

**REDWOODS COMMUNITY
COLLEGE DISTRICT
PROPOSITION 39 AND MEASURE Q
GENERAL OBLIGATION BONDS**

Eureka, California

PERFORMANCE AUDIT

June 30, 2007

TABLE OF CONTENTS

June 30, 2007

Redwoods Community College District

Proposition 39 and Measure Q

General Obligation Bonds

	Page Number
Independent Auditors' Report	1
Objectives	2
Scope of the Audit	2
Background Information	2
Procedures Performed	3
Results of Procedures	4
Conclusion	4
Management Comments and Recommendations	4

**matson and isom**

Founded in 1962 by
Robert M. Matson
and W. Howard Isom

Chico

3013 Ceres Avenue
P.O. Box 1638
Chico, CA 95927-1638
Phone (530) 891-6474
Fax (530) 893-6689

Redding

1255 East Street, Suite 202
P.O. Box 991891
Redding, CA 96099-1891
Phone (530) 244-4980
Fax (530) 244-4983

www.matson-isom.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Redwoods Community College District
Eureka, California

We have examined the Redwoods Community College District's (the District) compliance with the performance requirements for the Proposition 39 and Measure Q General Obligation Bonds for the fiscal year ended June 30, 2007. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the 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 standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements, and 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 the District's compliance with specific requirements.

In our opinion, the Redwoods Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

December 7, 2007

PERFORMANCE AUDIT

June 30, 2007

*Redwoods Community College District
Proposition 39 and Measure Q
General Obligation Bonds*

OBJECTIVES

The objectives of our performance audit were to document the expenditures charged to the voter-approved Proposition 39 and Measure Q General Obligation Bonds (the Bonds); determine whether expenditures for the fiscal year ended June 30, 2007, charged to the Bond Projects Fund, have been made in accordance with project budgets and guidelines; note any incongruities or system weaknesses; and provide recommendations for improvements.

SCOPE OF THE AUDIT

The scope of our performance audit covered the fiscal year ended June 30, 2007. Expenditures incurred after the issuance of the bonds and prior to June 30, 2006, were covered in a previous examination. The expenditures included all object and project codes associated with the Bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2007, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

On November 2, 2004, \$40.3 million in general obligation bonds were authorized by an election held within the District. A Citizens Oversight Committee (the Committee) was appointed on March 1, 2005, to comply with the California Constitution and the Education Code. The purpose of the Committee is to inform the public, at least annually, regarding the appropriate use of the Bond proceeds. On May 5, 2005, the first series of Bonds in the amount of \$18,000,000 were issued. The total proceeds from the Bond issuance were received by the District (less the original bond issuance costs) and are to be used to finance the construction, acquisition, furnishing, and equipping of the District facilities. California Constitution, Article 13A, Section 1(b)(3) requires an annual performance audit be conducted to ensure that funds have been expended only on the specific projects publicized by the District.

On July 10, 2007, the District issued the second series of bonds in the amount of \$15,000,000.

PROCEDURES PERFORMED

We obtained the Bond Projects Fund general ledger, the project expenditure summary reports, and other detail prepared by the District for the fiscal year ended June 30, 2007. Within the year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with Proposition 39 and Measure Q General Obligation Bond funding. We performed the following procedures:

- We reviewed the list of projects being performed to verify that the list of intended projects is consistent with the voter-approved measure.
- We verified that the District created the required debt service fund and capital outlay fund in order to account for the bond proceeds and expenditures.
- We verified that the proceeds from the sale of bonds were deposited in an appropriate debt service fund and a capital outlay projects fund.
- We determined that a citizen's oversight committee is fulfilling its duties as outlined in the administrative procedures.
- We selected a sample of expenditures in the fiscal year ended June 30, 2007, and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were used for the construction, acquisition, furnishing, and equipping of the District facilities, and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

PERFORMANCE AUDIT

June 30, 2007

*Redwoods Community College District**Proposition 39 and Measure Q**General Obligation Bonds***RESULTS OF PROCEDURES**

The District utilized Bond funds for 27 projects. The District incurred total expenditures of \$7,884,831 through June 30, 2007, for the following projects:

	<u>Prior</u> <u>Expenditures</u>	<u>June 30, 2007</u> <u>Expenditures</u>	<u>Total</u> <u>Expenditures</u>	<u>Budget</u>	<u>Status</u>
Modernization of health/technology building	\$ 76,050	\$ 187,325	\$ 263,375	\$ 4,168,140	In progress
Modernization of physical science building	75,853	50,776	126,629	126,628	In progress
Modernization of main/art building - Del Norte	316,867	688,248	1,005,115	3,657,581	In progress
Modernization of main building - Mendocino	435,175	1,604,044	2,039,219	4,776,874	In progress
Modernization of labs, classrooms, and theater	35,054	125,245	160,299	848,905	Completed
Modernization of student services/administration building	7,549	79,798	87,347	87,346	In progress
New woodworking building - Mendocino	1,698	1,132	2,830	2,830	In progress
Learning resource center - mezzanine structure	27,634	186,079	213,713	213,713	In progress
Library building seismic upgrade and remodel	4,093	-	4,093	4,093	In progress
Engineering for modernization projects	316,315	366,586	682,901	4,821,755	In progress
Repair pool/locker rooms	1,093,453	-	1,093,453	1,093,453	Completed
Gym floor/bleachers replacement	771,628	8,065	779,693	779,693	Completed
Renovate/repair buildings - Eureka	1,180	12,632	13,812	13,812	In progress
Renovate/repair buildings - Mendocino	4,186	-	4,186	4,186	In progress
Culinary kitchen	176,433	-	176,433	176,433	Completed
Classrooms upgrade - Eureka	32,549	-	32,549	32,548	In progress
Relocated classrooms - Del Norte	79,525	-	79,525	79,525	Completed
Wastewater treatment building upgrade	41,895	4,769	46,664	46,665	Completed
Furnishings and equipment	136,117	-	136,117	136,118	In progress
Modernization of life science building	41,777	11,501	53,278	53,278	In progress
Firing range	1,207	804	2,011	2,011	In progress
Student union building	-	98,568	98,568	10,432,828	In progress
Student services administration building	-	16,021	16,021	1,767,156	In progress
Academic building	-	18,452	18,452	2,210,289	In progress
Site improvements	-	6,558	6,558	3,997,390	In progress
Election costs and project management	138,203	96,367	234,570	786,750	In progress
Subtotal	3,814,441	3,562,970	7,377,411	40,320,000	
Bond issuance costs	467,420	-	467,420	471,844	
Total	\$ 4,281,861	\$ 3,562,970	\$ 7,844,831	\$ 40,791,844	

Each of the projects has been given a specific project identification number within the District's Bond Projects Fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the Redwoods Community College District has properly accounted for the expenditures of the Proposition 39 and Measure Q General Obligation Bonds. Further, it was noted that the funds were not used for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on the District's compliance with specific requirements.

MANAGEMENT COMMENTS AND RECOMMENDATIONS

None.