction Contracts**

The District has outstanding construction commitments related to these bond funds of \$2,248,219 at June 30, 2013.



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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, 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, 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, 2013, and the related notes to the Schedule, and have issued our report thereon dated December 31, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

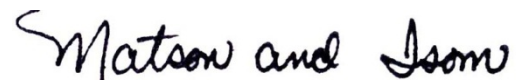
As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination 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

**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 the testing, and not to provide an opinion of the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 31, 2013  
Redding, California