

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

February 28, 2015



K · C O E
I S O M

Mendocino-Lake Community College District

General Obligation Bonds

TABLE OF CONTENTS

February 28, 2015

	<u>Page Number</u>
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>	9

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 period ended February 28, 2015.

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 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 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 period ended February 28, 2015, on the basis of accounting described in note 2.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015, 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.

KCoe Team, LLP

May 26, 2015
Redding, California

Mendocino-Lake Community College District

General Obligation Bonds

SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS

(ELECTION OF 2006, SERIES A AND B) – CASH BASIS

Beginning Balance - Unspent Bond Proceeds as of July 1, 2014	\$	409,915
Interest received		127
Subtotal		410,042
Project expenditures:		
Flooring replacement		17,909
Other campus infrastructure		476,316
Library - Learning Resource Center		19,644
Student Center cafeteria		794
Modernize vocational program facilities and equipment		39,668
Enterprise resource planning and network upgrade		57,094
Lake County Center		(225,567)
Willits - Northern Mendocino County Center		10,994
Bond project management		12,430
Allied Health - nursing facility		760
Total Project Expenditures		410,042
Ending Balance - Unspent Bond Proceeds as of February 28, 2015	\$	-

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

Mendocino-Lake Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

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 Series A Bond received by the District, and the net proceeds of \$37.5 million from the Series B Bond 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

Mendocino-Lake Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

(Continued)

Enterprise resource planning and network upgrade
Lake County Center
Willits - Northern Mendocino County Center
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 February 28, 2015, are as follows:

	Outstanding June 30, 2014	Issued Current Period/ Accretion	Redeemed Current Period	Outstanding February 28, 2015
Series A	\$ 26,900,000	\$ -	\$ 360,000	\$ 26,540,000
Series B	\$ 42,015,840	\$ 1,434,192	\$ 53,501	\$ 43,396,531

Mendocino-Lake Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

(Continued)

The annual debt service requirements to amortize the Series A and B bonds payable, outstanding as of February 28, 2015, are as follows:

Year Ending June 30	Principal	Interest	Total
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	775,181	2,022,560	2,797,741
2020	1,012,092	1,942,399	2,954,491
2021-2025	6,707,428	10,970,853	17,678,281
2026-2030	11,364,392	11,956,689	23,321,081
2031-2035	9,101,855	21,387,093	30,488,948
2036-2040	10,167,705	29,949,721	40,117,426
2041-2045	15,722,629	37,087,515	52,810,144
2046-2050	4,671,014	65,678,282	70,349,296
2051-2054	1,728,078	32,336,091	34,064,169
Total	\$ 62,936,291	\$ 219,347,144	\$ 282,283,435

Accretion

General obligation bonds as of February 28, 2015, have been increased by \$7,000,240 to include accumulated accretion of the capital appreciation bonds.

Mendocino-Lake Community College District
General Obligation Bonds
NOTES TO THE SCHEDULE
(Continued)

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, 2014, through February 28, 2015, and includes cumulative totals to date:

	February 28, 2015		2014		2015		February 28, 2015	Previous Years	Total
	Cash Basis Expenditures		Payables	Receivables	Payables	Receivables	Accrual Basis Expenditures	Accrual Basis Expenditures	
Disabled access improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,201	\$ 151,201
Flooring replacement	17,909	-	-	-	-	-	17,909	218,138	236,047
HVAC upgrades and additions	-	-	-	-	-	-	-	318,542	318,542
Other campus infrastructure	476,316	(1,380)	-	-	-	-	474,936	880,969	1,355,905
Renovation for instructional and student service expansion	-	-	-	-	-	-	-	496,156	496,156
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	19,644	(8,040)	-	-	-	-	11,604	23,784,195	23,795,799
Student Center cafeteria (renovate current Library bldg.)	794	(794)	-	-	-	-	-	3,914,335	3,914,335
Maintenance - warehouse	-	-	-	-	-	-	-	4,698,152	4,698,152
Modernize vocational program facilities and equipment	39,668	(2,647)	-	-	-	-	37,021	484,865	521,886
Enterprise resource planning and network upgrade	57,094	(43,119)	-	-	-	-	13,975	4,667,236	4,681,211
Lake County Center	(225,567)	(43)	225,610	-	-	-	-	13,645,226	13,645,226
Willits - Northern Mendocino County Center	10,994	(807)	-	-	-	-	10,187	6,868,968	6,879,155
Bond project management	12,430	(1,646)	-	-	-	-	10,784	1,988,792	1,999,576
Reroof Court Center buildings	-	-	-	-	-	-	-	75,036	75,036
Distance Education Technology	-	-	-	-	-	-	-	-	-
Allied Health - nursing facility	760	(760)	-	-	-	-	-	2,307,303	2,307,303
Media - Computer Graphics Lab	-	-	-	-	-	-	-	93,977	93,977
Point Arena Field Station	-	-	-	-	-	-	-	153,437	153,437
Energy projects	-	-	-	-	-	-	-	751,792	751,792
Scheduled maintenance funds for new buildings	-	-	-	-	-	-	-	-	-
Parking lot expansion and upgrades	-	-	-	-	-	-	-	-	-
Program Total	\$ 410,042	\$ (59,236)	\$ 225,610	\$ -	\$ -	\$ -	\$ 576,416	\$ 69,544,067	\$ 70,120,483

Mendocino-Lake Community College District

General Obligation Bonds

NOTES TO THE SCHEDULE

(Continued)

5. COMMITMENTS AND CONTINGENCIES

Construction Contracts

The District has no outstanding construction commitments related to these bond funds at February 28, 2015.

**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 period ended February 28, 2015, and the related notes to the Schedule, and have issued our report thereon dated May 26, 2015.

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.

**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)

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*.

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.

KCoe Jam, LLP

May 26, 2015
Redding, California