

REDWOODS COMMUNITY COLLEGE DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEARS ENDED JUNE 30, 2010 AND 2009

REDWOODS COMMUNITY COLLEGE DISTRICT  
 TABLE OF CONTENTS  
 FOR THE FISCAL YEARS ENDED  
 JUNE 30, 2010 AND 2009

	Page
<b>INTRODUCTION</b> .....	1
<b>INDEPENDENT AUDITORS' REPORT</b> .....	2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS        (REQUIRED SUPPLEMENTARY INFORMATION)</b> .....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Business-type Activities:</b>	
Statements of Net Assets .....	12
Statements of Revenues, Expenses, and Changes in Net Assets .....	13
Statements of Cash Flows .....	15
<b>Discretely Presented Component Unit:</b>	
Statements of Financial Position .....	17
Statements of Activities .....	18
Statements of Cash Flows .....	20
Notes to the Financial Statements .....	21
<b>SUPPLEMENTARY INFORMATION</b>	
Organization.....	60
Schedule of Expenditures of Federal Awards .....	61
Schedule of State Financial Awards .....	64
Schedule of Workload Measures for State General Apportionment .....	65
Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting Records.....	66
Combining Balance Sheet – All District Funds Included in the Reporting Entity .....	67

REDWOODS COMMUNITY COLLEGE DISTRICT  
 TABLE OF CONTENTS  
 FOR THE FISCAL YEARS ENDED  
 JUNE 30, 2010 AND 2009

	Page
<b>SUPPLEMENTARY INFORMATION</b> (Continued)	
Combining Statement of Revenues, Expenditures/Expenses, and Changes in Fund Equity – All District Funds Included in the Reporting Entity .....	69
Reconciliation of Fund Equity to Net Assets .....	73
Reconciliation of Change in Fund Equity to Change in Net Assets .....	74
Notes to the Supplementary Information .....	75
 <b>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</b> .....	 77
 <b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b> .....	 79
 <b>INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS</b> .....	 82
 <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b> .....	 84
 <b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b> .....	 93

## INTRODUCTION

### AUDIT OBJECTIVES

The financial and compliance audits of the Redwoods Community College District had the following objectives:

To determine the fairness of presentation of the District's financial statements in accordance with accounting principles generally accepted in the United States of America.

To evaluate the adequacy of the systems and provisions affecting compliance with applicable federal and California laws and regulations, with which noncompliance would have a material effect on the District's financial statements and allowability of program expenditures for federal and California financial assistance programs.

To evaluate the adequacy of the internal control structure sufficient to meet the requirements of auditing standards generally accepted in the United States of America for the purpose of formulating an opinion on the basic financial statements taken as a whole and sufficient to ensure compliance with federal and state regulations.

To determine whether financial and financially related reports to state and federal agencies are presented fairly.

To recommend appropriate actions to correct any noted areas where internal control compliance with applicable federal and state regulations could be improved.

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Redwoods Community College District  
Eureka, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Redwoods Community College District (District) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards prescribed by the California Department of Finance. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2011, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The remaining supplementary information as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of State Financial Awards, which is presented for purpose of additional analysis as required by the California Community Colleges Chancellor's Office, are not a required part of the basic financial statements of the District. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Nystrom & Company LLP*

February 22, 2011

**MANAGEMENT’S DISCUSSION  
AND ANALYSIS**

*Redwoods Community College District*

June 30, 2010

**INTRODUCTION**

As required by accounting principles, the annual report consists of three basic financial statements that provide information on Redwoods Community College District (the District) as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The information provided on the statements in the management’s discussion and analysis includes all funds, but excludes the College of the Redwoods Foundation. Each statement will be discussed separately.

Under the business-type activities model of financial reporting, a single entity-wide statement is required to report financial activity for all funds of the District. As this is a variance from the previous fund-type presentation, the following information is provided to help with the understanding of the financial statements.

**FINANCIAL AND ATTENDANCE HIGHLIGHTS**

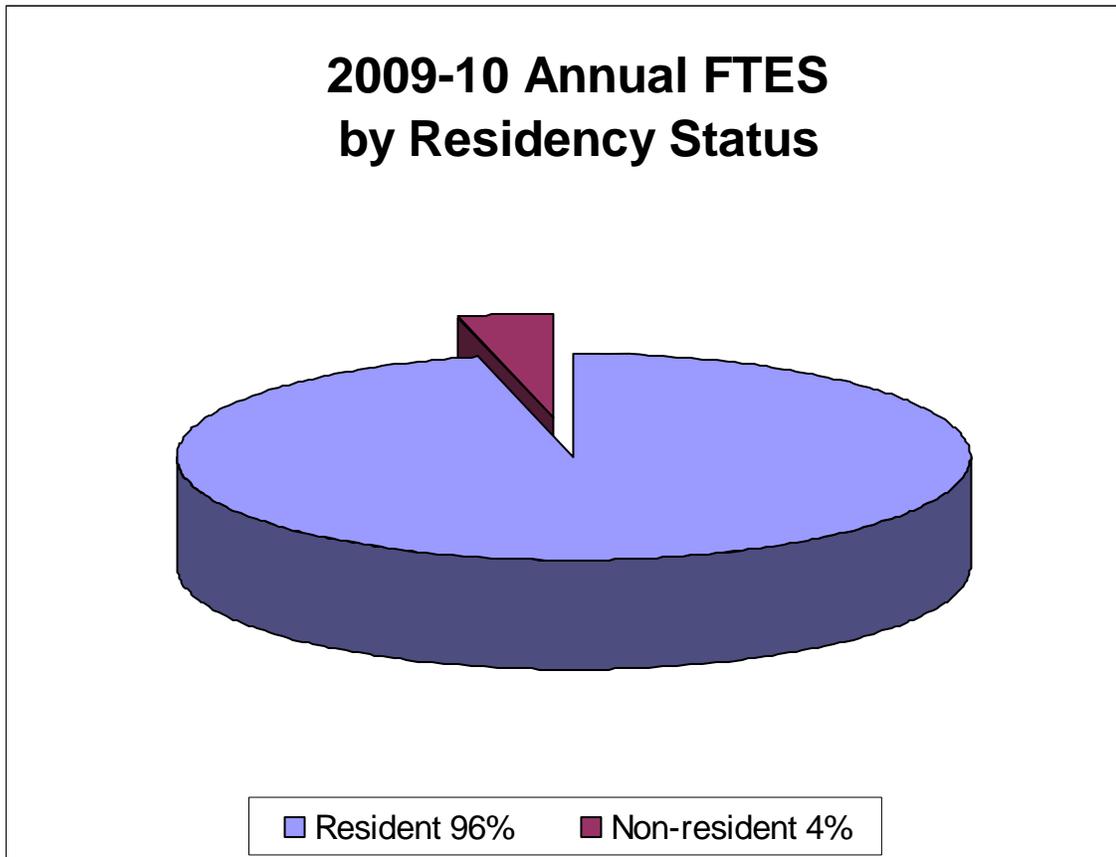
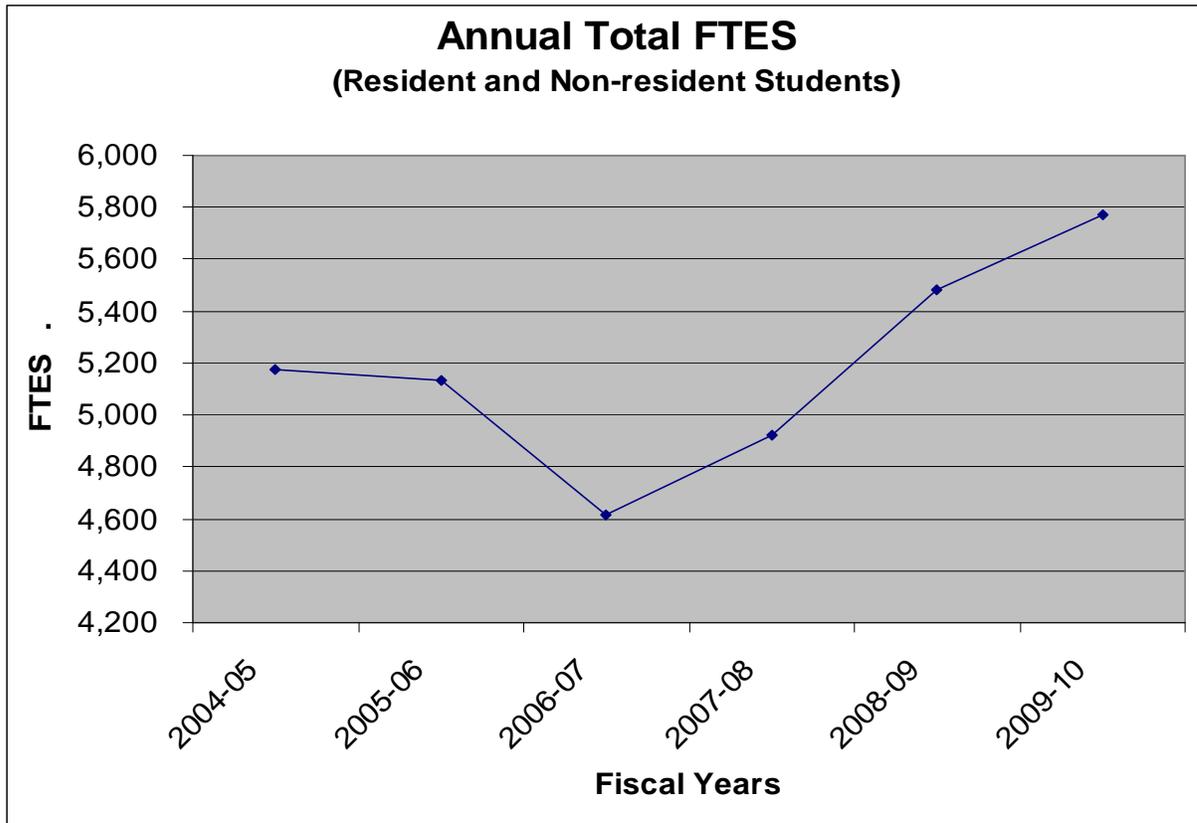
Under the provisions of SB 361, the state allocates funding to each of 72 Community College Districts based on annual apportionments provisions in the state budget act. This funding formula provides base funding for each college, approved education centers, and qualifying rural districts. Additional unrestricted funds are allocated based on a state-wide rate times each district’s full-time equivalent students (FTES) for state resident students. Funding rates can change from year to year due to state budget provisions for cost of living adjustments (COLA), augmentations, or funding reductions.

The District’s FTES eligible for state funding increased by 11.2% in 2008-09 to 5,273 and increased by 5.1% in 2009-10 to 5,542.

Overall, District operating revenues increased in 2009-10 from the prior year. Federal and local sources increased, and state sources declined due to reduced entitlements available and lower District participation rates.

***Credit/Non-credit Resident and Non-resident Students***

<i>Academic Year</i>	<i>Non-credit Resident and Non-resident Students</i>			<i>Percentage Change</i>		
	<i>Resident</i>	<i>non-resident</i>	<i>Total</i>	<i>Resident</i>	<i>Non-Res</i>	<i>Total</i>
2004-05	4,974	199	5,173	-9.8%	-14.2%	-10.0%
2005-06	4,914	218	5,132	-1.2%	9.5%	-0.8%
2006-07	4,482	136	4,618	-8.8%	-37.6%	-10.0%
2007-08	4,744	179	4,923	5.8%	31.6%	6.6%
2008-09	5,273	210	5,483	11.2%	17.3%	11.4%
2009-10	5,542	231	5,773	5.1%	10.0%	5.3%



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

*Redwoods Community College District*

June 30, 2010

**STATEMENT OF NET ASSETS**

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net assets, the difference between assets and liabilities, are an indicator of the financial health of a district.

	<u>2010</u>	<u>2009</u>	<u>Change</u>	
<b>ASSETS</b>				
Current assets	\$ 13,431,282	\$ 16,747,170	\$ (3,315,888)	-20%
Restricted cash and cash equivalents	14,357,814	16,116,206	(1,758,392)	-11%
Capital assets and deferred costs, net	<u>52,861,706</u>	<u>51,640,295</u>	<u>1,221,411</u>	2%
Total Assets	<u><u>80,650,802</u></u>	<u><u>84,503,671</u></u>	<u><u>(3,852,869)</u></u>	-5%
<b>LIABILITIES</b>				
Current liabilities	5,479,290	7,494,433	(2,015,143)	-27%
Long-term liabilities	<u>32,035,853</u>	<u>32,853,359</u>	<u>(817,506)</u>	-2%
Total Liabilities	<u>37,515,143</u>	<u>40,347,792</u>	<u>(2,832,649)</u>	-7%
<b>NET ASSETS</b>				
Investments in capital assets, net of related debt	36,559,093	35,698,918	860,175	2%
Restricted - expendable	353,274	208,830	144,444	69%
Unrestricted	<u>6,223,292</u>	<u>8,248,131</u>	<u>(2,024,839)</u>	-25%
Total net assets	<u>43,135,659</u>	<u>44,155,879</u>	<u>(1,020,220)</u>	-2%
Total liabilities and net assets	<u>\$ 80,650,802</u>	<u>\$ 84,503,671</u>	<u>\$ (3,852,869)</u>	-5%

The voters of the District approved a \$40,320,000 bond measure on the November 2004 ballot under the provisions of Proposition 39. The first series of bonds were issued May 19, 2005, providing \$18,000,000 for equipment and facilities needs of the District. The second series of bonds were issued July 10, 2007, providing an additional \$15,000,000. Restricted cash and cash equivalents as of June 30, 2009 and 2010 consisted mainly of unspent proceeds from the 2005 and 2007 series bond issues.

Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. The notes to the financial statements contain a breakdown of capital assets. In addition to routine replacements and new acquisitions of capital assets, the District used general obligation bond funds to purchase the old Garberville School building in Southern Humboldt to create the Southern Humboldt/Garberville Instructional Site, modernization projects on the facilities at Del Norte and Mendocino Coast Education Centers and the Health/Technology building at the Eureka campus. The new Student Services / Administration and Performing Arts Theater under construction on the main Eureka campus is partially funded with bond funds and partially with state facilities funds.

Fiscal policies adopted by the Chancellor's Office recommend the District maintain a contingency reserve in the General Fund of 5% of unrestricted expenditures and other outgo. The District plans to maintain its General Fund reserve level at this 5% level with any additional reserves to be used for one-time purposes in the next fiscal year.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

*Redwoods Community College District*

June 30, 2010

The District has elected to record its actuarially determined annual liability for postemployment health benefits according to GASB 45. Through changes in board policy and collective bargaining contracts, newly hired employees will no longer participate in this program. For eligible plan participants, the District funds the current service liability, and may make annual contributions for its prior service liability. The District intends to continue to set funds aside until its unfunded accrued liability is fully funded. As last determined in September of 2008, the unfunded liability was \$6,480,061. The funds set aside to pay future benefits total \$4,243,105 as of June, 30, 2010.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

The statement of revenues, expenses, and changes in net assets presents the operating finances of the District, as well as the non-operating revenues and expenses. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

	2010	2009	Change	
<b>OPERATING REVENUES AND EXPENSES</b>				
Operating revenues				
Net tuition and fees	\$ 4,146,700	\$ 3,577,322	\$ 569,378	16%
Grants and contracts - non-capital	18,481,293	16,096,703	2,384,590	15%
Auxiliary enterprise sales and charges	2,380,579	2,418,005	(37,426)	-2%
Total operating revenues	<u>25,008,572</u>	<u>22,092,030</u>	2,916,542	13%
Operating expenses	<u>57,187,576</u>	<u>53,184,509</u>	4,003,067	8%
Operating Loss	<u>(32,179,004)</u>	<u>(31,092,479)</u>	(1,086,525)	3%
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State apportionments, non-capital	18,227,943	19,420,245	(1,192,302)	-6%
Local property taxes	8,374,304	7,956,694	417,610	5%
State taxes and other revenues	966,180	1,129,776	(163,596)	-14%
Investment income	453,702	649,146	(195,444)	-30%
Interest expense - capital asset-related debt	(1,405,981)	(1,456,107)	50,126	-3%
Amortization of bond issuance costs	(38,449)	(38,449)	0	0%
Other non-operating revenues	<u>832,995</u>	<u>1,413,902</u>	(580,907)	-41%
Non-operating revenues	<u>27,410,694</u>	<u>29,075,207</u>	(1,664,513)	-6%
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>				
	(4,768,310)	(2,017,272)	(2,751,038)	136%
State apportionments and grants, capital	1,466,430	488,883	977,547	200%
Local Property taxes, capital	<u>2,281,660</u>	<u>2,337,608</u>	(55,948)	-2%
<b>CHANGE IN NET ASSETS</b>	(1,020,220)	809,219	(1,; 4; ;65; )	-248%
<b>NET ASSETS, BEGINNING OF YEAR</b>	45,178,897	43,346,660	1,832,237	4%
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(1,023,018)</u>	<u>0</u>	(1,023,018)	-100%
<b>NET ASSETS, BEGINNING OF YEAR RESTATED</b>	44,155,879	43,346,660	809,219	
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 43,135,659</u>	<u>\$ 44,155,879</u>	<u>\$ (1,020,220)</u>	-2%

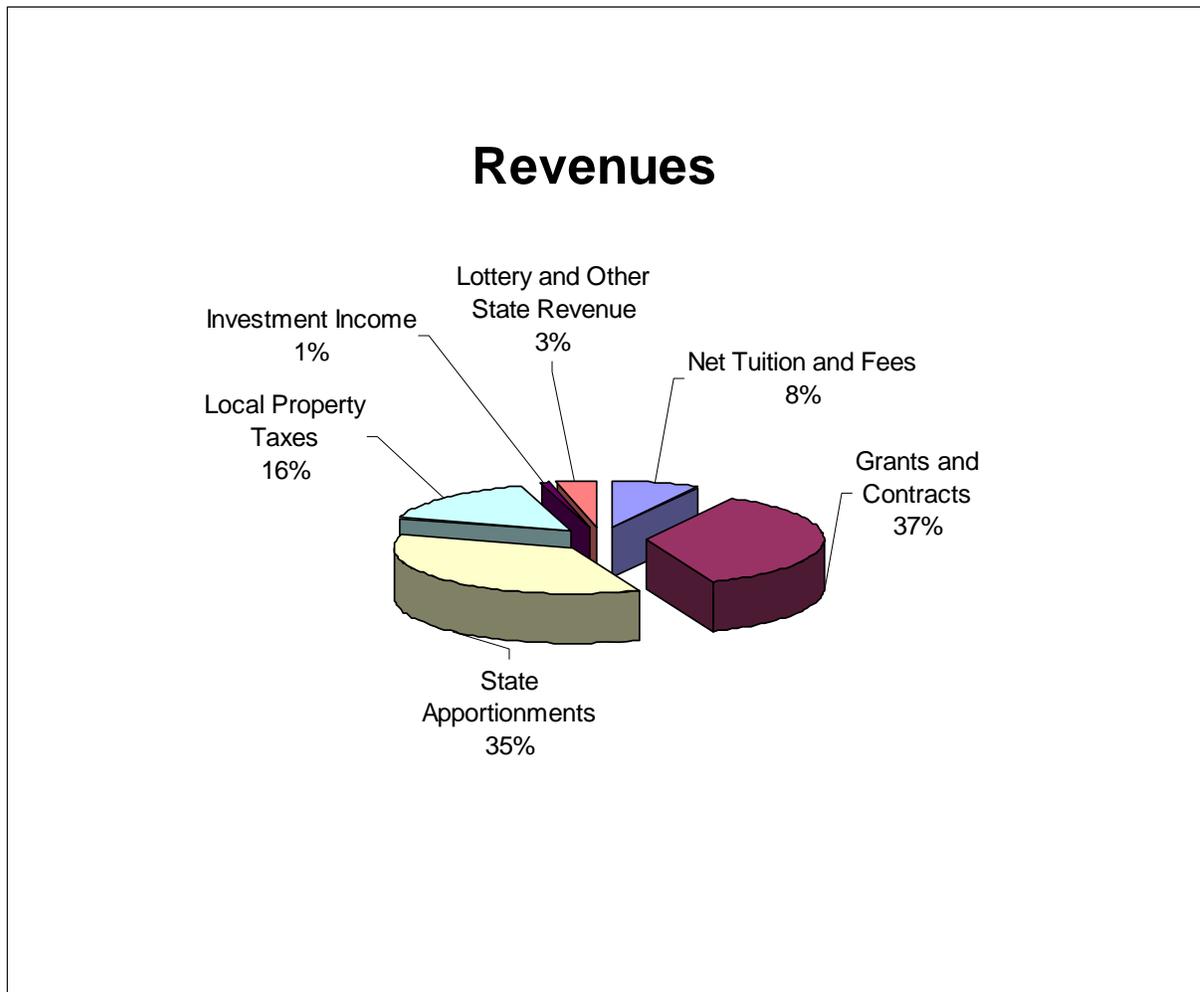
**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2010

State imposed enrollment fees and local property taxes levied under a state-wide rate are a component part of the state's general apportionment to community colleges and act to offset funding allocated based on the state's funding formula under SB 361. The state funded portion of the District's entitlement decreased as the proportion of property taxes increased slightly. The enrollment fee rate for 2008-09 was \$20 and for 2009-10 was \$26.

The overall increase in Operating Revenue is approximately \$2.9 million and this can be accounted for with the increase in Net Tuition and Fees of \$500,000 and the net increase in Federal and State I tcpvu of \$2.2 million with the primary increase due to increased federal student aid.

The overall decrease in Non-Operating Revenue is approximately \$1.7 million and this is primarily due to the State apportionment decrease of \$775,000, a decrease of investment income of \$195,000, a decrease of State taxes and other revenues of \$160,000, and a decrease in Other non-operating revenues of \$580,000 primarily due to the one-time transfer of the bookstore operations from the Foundation to the District which was recorded in the fiscal year ending June 30, 2009.



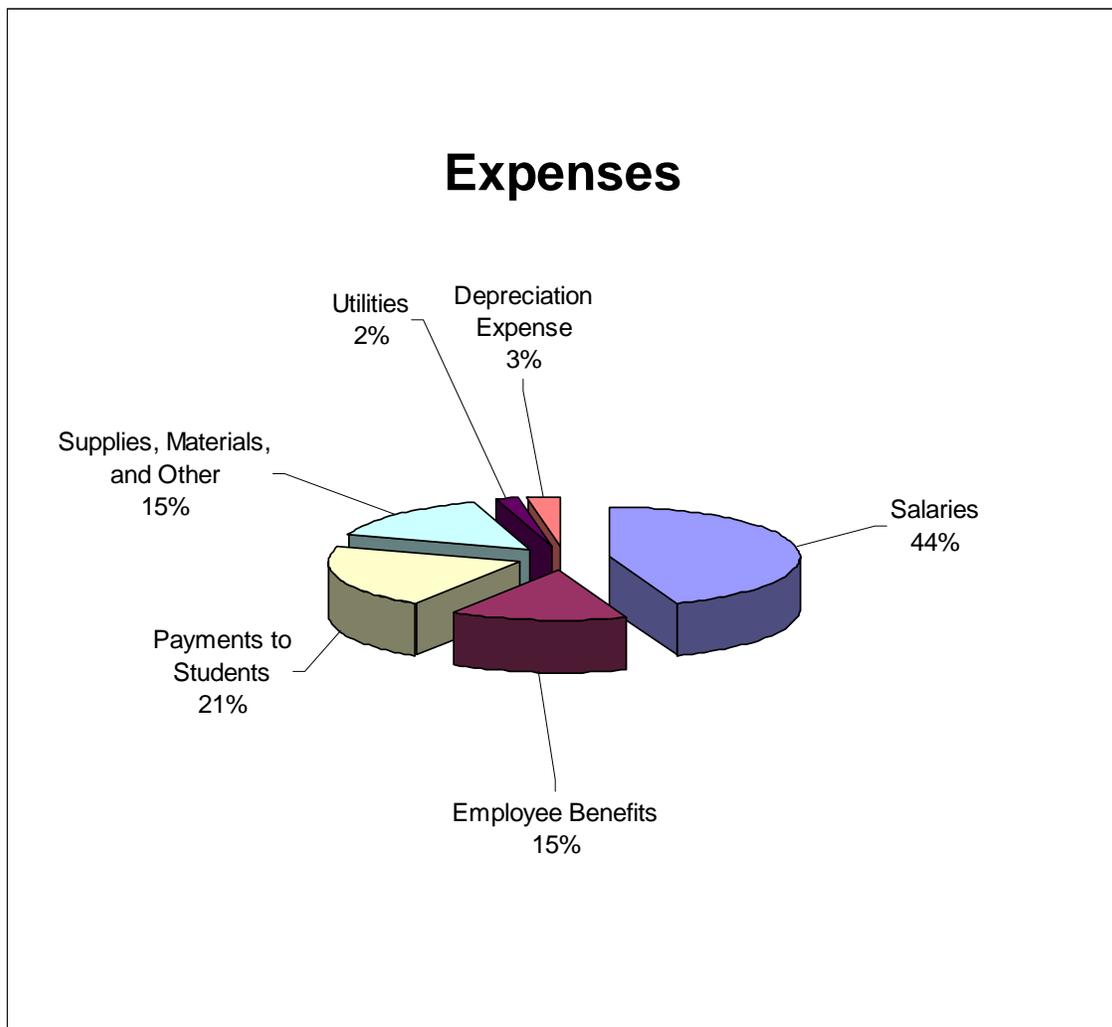
**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2010

**Operating Expenses (by Natural Classification)**

	<u>2010</u>	<u>2009</u>	<u>Change</u>	
Salaries	\$ 25,224,356	\$ 23,811,752	\$ 1,412,604	6%
Employee benefits	8,604,413	7,979,454	624,959	8%
Payments to students	11,958,039	9,267,246	2,690,793	29%
Supplies, materials, and other operating expenses and services	8,702,239	9,317,365	(615,126)	-7%
Utilities	1,159,858	1,308,312	(148,454)	-11%
Depreciation expense	<u>1,538,671</u>	<u>1,500,380</u>	<u>38,291</u>	3%
Total operating expense	<u>\$ 57,187,576</u>	<u>\$ 53,184,509</u>	<u>\$ 4,003,067</u>	8%

The employee health care benefit costs continue to increase at due to higher salary rates and increased health premiums. The overall operating expenses increase is approximately \$4 million and this is primarily due to payments to students increasing \$2.7 million due to increased financial aid for significantly increased enrollments, and increased salaries and benefits combined for a total of \$2 million offset by the decrease in supplies and utilities of \$.7 million.



June 30, 2010

**STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about cash receipts and cash payments during the fiscal year. This statement also helps users assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and the need for external financing.

	<u>2010</u>	<u>2009</u>	<u>Change</u>	
Cash provided by (used) by:				
Operating activities	\$ (29,404,359)	\$ (29,810,414)	\$ 406,055	-1%
Non-capital financing activities	27,228,527	26,638,467	590,060	2%
Capital financing activities	(1,940,170)	(3,811,573)	1,871,403	-49%
Investing activities	<u>500,399</u>	<u>856,399</u>	<u>(356,000)</u>	-42%
Net decrease in cash and cash equivalents	(3,615,603)	(6,127,121)	2,511,518	-41%
Cash - beginning of year	<u>21,567,215</u>	<u>27,694,336</u>	<u>(6,127,121)</u>	-22%
Cash - end of year	<u>\$ 17,951,612</u>	<u>\$ 21,567,215</u>	<u>\$ (3,615,603)</u>	-17%

The decrease in cash in 2008-09 was primarily due to the accounts receivable increase resulting from significant state apportionment deferrals. The District did not need to borrow funds for operations in 2008-09. In 2008-09 short-term cash flow requirements in the General Fund were met by unrestricted cash available in other funds. During 2009-10, the District participated in the California Community College Financing Authority 2009 Tax and Revenue Anticipation Bond program borrowing \$1.8 million to maintain proper working cash levels in the General Fund. The decrease in cash in 2009-10 was due to the decrease in accounts payable and the use of cash on bond construction projects.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The economic position of the District is closely tied to the State of California economic environment. The Legislative Analyst's Office is projecting future annual state budget shortfalls due to the structural imbalance of tax revenues and projected expenditures. The state funding under current law was not sufficient to provide a COLA for Community Colleges in 2008-09, 2009-10 and 2010-11 and this may continue longer.

The District is currently working under a three-year agreement with its classified staff bargaining unit covering fiscal years 2010-11 through 2012-13 and is currently negotiating with the faculty union.

The District experienced significant growth in enrollments in 2008-09, 2009-10 and expects to maintain that level for the 2010-11 year. Since 2007-08, the pace of growth has accelerated due to a stronger demand for job training resulting from the economic downturn and an increase in transfer students due to enrollment caps at State baccalaureate institutions. Growth funding for resident students is provided by acts of the state legislature. State-wide growth in enrollments is expected to continue yet the State did not allocate funds for enrollment growth for 2009-10 and allocated only portion of what was necessary to fully fund the growth in 2010-11. The Chancellors Office reduced the base FTES workload system wide by 3.9% for 2009-10. The District covered the cost of unfunded growth in 2009-10 from reserves in excess of 5% of unrestricted General Fund expenditures and other outgo.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

*Redwoods Community College District*

June 30, 2010

The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State System's Office. The Budget Planning Committee is developing a preliminary budget for the 2011-12 fiscal year that addresses a \$1.4 million anticipated decrease in State apportionment revenue. The Budget Planning Committee will also be working on developing recommendations to reduce expenditures further if the need arises. The District is monitoring legislative developments that may impact funding so that adjustments can be made in order to maintain the critical mission of improving access (opportunities) and student success.

THIS PAGE INTENTIONALLY LEFT BLANK

REDWOODS COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF NET ASSETS

	June 30,	
	2010	2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,931,361	\$ 3,856,909
Restricted cash and cash equivalents	1,662,437	1,594,100
Accounts receivable, net	8,607,044	9,960,705
Inventory	818,983	1,281,442
Prepaid expenses	167,061	54,014
Due from Foundation	244,396	-
<b>Total current assets</b>	<b>13,431,282</b>	<b>16,747,170</b>
<b>Noncurrent assets:</b>		
Restricted cash and cash equivalents	14,357,814	16,116,206
Nondepreciable capital assets	6,699,858	6,173,268
Depreciable capital assets, net	45,505,079	44,771,809
Deferred costs, net	656,769	695,218
<b>Total noncurrent assets</b>	<b>67,219,520</b>	<b>67,756,501</b>
<b>Total assets</b>	<b>\$ 80,650,802</b>	<b>\$ 84,503,671</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,382,205	\$ 2,914,708
Accrued liabilities	1,088,906	1,659,639
Deferred revenue	2,215,222	2,095,204
Amounts held for others	47,957	113,482
Long-term debt, current portion	745,000	711,400
<b>Total current liabilities</b>	<b>5,479,290</b>	<b>7,494,433</b>
<b>Noncurrent liabilities:</b>		
Long-term debt, noncurrent portion	31,346,802	32,127,903
Other long-term liabilities	689,051	725,456
<b>Total noncurrent liabilities</b>	<b>32,035,853</b>	<b>32,853,359</b>
<b>Total liabilities</b>	<b>37,515,143</b>	<b>40,347,792</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	36,559,093	35,698,918
Restricted - expendable	353,274	208,830
Unrestricted	6,223,292	8,248,131
<b>Total net assets</b>	<b>43,135,659</b>	<b>44,155,879</b>
<b>Total liabilities and net assets</b>	<b>\$ 80,650,802</b>	<b>\$ 84,503,671</b>

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

REDWOODS COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

	Years Ended June 30,	
	2010	2009
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 5,895,255	\$ 4,938,655
Less: scholarship discount and allowance	1,748,555	1,361,333
<b>Net tuition and fees</b>	4,146,700	3,577,322
Grants and contracts, non-capital:		
Federal	13,465,188	9,921,952
State	4,294,530	5,797,370
Local	721,575	377,381
Auxiliary enterprise sales and charges	2,380,579	2,418,005
<b>Total operating revenues</b>	25,008,572	22,092,030
<b>OPERATING EXPENSES</b>		
Salaries	25,224,356	23,811,752
Employee benefits	8,604,413	7,979,454
Payments to students	11,958,039	9,267,246
Supplies, materials, and other operating expenses and services	8,702,239	9,317,365
Utilities	1,159,858	1,308,312
Depreciation	1,538,671	1,500,380
<b>Total operating expenses</b>	57,187,576	53,184,509
<b>OPERATING LOSS</b>	(32,179,004)	(31,092,479)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State apportionments, non-capital	18,227,943	19,420,245
Local property taxes, non-capital	8,374,304	7,956,694
State taxes and other revenues	966,180	1,129,776
Investment income	453,702	649,146
Interest expense - capital asset-related debt	(1,444,430)	(1,494,556)
Other non-operating revenues	832,995	1,413,902
<b>Total non-operating revenues (expenses)</b>	27,410,694	29,075,207

(Continued on following page)

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

REDWOODS COMMUNITY COLLEGE DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS

	Years Ended June 30,	
	2010	2009
<b>LOSS BEFORE OTHER REVENUES AND EXPENSES</b>	(4,768,310)	(2,017,272)
State apportionments and grants, capital	1,466,430	488,883
Local property taxes, capital	2,281,660	2,337,608
<b>CHANGE IN NET ASSETS</b>	(1,020,220)	809,219
<b>NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	45,178,897	43,346,660
<b>PRIOR PERIOD ADJUSTMENT</b>	(1,023,018)	-
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	44,155,879	43,346,660
<b>NET ASSETS, END OF YEAR</b>	\$ 43,135,659	\$ 44,155,879

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

REDWOODS COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Tuition and fees	\$ 3,922,008	\$ 3,437,491
Federal grants and contracts	16,243,772	7,110,825
State grants and contracts	3,980,385	5,538,824
Local grants and contracts	770,447	484,061
Payments to/on behalf of employees	(25,796,211)	(23,636,558)
Payments for benefits	(8,086,696)	(7,452,702)
Payments for scholarships and grants	(11,958,039)	(9,267,246)
Payments to suppliers	(9,502,316)	(7,485,271)
Payments for utilities	(1,159,858)	(1,308,312)
Auxiliary enterprise sales and charges	2,209,690	2,424,554
Other receipts (payments)	(27,541)	343,920
<b>Net cash used by operating activities</b>	<u>(29,404,359)</u>	<u>(29,810,414)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
State apportionments, non-capital	17,946,800	17,508,228
Local property taxes, non-capital	8,374,304	7,956,694
State taxes and other revenues	907,423	1,173,545
<b>Net cash provided by non-capital financing activities</b>	<u>27,228,527</u>	<u>26,638,467</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of capital assets	(3,196,453)	(4,418,215)
Interest paid on capital debt	(1,462,457)	(1,516,316)
Principal paid on capital debt	(711,400)	(767,900)
State apportionments and grants, capital	1,148,480	553,250
Local property taxes, capital	2,281,660	2,337,608
<b>Net cash used by capital and related financing activities</b>	<u>(1,940,170)</u>	<u>(3,811,573)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	500,399	856,399
<b>Net cash provided by investing activities</b>	<u>500,399</u>	<u>856,399</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(3,615,603)	(6,127,121)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>21,567,215</u>	<u>27,694,336</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 17,951,612</u>	<u>\$ 21,567,215</u>

(Continued on following page)

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

REDWOODS COMMUNITY COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2010	2009
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and cash equivalents	\$ 1,931,361	\$ 3,856,909
Restricted cash and cash equivalents, current	1,662,437	1,594,100
Restricted cash and cash equivalents, noncurrent	14,357,814	16,116,206
<b>Total cash and cash equivalents</b>	<b>\$ 17,951,612</b>	<b>\$ 21,567,215</b>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (32,179,004)	\$ (31,092,479)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	1,538,671	1,500,380
Loss on construction in progress - project cancelled	-	1,023,018
Other receipts	315,278	335,730
On-behalf payments	517,717	526,752
(Increase) decrease in:		
Accounts receivable, net	1,936,084	(2,927,543)
Inventory	462,459	(341,702)
Prepaid expenses	(113,047)	254,620
Due from Foundation	(244,396)	-
Increase (decrease) in:		
Accounts payable	(1,134,581)	927,721
Accrued liabilities	(550,358)	76,465
Deferred revenue	148,748	(174,191)
Amounts held for others	(65,525)	13,649
Compensated absences - included in long-term liabilities	(4,694)	29,146
Other postemployment benefits - included in long-term liabilities	(31,711)	38,020
<b>Net cash used by operating activities</b>	<b>\$ (29,404,359)</b>	<b>\$ (29,810,414)</b>

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

COLLEGE OF THE REDWOODS FOUNDATION  
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2010	2009
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,449,898	\$ 1,154,087
Accounts receivable	785	19,625
Inventory	19,351	20,980
Prepaid sales taxes	18,116	88,928
Other assets	10,864	20,043
<b>Total current assets</b>	<b>1,499,014</b>	<b>1,303,663</b>
<b>ENDOWMENT ASSETS:</b>		
Cash and cash equivalents	1,935,017	1,947,723
Investments	1,732,044	1,546,685
Beneficial interest in CRAT	199,688	200,274
<b>Total endowment assets</b>	<b>3,866,749</b>	<b>3,694,682</b>
<b>Total assets</b>	<b>\$ 5,365,763</b>	<b>\$ 4,998,345</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 19,699	\$ 33,392
Other liabilities	(10,665)	-
Due to District	244,396	-
Depository liability	277,767	286,161
<b>Total current liabilities</b>	<b>531,197</b>	<b>319,553</b>
<b>NET ASSETS:</b>		
Unrestricted	391,364	140,009
Temporarily restricted	742,222	845,100
Permanently restricted	3,700,980	3,693,683
<b>Total net assets</b>	<b>4,834,566</b>	<b>4,678,792</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,365,763</b>	<b>\$ 4,998,345</b>

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

COLLEGE OF THE REDWOODS FOUNDATION  
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2010	2009
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
<b>Revenues, gains and other support:</b>		
Contributions:		
Public support	\$ 17,813	\$ 281
Special events revenue	14,237	10,841
<b>Total contributions</b>	<b>32,050</b>	<b>11,122</b>
Other revenues, gains and support:		
Investment return	8,236	31,140
Miscellaneous revenues	37,328	11,135
Food services	1,136,599	1,000,229
<b>Total other revenues, gains and support</b>	<b>1,182,163</b>	<b>1,042,504</b>
<b>Net assets released from restriction</b>	<b>477,549</b>	<b>117,427</b>
<b>Total revenues, gains and other support</b>	<b>1,691,762</b>	<b>1,171,053</b>
<b>Expenses:</b>		
Program services:		
Scholarships	210,377	170,636
Programs and grants	288,844	94,904
Contribution of Bookstore to District	-	551,420
Food services	935,499	912,466
<b>Total program services expenses</b>	<b>1,434,720</b>	<b>1,729,426</b>
Supporting services:		
Management and general	5,687	23,478
<b>Total supporting services expenses</b>	<b>5,687</b>	<b>23,478</b>
<b>Total expenses</b>	<b>1,440,407</b>	<b>1,752,904</b>
<b>Change in unrestricted net assets</b>	<b>251,355</b>	<b>(581,851)</b>

(Continued on following page)

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

COLLEGE OF THE REDWOODS FOUNDATION  
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2010	2009
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
<b>Revenues, gain and other support:</b>		
Contributions:		
Public support	88,320	121,850
Grants	-	500,000
<b>Total contributions</b>	88,320	621,850
<b>Special events:</b>		
Gross revenue	68,799	80,359
Less: expenses	(17,113)	(16,796)
<b>Total special events</b>	51,686	63,563
<b>Other revenues, gains (losses) and support:</b>		
Investment return (loss)	234,665	(343,145)
<b>Total other revenues, gains (losses) and support</b>	234,665	(343,145)
<b>Net assets released from restriction</b>	(477,549)	(117,427)
<b>Change in temporarily restricted net assets</b>	(102,878)	224,841
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:</b>		
Endowment fund contributions	7,883	1,540,947
Change in value of CRAT	(586)	(37,253)
<b>Change in permanently restricted net assets</b>	7,297	1,503,694
<b>CHANGE IN NET ASSETS</b>	155,774	1,146,684
<b>NET ASSETS, BEGINNING OF YEAR</b>	4,678,792	3,532,108
<b>NET ASSETS, END OF YEAR</b>	\$ 4,834,566	\$ 4,678,792

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

COLLEGE OF THE REDWOODS FOUNDATION  
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 155,774	\$ 1,146,684
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(147,902)	422,639
(Increase) decrease in value of CRT	586	37,253
Contribution of Bookstore to District	-	633,683
(Increase) decrease in:		
Accounts receivable	18,840	(7,205)
Inventory	1,629	(1,519)
Prepaid sales taxes	70,812	(84,787)
Other assets	9,179	(6,677)
Increase (decrease) in:		
Accounts payable	(13,693)	20,934
Other liabilities	(10,665)	-
Due to District	244,396	-
Depository liability	(8,394)	(81,319)
<b>Net cash provided by operating activities</b>	<b>320,562</b>	<b>2,079,686</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for investments	-	(118,844)
Reinvested investment return	(37,457)	(41,353)
Proceeds from the sale of investments	-	8,142
<b>Net cash used by investing activities</b>	<b>(37,457)</b>	<b>(152,055)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	283,105	1,927,631
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,101,810</b>	<b>1,174,179</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,384,915</b>	<b>\$ 3,101,810</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and cash equivalents	\$ 1,449,898	\$ 1,154,087
Cash and cash equivalents, endowments	1,935,017	1,947,723
<b>Total cash and cash equivalents</b>	<b>\$ 3,384,915</b>	<b>\$ 3,101,810</b>

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

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Redwoods Community College District (the District) is a political subdivision of the state of California and provides higher education in portions of four counties. The District consists of one community college with two educational centers and three branches located throughout the service area.

For financial reporting purposes, the District includes all funds, agencies, and authorities that are controlled by or dependent on the District's executive and legislative branches. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District, obligations of the District to finance any deficits that may occur, or receipt of significant subsidies from the District.

The financial statements of the District include the financial activities of the District and the combined totals of the trust and agency funds, which represent the various scholarships and student organizations within the District.

The College of the Redwoods Financing Corporation (the Corporation) and the College of the Redwoods Foundation (the Foundation), collectively known as the Component Units, have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB).

The following are those aspects of the relationship between the District and the component units that satisfy the GASB.

*Accountability* – The Foundation operates under a master agreement with the District in accordance with the *California Education Code* requirements. The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

*Scope of Public Service* – The Component Units are nonprofit, public benefit corporations incorporated under the laws of the state of California. The Foundation was formed to promote and assist the educational services of the District. The Corporation was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. At the end of the lease term, title of all corporate property will pass to the District for no additional consideration.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

REPORTING ENTITY (Continued)

*Blended Presentation* – The funds of separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the District’s governing board, or who provide services entirely to the District, are blended into the District’s funds by appropriate activity type to compose the primary government presentation. For financial purposes, the Corporation’s financial activities have been blended into the reporting activity of the District’s report.

*Discrete Presentation* – Funds of separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending, are discretely presented with the financial activities of the District. For financial presentation purposes, the Foundation’s financial activities have been discretely presented.

BASIS OF PRESENTATION AND ACCOUNTING

The financial statement presentation required by GASB Statements No. 34, 35, 37, 38, and 39 provides a comprehensive, entity-wide perspective of the District’s overall financial position, results of operations and cash flows, and replaces the fund-group perspective previously required. The District now follows the “business-type activities” reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the District’s financial activities.

The basic financial statements of the Redwoods Community College District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units with the exception described below. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement No. 20.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

BASIS OF PRESENTATION AND ACCOUNTING (Continued)

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities (BTA). Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

In accordance with industry standards provided by the California Community Colleges Chancellor's Office, summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted.

The financial accounts of the District are recorded and maintained in accordance with the *California Community Colleges Budget and Accounting Manual*.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County Treasury is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pools.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents includes amounts restricted for the repayment of debt, for use in the acquisition or construction of capital assets, for restricted programs, for any other restricted purpose, or in any funds restricted in purpose per the *California Community Colleges Budget and Accounting Manual*.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

ACCOUNTS RECEIVABLE

Accounts receivable consist mainly of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Losses on uncollectible accounts receivable are recognized when such losses become known or indicated.

INVENTORY

Inventory consists primarily of bookstore merchandise including, but not limited to, books, instructional materials and sundry items held for resale to students and staff of the District. Inventory is valued at cost utilizing the retail method on a specific identification basis. Management has determined the likelihood of cost exceeding market to be low.

Inventory also includes building lots and construction in progress of residential homes as part of the District's instructional programs in the construction trades. These assets are acquired for construction of student built houses and resold upon completion of construction.

CAPITAL ASSETS

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Where historical cost is not available, estimated historical cost is based on replacement cost reduced for inflation. Capitalized equipment includes all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation of capitalized assets is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings and improvements, 10 years for site improvements, 3 - 8 years for equipment and vehicles, and 5 years for library books and film.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

DEFERRED REVENUE

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

AMOUNTS HELD FOR OTHERS

Amounts held for others represents funds held by the District for the associated students fund.

COMPENSATED ABSENCES

Accumulated and vested unpaid employee vacation benefits and compensatory time are recognized as liabilities of the District as the benefits are earned.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

LONG-TERM LIABILITIES AND DEFERRED COSTS

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred costs and amortized over the term of the related debt. Amortization of issuance costs was \$38,449 and \$38,449 for the years ended June 30, 2010 and 2009, respectively.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

NET ASSETS

Net assets represent the difference between assets and liabilities. The District's net assets are classified as follows:

- *Invested in capital assets, net of related debt* – This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.
- *Restricted net assets-expendable* – Restricted expendable net assets represent resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.
- *Unrestricted net assets* – Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

CLASSIFICATION OF REVENUES

The District has classified its revenues as either operating or non-operating. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, local property taxes, and investment income.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

CLASSIFICATION OF REVENUES (Continued)

Revenues are classified according to the following criteria:

- Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts and federal appropriations.
- Non-operating revenues – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as state appropriations and investment income.

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as operating revenues (Grants) and operating expenses (Payments to Students) in the District's financial statements.

STATE APPORTIONMENTS

Certain current year apportionments from the State are based on various financial and statistical information of the previous year as well as State budgets and other factors outside the District's control. In February, subsequent to the year end, the State performs a recalculation based on actual financial and statistical information for the year just completed. The District's policy is to estimate the recalculation correction to apportionment, if any, based on factors it can reasonably determine such as local property tax revenue received and changes in FTES. Any additional corrections determined by the State are recorded in the year computed by the State.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent if paid after December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The respective counties bill and collect the taxes for the District.

BUDGET AND BUDGETARY ACCOUNTING

By state law, the District's governing board must approve a tentative budget no later than July 1, and adopt a final budget no later than September 15 of each year. A hearing must be conducted for public comments prior to adoption. The District's governing board satisfied these requirements.

The budget is revised during the year to incorporate categorical funds that are awarded during the year and miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

ON-BEHALF PAYMENTS

GASB Statement 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all Community College Districts in California. These payments are included in employee benefits expense and other non-operating revenues.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION**

ORGANIZATION

The College of the Redwoods Foundation (Foundation), a component unit of the Redwoods Community College District (District), is a non-profit organization granted tax exempt status under Section 501(c)(3) of the U.S. Internal Revenue Code. The purpose of the Foundation is to accumulate funds to award scholarships and loans to assist students while attending the District, and for designated projects. A substantial portion of the Foundation's revenue is from community donations.

BASIS OF PRESENTATION

These financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes - unrestricted, temporarily restricted or permanently restricted, as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When the time restriction stipulation ends or when funds are expended for intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION** (Continued)

BASIS OF PRESENTATION (Continued)

Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

INCOME TAXES

The Foundation operates under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Foundation is qualified to receive deductible charitable contributions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents and are recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pool.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION** (Continued)

INVESTMENTS

Investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statement of activities.

ACCOUNTS RECEIVABLE

The Foundation utilizes the allowance method of accounting for uncollectible accounts receivable. No allowance was necessary at June 30, 2010 and 2009, respectively.

INVENTORY

Inventory consists primarily of bookstore and food service merchandise and is valued at cost utilizing the retail method on a specific identification basis. Management has determined the likelihood of cost exceeding market to be low.

DEPOSITORY LIABILITIES

The Foundation administers funds for the District and District sanctioned clubs as well as individuals and entities that desire to benefit the District. Depository liabilities represent the amount of these funds held.

ENDOWMENT INVESTMENT AND SPENDING POLICIES

The Foundation's endowment consists of approximately 109 individual funds. The majority are established for scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION** (Continued)

ENDOWMENT INVESTMENT AND SPENDING POLICIES (Continued)

stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For purposes of establishing restricted balances, the Foundation uses the balances as of July 1, 1998, for all funds existing at that time, as the original value of the gift.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies* – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity securities and fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an inflation adjusted rate of return of approximately 5% on the equity portion; 4% on the fixed income portion; and 2% on the cash equivalent portion of the invested funds.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION** (Continued)

ENDOWMENT INVESTMENT AND SPENDING POLICIES (Continued)

Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy* – The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's four year moving average fair value. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate of approximating the then current inflation rate.

CONTRIBUTIONS

The Foundation recognizes contributions from unconditional promises to give when such promises are made if the amounts can be reasonably determined. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are to be received in future years are discounted at the Foundation's risk free rate of return.

DONATED ASSETS

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

DONATED SERVICES

Donated services are recognized as contributions in accordance with FASB ASC Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
 (Continued)

**DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION** (Continued)

DONATED SERVICES (Continued)

During the year, the Foundation received services meeting these criteria from the District in the form of accounting and administrative services as well as use of facilities. The value of these services is not included in the financial statements as management believes the value is not material to the financial statements as a whole. The Foundation did not receive any other services during the year that met the criteria for recognition in these financial statements.

Volunteers also provided their time and performed a variety of tasks that assisted the Foundation with specific program services and fundraising. Although such donated services do not meet the aforementioned criteria for recognition in the financial statements, they are essential to the success of the Foundation’s Mission and programs.

SCHOLARSHIPS

The Foundation recognizes unconditional scholarships awarded when such awards are made if the amounts can be reasonably determined. Conditional scholarships awarded are recognized when the conditions on which they depend are substantially met.

NOTE 2 CASH AND INVESTMENTS

The cash and cash equivalents as of June 30, 2010 and 2009, are displayed on the statement of net assets as follows:

	June 30,	
	2010	2009
Cash and cash equivalents	\$ 1,931,361	\$ 3,856,909
Restricted cash and cash equivalents – current	1,662,437	1,594,100
Restricted cash and cash equivalents – non-current	<u>14,357,814</u>	<u>16,116,206</u>
Total cash and cash equivalents	<u>\$ 17,951,612</u>	<u>\$ 21,567,215</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 2 CASH AND INVESTMENTS  
 (Continued)

Deposits – At June 30, 2010 and 2009, the carrying amount of the District's deposits are summarized as follows:

	June 30,	
	2010	2009
Cash in County Treasury	\$ 16,969,880	\$ 20,982,404
Cash on hand and in banks	981,732	584,811
Total deposits	\$ 17,951,612	\$ 21,567,215

As provided for by *Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Humboldt County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities was 1.73 and 2.27 years at June 30, 2010 and 2009, respectively.

Copies of the County's audited financial statements can be obtained from the Humboldt County Auditor's Office, 825 5<sup>th</sup> Street, Eureka, California 95501.

The pooled treasury has regulatory oversight from the Humboldt County Treasury Oversight Committee in accordance with *California Government Code* requirements.

The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits.

At June 30, 2010 and 2009, \$623,249 and \$24,169, respectively, of the District bank balances are uninsured. However, all cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 2      CASH AND INVESTMENTS  
(Continued)

Investments – The District’s investment policy allows investments in accordance with California Government Code Section 53600, et seq., which allows the District to invest in the following:

- Securities of the U.S. Government, or its agencies
- Negotiable certificates of deposit
- Commercial paper
- Corporate bonds
- Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits

The District has no investments as of June 30, 2010 and 2009.

Risk Information – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. California Government Code Section 53601 limits the District’s investments to maturities of five years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The District’s investment policy addresses credit risk by limiting its investment types as noted above to investments authorized by California Government Code. The District’s investment in the county investment pool is unrated.

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. At June 30, 2010, the District did not have an investment policy that sets forth limitations as to the concentration of investments in a single issuer. However, the District complies with California Government Codes related to the concentration of investments and there are no investments with any one issuer greater than 5 percent of total investments.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 2 CASH AND INVESTMENTS  
 (Continued)

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits. For investments, the District does not have a policy to address this risk.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 and 2009, consist of the following:

	June 30,	
	2010	2009
Tuition and fees	\$ 2,184,076	\$ 1,609,960
Less allowance for doubtful accounts	887,347	752,756
Tuition and fees, net	1,296,729	857,204
Federal grants and contracts	781,663	3,467,741
State grants and contracts	624,755	486,571
Local grants and contract	2,678	34,180
State apportionment, noncapital	3,755,449	3,474,306
State taxes and other revenues	512,379	453,622
State apportionment and grants, capital	861,292	572,072
Interest receivable	78,803	125,500
Auxiliary	492,037	321,148
Other	201,259	168,361
Total	\$ 8,607,044	\$ 9,960,705

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is summarized as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 1,807,500	\$ -	\$ -	\$ -	\$ 1,807,500
Construction in progress	<u>4,365,768</u>	<u>2,372,457</u>	<u>-</u>	<u>(1,845,867)</u>	<u>4,892,358</u>
Total nondepreciable capital assets	\$ <u>6,173,268</u>	\$ <u>2,372,457</u>	\$ <u>-</u>	\$ <u>(1,845,867)</u>	\$ <u>6,699,858</u>
Depreciable capital assets:					
Site improvements	\$ 5,207,356	\$ -	\$ -	\$ 1,845,867	\$ 7,053,223
Buildings and improvements	60,025,176	-	-	-	60,025,176
Equipment	3,960,634	301,946	(422,901)	-	3,839,679
Vehicles	1,061,615	109,428	(67,840)	-	1,103,203
Library books and film	<u>404,095</u>	<u>14,700</u>	<u>-</u>	<u>-</u>	<u>418,795</u>
Total depreciable capital assets	<u>70,658,876</u>	<u>426,074</u>	<u>(490,741)</u>	<u>1,845,867</u>	<u>72,440,076</u>
Less accumulated depreciation:	<u>(25,887,067)</u>	<u>(1,538,671)</u>	<u>490,741</u>	<u>-</u>	<u>(26,934,997)</u>
Total depreciable capital assets, net	\$ <u>44,771,809</u>	\$ <u>(1,112,597)</u>	\$ <u>-</u>	\$ <u>1,845,867</u>	\$ <u>45,505,079</u>

Capital asset activity for the year ended June 30, 2009, is summarized as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 1,807,500	\$ -	\$ -	\$ -	\$ 1,807,500
Construction in progress	<u>3,703,756</u>	<u>3,478,555</u>	<u>(1,023,018)</u>	<u>(1,793,525)</u>	<u>4,365,768</u>
Total nondepreciable capital assets	\$ <u>5,511,256</u>	\$ <u>3,478,555</u>	\$ <u>(1,023,018)</u>	\$ <u>(1,793,525)</u>	\$ <u>6,173,268</u>
Depreciable capital assets:					
Site improvements	\$ 5,207,356	\$ -	\$ -	\$ -	\$ 5,207,356
Buildings and improvements	57,541,820	689,831	-	1,793,525	60,025,176
Equipment	3,498,021	501,668	(39,055)	-	3,960,634
Vehicles	1,029,112	32,503	-	-	1,061,615
Library books and film	<u>351,972</u>	<u>52,123</u>	<u>-</u>	<u>-</u>	<u>404,095</u>
Total depreciable capital assets	<u>67,628,281</u>	<u>1,276,125</u>	<u>(39,055)</u>	<u>1,793,525</u>	<u>70,658,876</u>
Less accumulated depreciation:	<u>(24,415,336)</u>	<u>(1,510,786)</u>	<u>39,055</u>	<u>-</u>	<u>(25,887,067)</u>
Total depreciable capital assets, net	\$ <u>43,212,945</u>	\$ <u>(234,661)</u>	\$ <u>-</u>	\$ <u>1,793,525</u>	\$ <u>44,771,809</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 5      ACCOUNTS PAYABLE

Accounts payable at June 30, 2010 and 2009, consist of the following:

	June 30,	
	2010	2009
Amounts payable to vendors	\$ 859,206	\$ 1,993,787
Amounts payable to contractors	522,999	920,921
Total	\$ 1,382,205	\$ 2,914,708

NOTE 6      ACCRUED LIABILITIES

Accrued liabilities at June 30, 2010 and 2009, consist of the following:

	June 30,	
	2010	2009
Accrued payroll and related liabilities	\$ 412,854	\$ 948,304
Accrued interest	586,083	606,458
Other	89,969	104,877
Total	\$ 1,088,906	\$ 1,659,639

NOTE 7      DEFERRED REVENUE

Deferred revenue at June 30, 2010 and 2009, consist of the following:

	June 30,	
	2010	2009
Tuition and fees	\$ 1,173,802	\$ 984,937
Federal grants and contracts	96,895	4,389
State grants and contracts	474,648	650,609
Local grants and contracts	102,951	85,581
State apportionment and grants, capital	321,743	350,473
Other	45,183	19,215
Total	\$ 2,215,222	\$ 2,095,204

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 8 SHORT-TERM DEBT

The District participated in the California Community College Financing Authority 2009 Tax and Revenue Anticipation Bond program, depositing the proceeds (to the extent of participation) in its general fund. Short-term debt is necessary for the District to maintain proper working cash levels.

Short-term debt activity for the year ended June 30, 2010 was as follows:

	<u>June 30, 2009</u>			<u>June 30, 2010</u>
	<u>Balance</u>	<u>Drawn</u>	<u>Repaid</u>	<u>Balance</u>
Participation in California Community College Financing Authority 2009 Tax and Revenue Anticipation Bonds	\$ <u>          -</u>	\$ <u>1,849,183</u>	\$ <u>(1,849,183)</u>	\$ <u>          -</u>

There was no short-term debt activity for the year ended June 30, 2009.

NOTE 9 NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2010:

	<u>Beginning</u>		<u>Accretion/</u>	<u>Amortization/</u>	<u>Ending</u>
	<u>Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Long-term debt:					
General obligation bonds	\$ 32,213,503	\$ -	\$ (681,101)	\$ 31,532,402	
Refunding lease obligation	<u>625,800</u>	<u>-</u>	<u>(66,400)</u>	<u>559,400</u>	
Total	\$ <u>32,839,303</u>	\$ <u>-</u>	\$ <u>(747,501)</u>	\$ <u>32,091,802</u>	
Other long-term liabilities:					
Compensated absences	\$ 687,436	\$ 676,581	\$ (681,275)	\$ 682,742	
Other postemployment benefits obligation	<u>38,020</u>	<u>759,785</u>	<u>(791,496)</u>	<u>6,309</u>	
Total	\$ <u>725,456</u>	\$ <u>1,436,366</u>	\$ <u>(1,472,771)</u>	\$ <u>689,051</u>	

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 9 NONCURRENT LIABILITIES  
(Continued)

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Accretion/ Additions</u>	<u>Amortization/ Reductions</u>	<u>Ending Balance</u>
Long-term debt:				
General obligation bonds	\$ 32,952,171	\$ -	\$ (738,668)	\$ 32,213,503
Refunding lease obligation	<u>693,700</u>	<u>-</u>	<u>(67,900)</u>	<u>625,800</u>
Total	<u>\$ 33,645,871</u>	<u>\$ -</u>	<u>\$ (806,568)</u>	<u>\$ 32,839,303</u>
Other long-term liabilities:				
Compensated absences	\$ 658,290	\$ 29,146	\$ -	\$ 687,436
Other postemployment benefits obligation	<u>-</u>	<u>757,884</u>	<u>(719,864)</u>	<u>38,020</u>
Total	<u>\$ 658,290</u>	<u>\$ 787,030</u>	<u>\$ (719,864)</u>	<u>\$ 725,456</u>

Long-term debt consists of the following individual debt issues at June 30, 2009.

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>General Obligation Bonds</u>		
2004 General Obligation Bonds Series 2005, issued in the original amount of \$18,000,000. Final maturity August 1, 2029. Interest rates 3.375% to 8.00%.	\$ 16,245,000	\$ 16,755,000
Unamortized issuance premium on 2004 General Obligation Bonds Series 2005	<u>351,917</u>	<u>375,510</u>
Total 2004 General Obligation Bonds Series 2005	<u>16,596,917</u>	<u>17,130,510</u>
2004 General Obligation Bonds Series 2007, issued in the original amount of \$15,000,000. Final maturity August 1, 2031. Interest rates 4.00% to 6.00%.	14,650,000	14,785,000
Unamortized issuance premium on 2004 General Obligation Bonds Series 2007	<u>285,485</u>	<u>297,993</u>
Total 2004 General Obligation Bonds Series 2007	<u>14,935,485</u>	<u>15,082,993</u>
Total general obligation bonds	<u>31,532,402</u>	<u>32,213,503</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 9      NONCURRENT LIABILITIES  
 (Continued)

	June 30,	
	2010	2009
<u>Refunding Lease Obligation</u>		
1998 Refunding Lease issued in the original amount of \$1,592,100. Final maturity November, 2016. Interest rate 5.3%.	559,400	625,800
Total long-term debt	32,091,802	32,839,303
Less current portion	745,000	711,400
Total long-term debt, noncurrent portion	\$ 31,346,802	\$ 32,127,903

The annual debt service requirements to maturity on the general obligation bond issues are as follows:

Year Ended June 30,	Principal	Interest	Premium	Total
2011	\$ 670,000	\$ 1,382,599	\$ 36,095	\$ 2,088,694
2012	705,000	1,333,399	36,374	2,074,773
2013	740,000	1,293,399	36,735	2,070,134
2014	780,000	1,264,905	37,180	2,082,085
2015	1,160,000	1,229,611	37,813	2,427,424
2016 – 2020	6,530,000	5,425,017	202,035	12,157,052
2021 – 2025	8,030,000	3,882,618	206,222	12,118,840
2026 – 2030	10,065,000	1,787,209	42,255	11,894,464
2031 – 2032	2,215,000	112,125	2,693	2,329,818
Total	\$ 30,895,000	\$ 17,710,882	\$ 637,402	49,243,284
Less interest				17,710,882
Net principal				\$ 31,532,402

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 9 NONCURRENT LIABILITIES  
 (Continued)

The annual debt service requirements to maturity on the refunding lease obligation are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 75,000	\$ 27,661	\$ 102,661
2012	78,200	23,601	101,801
2013	81,100	19,379	100,479
2014	83,900	15,007	98,907
2015	91,400	10,362	101,762
2016 – 2017	<u>149,800</u>	<u>6,948</u>	<u>156,748</u>
Total	<u>\$ 559,400</u>	<u>\$ 102,958</u>	<u>\$ 662,358</u>

OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009. The District's actuarially determined annual required contributions and other additions for the years ended June 30, 2010 and 2009 were \$759,785 and \$757,884, respectively, and contributions made by the District during the year were \$791,496 and \$719,864, respectively, which resulted in a net OPEB obligation of \$6,309 and \$38,020, respectively. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 10 PENSION PLANS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public Employees' Retirement System.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 10 PENSION PLANS  
(Continued)

A. Plan Descriptions and Provisions

1. *State Teachers' Retirement System (STRS)*

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more in a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement Plan (STRP), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

The STRP, a defined benefit pension plan, provides retirement, disability, and death benefits, and depending on which component of the STRP the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the 2 percent factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied.

Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 10 PENSION PLANS  
(Continued)

A. Plan Descriptions and Provisions (Continued)

1. *State Teachers' Retirement System (STRS)* (Continued)

The features of the CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half time or more, the member will automatically become a member of the DB Plan.

2. *California Public Employees' Retirement System (CalPERS)*

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Redwoods Community College District is part of a "cost-sharing" pool within CalPERS.

Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2 percent of final compensation for each year of service credit.

Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 10 PENSION PLANS  
 (Continued)

B. Funding Policy

STRS: Active plan members are required to contribute 8.0% of their gross salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal year ended June 30, 2010 and 2009, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes.

CalPERS: Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2010 and 2009, was 9.709% and 9.428%, respectively, of annual payroll. The contribution requirements of the plan members are established by State statutes.

The District's required contributions for the last three years are as follows:

	Year Ended June 30,		
	2008	2009	2010
STRS	\$ 946,659	\$ 963,999	\$ 1,019,308
PERS	666,249	721,853	797,156
Total	\$ 1,612,908	\$ 1,685,852	\$ 1,816,464

All contributions were made in accordance with actuarially determined requirements and equal 100% of the required contribution for each year.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 10 PENSION PLANS  
(Continued)

C. On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 4.517% of covered members' gross salaries of the second preceding fiscal year. The contribution for the years ending June 30, 2010, 2009 and 2008 are estimated to have been \$517,717, \$526,752 and \$504,538, respectively. The payment amounts have been reflected in the basic financial statements as a component of employee benefits expense and other non-operating revenues.

A State of California contribution on behalf of the District to CalPERS was not required for the years ended June 30, 2010, 2009 and 2008.

NOTE 11 STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements will not be material.

NOTE 12 RISK MANAGEMENT

The District participates in property, liability, and workers' compensation insurance programs organized through the Northern California Community Colleges Self Insurance Authority (NCCCSIA), the Statewide Association of Community Colleges (SWACC), and the Protected Insurance Program for Schools (PIPS). These JPA's are created to provide self-insurance programs to California Community Colleges.

The District participates in a health insurance benefits program organized by the North Coast Schools Medical Insurance Group (NCSMIG), which is a JPA, created to provide self-insurance programs for school districts.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 12 RISK MANAGEMENT  
(Continued)

The District is a participant in the Schools Excess Liability Fund (SELF). SELF is a JPA created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-funded excess liability fund for public educational agencies, which are parties thereto. Should excess liability claims exceed amounts funded to SELF by all participants the District may be required to provide additional funding.

The JPA's are independently accountable for their fiscal matters, and as such, are not component units of the District for financial reporting purposes.

Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. For the last three years, settled claims have not exceeded insurance coverage, nor has there been any reduction in insurance coverage.

NOTE 13 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT  
BENEFIT (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

A. Plan Description

The Redwoods Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance coverage to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired before January 1, 2008, classified retirees hired before July 1, 2006, and administrative, managerial, and confidential employees hired before September 1, 2006. Group medical coverage is also provided for board members meeting certain eligibility requirements. Membership of the Plan consists of 75 retirees currently receiving benefits and 220 eligible active plan members.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 13 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT  
 BENEFIT (OPEB) OBLIGATION  
 (Continued)

B. Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the years ended June 30, 2010 and 2009, the District contributed \$791,496 and \$719,864, respectively, to the Plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan.

	June 30,	
	2010	2009
Annual required contribution	\$ 757,884	\$ 757,884
Interest on net OPEB obligation	1,901	-
Contributions made	<u>(791,496)</u>	<u>(719,864)</u>
Increase (decrease) in net OPEB obligation	(31,711)	38,020
Net OPEB obligation, beginning of the year	<u>38,020</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 6,309</u>	<u>\$ 38,020</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 13 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT  
 BENEFIT (OPEB) OBLIGATION  
 (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2010 and 2009 is as follows (since 2009 was the first year of implementation, only two years of information is presented):

	June 30,	
	2010	2009
Annual OPEB cost	\$ 757,884	\$ 757,884
Percentage of annual OPEB costs contributed	104.43%	97.98%
Net OPEB obligation	\$ 6,309	\$ 38,020

D. Funded Status Information

The District's funding status information is illustrated as follows:

Actuarial valuation date	September 1, 2008
Actuarial accrued liability (AAL)	\$ 6,480,061
Actuarial value of plan assets	\$ -
Unfunded AAL (UAAL)	\$ 6,480,061
Funded ratio (actuarial value of plan assets as percentage of AAL)	0.0%
Covered payroll	\$ 13,911,554
UAAL as percentage of covered payroll	47%

As of June 30, 2009, the District has not set aside any amounts in an external trust fund.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 13    POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT  
BENEFIT (OPEB) OBLIGATION  
(Continued)

E.    Actuarial Methods and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 1, 2008 actuarial valuation, the entry-age normal cost method was used. The actuarial assumptions included a 5.0% discount rate, a 3.0% price inflation, a 3.0% wage inflation, and an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll over a 25-year period.

NOTE 14    COMMITMENTS AND CONTINGENCIES

The District entered into various operating leases for land, buildings and equipment. All leases contain termination clauses providing for cancellation upon written notice to lessors. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 14    COMMITMENTS AND CONTINGENCIES  
(Continued)

The District periodically enters into construction commitments which are funded through State grants and/or Measure Q Bond funding. At June 30, 2010 and 2009, the District had unfinished contracts in the amount of \$14,223,983 and \$413,872, respectively.

The California Division of the State Architect has informed the District that since some of the District's buildings are located near active earthquake faults the best mitigation is avoidance. The District plans to construct comparable new building space on the same site and find other non-student uses of the existing affected buildings, if possible. At June 30, 2010, the District's affected assets have a net book value of \$2,384,708 and have been reported without adjustment.

The College is accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (Commission). The Commission changed the College's status from probation to warning at the end of fiscal year 2008 with one recommendation remaining of the original four recommendations to bring the College into full compliance with the Commission's standards. At its meeting in January 2009, the Commission removed the College from warning status and reaffirmed its accreditation. In June 2009, the Commission took action to place the College back in warning status for the original 2008 recommendation related to program review and added a new 2009 recommendation related to shared governance to be addressed by the College. In January 2010, the Commission removed the College from warning status.

NOTE 15    PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2010, the District determined certain construction projects that were reported as in progress at June 30, 2009 were actually completed during the fiscal year ending June 30, 2009. This required a reclassification between nondepreciable and depreciable capital assets in the amount of \$514,491. This adjustment had no impact on the change in net assets for the year ended June 30, 2009.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 15 PRIOR PERIOD ADJUSTMENTS  
(Continued)

During the year ended June 30, 2010, the District also determined certain costs carried in construction in progress at June 30, 2009 related to a project that had been cancelled during the fiscal year ending June 30, 2009. This required a reduction of nondepreciable capital assets and a corresponding increase in expenses for that year in the amount of \$1,023,018.

Net assets at June 30, 2009 have been restated from amounts previously reported to reflect the retroactive charge of \$1,023,018 due to the cancelled project. Of this amount \$1,023,018 is applicable to the year ended June 30, 2009 and has been reflected as an increase in operating expenses for that year.

NOTE 16 INVESTMENTS – FOUNDATION

Investments at June 30, 2010 and 2009 consist of the following:

	June 30,	
	2010	2009
Certificates of deposits	\$ 75,050	\$ 75,050
Shares of registered investment companies	<u>1,656,994</u>	<u>1,471,635</u>
Total investments	<u>\$ 1,732,044</u>	<u>\$ 1,546,685</u>

A summary of return on investments consists of the following for the years ended June 30, 2010 and 2009, respectively:

	June 30,	
	2010	2009
Interest and dividends	\$ 94,999	\$ 110,634
Net realized gains (losses)	<u>-</u>	<u>(4,254)</u>
Investment income (loss)	94,999	106,380
Net unrealized gains (losses)	<u>147,902</u>	<u>(418,385)</u>
Total investment return (loss)	<u>\$ 242,901</u>	<u>\$ (312,005)</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 17    CONCENTRATION OF CREDIT RISK – FOUNDATION

The Foundation has concentrated essentially all cash with the County. Because of the nature of pooled accounts the Foundation is not able to determine what portion of its balances are insured, however the *California Government Code* requires California banks and savings and loan associations to secure local government's (such as the County) deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits.

NOTE 18    BENEFICIAL INTEREST IN CHARITABLE REMAINDER  
ANNUITY TRUST – FOUNDATION

The Foundation was named a remainder beneficiary of a charitable remainder annuity trust, which was created in June 1997. The income beneficiary is to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to 7% of the net fair market value of the trust assets on the first day of the trust. Upon the death of the income beneficiary, 33% of the remaining principal is to be distributed to the Foundation.

The Foundation has elected the fair value option in conformity with FASB ASC 825-10 to report its interest in the charitable remainder trust. A noncurrent asset for the charitable remainder trusts has been recognized at the present value of the expected future cash flow discounted at a rate of 3.2% and 2.8% at June 30, 2010 and 2009, respectively. Changes in the value of the trust have been reported in the statement of activities as decreases in temporarily restricted net assets.

NOTE 19    RESTRICTIONS ON NET ASSETS – FOUNDATION

Temporarily restricted net assets include net assets restricted for a period of time or until the occurrence of a particular event, as in the case of trust agreements, and net assets subject to donor-imposed stipulations that the net assets be expended on specific purposes.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 19 RESTRICTIONS ON NET ASSETS – FOUNDATION  
 (Continued)

Permanently restricted net assets are to provide permanent endowments with investment income temporarily restricted for scholarships or specific college-related programs.

NOTE 20 SPECIAL EVENTS – FOUNDATION

The following is a summary of special events:

	Year Ended June 30, 2010		
	Sports Auction	Other	Total
Gross revenue	\$ 68,799	\$ 14,237	\$ 83,036
Expenses	<u>(17,113)</u>	<u>-</u>	<u>(17,113)</u>
Net special event	<u>\$ 51,686</u>	<u>\$ 14,237</u>	<u>\$ 65,923</u>

	Year Ended June 30, 2009		
	Sports Auction	Other	Total
Gross revenue	\$ 80,359	\$ 10,841	\$ 91,200
Expenses	<u>(16,796)</u>	<u>-</u>	<u>(16,796)</u>
Net special event	<u>\$ 63,563</u>	<u>\$ 10,841</u>	<u>\$ 74,404</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 21    ENDOWMENTS – FOUNDATION

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Challenge Grant Funds	\$ -	\$ 177,877	\$ 750,000	\$ 927,877
Perpetual Funds	(77,254)	13,778	1,024,046	960,570
Cal-Trans Grant Fund	-	29,482	1,500,000	1,529,482
Grundell Endowment (CRT)	-	-	199,688	199,688
Other Funds	<u>(8,580)</u>	<u>30,466</u>	<u>227,246</u>	<u>249,132</u>
Total donor-restricted endowment funds	<u>\$ (85,834)</u>	<u>\$ 251,603</u>	<u>\$ 3,700,980</u>	<u>\$ 3,866,749</u>
Endowment net assets, beginning of year	\$ (130,245)	\$ 131,244	\$ 3,693,683	\$ 3,694,682
Contributions	-	-	7,883	7,883
Investment income	-	79,672	-	79,672
Change in value CRT	-	-	(586)	(586)
Unrealized gain on investments	-	147,902	-	147,902
Amounts appropriated for expenditure	-	(62,804)	-	(62,804)
Reclassification see explanation below	<u>44,411</u>	<u>(44,411)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (85,834)</u>	<u>\$ 251,603</u>	<u>\$ 3,700,980</u>	<u>\$ 3,866,749</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 21    ENDOWMENTS – FOUNDATION  
 (Continued)

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Challenge Grant Funds	\$ -	\$ 96,265	\$ 750,000	\$ 846,265
Perpetual Funds	(117,018)	3,835	1,016,163	902,980
Cal-Trans Grant Fund	-	14,069	1,500,000	1,514,069
Grundell Endowment (CRT)	-	-	200,274	200,274
Other Funds	<u>(13,227)</u>	<u>17,075</u>	<u>227,246</u>	<u>231,094</u>
Total donor-restricted endowment funds	<u>\$ (130,245)</u>	<u>\$ 131,244</u>	<u>\$ 3,693,683</u>	<u>\$ 3,694,682</u>
Endowment net assets, beginning of year	\$ -	\$ 418,874	\$ 2,189,989	\$ 2,608,863
Contributions	-	-	1,540,947	1,540,947
Investment income	-	70,550	-	70,550
Change in value CRT	-	-	(37,253)	(37,253)
Unrealized loss on investments	-	(418,385)	-	(418,385)
Amounts appropriated for expenditure	-	(70,040)	-	(70,040)
Reclassification see explanation below	<u>(130,245)</u>	<u>130,245</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (130,245)</u>	<u>\$ 131,244</u>	<u>\$ 3,693,683</u>	<u>\$ 3,694,682</u>

From time to time, the fair value of assets associated with individual donor designated endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$85,834 and \$130,245 at June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the Board of Directors.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 22 FAIR VALUE MEASUREMENTS – FOUNDATION

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposits	\$ 75,050	\$ 75,050	\$ -	\$ -
Shares of registered investment companies	1,656,994	1,656,994	-	-
Beneficial interest in CRAT	<u>199,688</u>	<u>-</u>	<u>-</u>	<u>199,688</u>
Total	<u>\$ 1,931,732</u>	<u>\$ 1,732,044</u>	<u>\$ -</u>	<u>\$ 199,688</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

July 1, 2009	\$ 200,274
Change in present value	<u>(586)</u>
June 30, 2010	<u>\$ 199,688</u>

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposits	\$ 75,050	\$ 75,050	\$ -	\$ -
Shares of registered investment companies	1,471,635	1,471,635	-	-
Beneficial interest in CRAT	<u>200,274</u>	<u>-</u>	<u>-</u>	<u>200,274</u>
Total	<u>\$ 1,746,959</u>	<u>\$ 1,546,685</u>	<u>\$ -</u>	<u>\$ 200,274</u>

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2010 AND 2009

NOTE 22 FAIR VALUE MEASUREMENTS – FOUNDATION  
 (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

July 1, 2008	\$	237,527
Change in present value		<u>(37,253)</u>
June 30, 2009	\$	<u>200,274</u>

Fair value for the Beneficial interest in CRAT (level 3) is determined by management's judgment to approximate the present value of the future distributions expected to be received.

NOTE 23 TRANSACTIONS WITH DISTRICT – FOUNDATION

The Foundation contracts with the District to provide employees for the food services operations. The amounts paid for these services were \$241,999 and \$212,203 for the years ended June 30, 2010 and 2009, respectively.

On July 1, 2008, the Foundation gifted the net assets and operation of the bookstore to the District. The gift consisted of the following assets and liabilities and is included as a program service expense.

Accounts receivable	\$	327,697
Inventory		409,312
Depreciable capital assets, net		8,094
Accounts payable and other liabilities		<u>(193,683)</u>
Total	\$	<u>551,420</u>

THIS PAGE INTENTIONALLY LEFT BLANK

REDWOODS COMMUNITY COLLEGE DISTRICT  
 ORGANIZATION  
 JUNE 30, 2010

GOVERNING BOARD

Name	Office	Term Expires
Bruce Emad	President	2011
Colleen Mullery	Vice President	2011
Tom Ross	Clerk	2013
Rick Bennett	Member	2010
Sally Biggin	Member	2011
Tracy Coppini	Member	2013
Richard Dorn	Member	2011
George Truett	Member	2013
Barbara Rice	Member	2013
Karen Rio	Student Member (Non-voting)	2010
Rebecca Ashbach	Student Member (Non-voting)	2011

ADMINISTRATION

NAME	Office
Jeff Marsee	Superintendent/President
Marjorie Carson	Vice President, Instruction
Keith Snow-Flamer	Vice President, Student Learning & Support Services

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
<u>Department of Agriculture:</u>		
Passed through Butte County Office of Education		
Child Nutrition Program	10.558	\$ 46,977
Forest Reserve	10.665	172,585
Total Department of Agriculture		<u>219,562</u>
<u>Department of Interior:</u>		
Passed through various tribes		
Bureau of Indian Affairs	15.124	95,093
Total Department of Interior		<u>95,093</u>
<u>Department of Labor:</u>		
Passed through County of Humboldt		
Workforce Investment Act - Adult Program	17.258	293,196
Passed through State of California Employment Development Department		
Workforce Investment Act - Adult Program	17.258	239,791
Workforce Investment Act - Youth Activities	17.259	17,891
Workforce Investment Act - Dislocated Workers	17.260	71,803
Total Department of Labor		<u>622,681</u>
<u>National Science Foundation:</u>		
Passed through Butler County Community College District		
Education and Human Resources	47.076	4,311
Total National Science Foundation		<u>4,311</u>
<u>Department of Veteran's Affairs:</u>		
Veteran's Education	64.117	1,474
Total Department of Veteran's Affairs		<u>1,474</u>

(Continued on following page)

The accompanying notes to supplementary information are an  
integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
<u>Department of Education:</u>		
Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	141,707
Federal Family Education Loans	84.032	-
Federal Work-Study Program	84.033	179,098
Federal Pell Grant Program	84.063	10,306,763
Academic Competitiveness Grants	84.375	23,791
Total Financial Aid Cluster		<u>10,651,359</u>
TRIO Cluster:		
Student Support Services	84.042	312,348
Upward Bound	84.047	365,473
Total TRIO Cluster		<u>677,821</u>
Higher Education Institutional Aid	84.031	305,924
Child Care Access Means Parents in School	84.335	40,864
Adult Education - State Grant Program	84.002	600
Passed through California Community Colleges Chancellor's Office		
Vocational Education - Tech Prep Education	84.243	67,750
Passed through State Department of Education		
Vocational Education - Basic Grants to States	84.048	245,764
Passed through California Community Colleges Chancellor's Office		
State Fiscal Stabilization Fund -		
Education State Grants, Recovery Act - ARRA	84.394	230,569
Total Department of Education		<u>12,220,651</u>
<u>Department of Health and Human Services:</u>		
Passed through California Community Colleges Chancellor's Office		
Temporary Assistance for Needy Families	93.558	74,113
Passed through California Department of Education		
Child Care and Development Block Grant	93.575	12,178
Passed through Foundation for California Community Colleges		
TANF - Child Development Careers	93.558	18,359
Total Department of Health and Human Services		<u>104,650</u>

(Continued on following page)

The accompanying notes to supplementary information are an  
integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
<u>Corporation for National and Community Service:</u>		
Americorps	94.006	<u>191,082</u>
Total Corporation for National and Community Service		<u>191,082</u>
Total Federal Expenditures		<u>\$ 13,459,504</u>

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL AWARDS  
YEAR ENDED JUNE 30, 2010

Program Name	Program Revenues			Total	Total Program Expenditures
	Cash Received	Increase (Decrease) Accounts Receivable	(Increase) Decrease in Deferred Revenue		
State Preschool	\$ 223,305	\$ (6,919)	\$ (10,113)	\$ 206,273	\$ 206,273
CDE - Infant Toddler	181,211	(7,976)	(19,346)	153,889	153,889
EOPS	642,688		25,445	668,133	668,133
DSPS	612,746		(49,335)	563,411	563,411
CARE	113,135			113,135	113,135
CalWORKS	158,480		(5,000)	153,480	153,480
Board Financial Assistance	236,651		(64,927)	171,724	171,724
Matriculation	163,550			163,550	163,550
Foster Parent	267,598	(23,970)		243,628	243,628
CalSOAP	274,937	107,095		382,032	382,032
Economic Development	123,649		88,384	212,033	212,033
CTE Collaborative	220,984	35,867		256,851	256,851
College Access Foundation	21,460		120,806	142,266	142,266
Cal Grant	491,020	21,681		512,701	512,701
Econ Dev - REBRAC	100,389	(2,851)		97,538	97,538
Other categorical aid programs	148,582	15,257	90,047	253,886	253,886
State grants, non-capital	3,980,385	138,184	175,961	4,294,530	4,294,530
State grants, capital	1,148,480	289,220	28,730	1,466,430	1,466,430
Total State programs	\$ 5,128,865	\$ 427,404	\$ 204,691	\$ 5,760,960	\$ 5,760,960

The accompanying notes to supplementary information are an integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
 SCHEDULE OF WORKLOAD MEASURES FOR  
 STATE GENERAL APPORTIONMENT  
 ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2010

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2009 Only)			
1. Noncredit	-		-
2. Credit	36.66		36.66
B. Summer Intersession (Summer 2010 Prior to July 1, 2010)			
1. Noncredit	-		-
2. Credit	0.26		0.26
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,596.50		4,596.50
(b) Daily Census Contact Hours	240.45		240.45
2. Actual Hours of Attendance Procedures Courses			
(a) Noncredit	1.61		1.61
(b) Credit	296.76		296.76
3. Independent Study/Work Experience Education Courses			
(a) Weekly Census Procedure Courses	322.24		322.24
(b) Daily Census Procedure Courses	47.06		47.06
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	<u>5,541.54</u>		<u>5,541.54</u>
Supplemental Information (Subset of above information)			
E. In-Service Training Courses (FTES)	19.70		19.70
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	1.84		1.84
2. Credit	521.38		521.38

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT (CCFS-311)  
WITH DISTRICT ACCOUNTING RECORDS  
YEAR ENDED JUNE 30, 2010

	<u>General Funds</u>	<u>Bond Interest and Redemption Fund</u>	<u>Other Debt Service Fund</u>	<u>Child Development Fund</u>
June 30, 2010 Annual Financial and Budget Report (CCFS-311) Fund Balance	<u>\$ 1,965,640</u>	<u>\$ 1,676,768</u>	<u>\$ -</u>	<u>\$ (47,848)</u>
Adjustment and reclassifications increasing (decreasing) the fund balance:				
District posted adjustments	(40,634)	-	-	-
Reclassification of amounts held for others	-	-	-	-
Rounding	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Net adjustments and reclassifications	<u>(40,634)</u>	<u>-</u>	<u>-</u>	<u>2</u>
June 30, 2010 District Accounting Records Fund Balance	<u><u>\$ 1,925,006</u></u>	<u><u>\$ 1,676,768</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (47,846)</u></u>

The accompanying notes to the supplementary information  
are an integral part of this supplementary information.

<u>Farm Operations Fund</u>	<u>Bookstore Fund</u>	<u>Other Special Revenue Fund</u>	<u>Capital Outlay Projects Fund</u>	<u>Employee Benefit Fund</u>	<u>Associated Students Trust Fund</u>	<u>Student Financial Aid Trust Fund</u>	<u>Total</u>
<u>\$ 43,262</u>	<u>\$ 488,090</u>	<u>\$ 857,501</u>	<u>\$14,458,467</u>	<u>\$4,243,106</u>	<u>\$ 47,957</u>	<u>\$ 5</u>	<u>\$23,732,948</u>
-	-	-	-	-	-	-	(40,634)
-	-	-	-	-	(47,957)	-	(47,957)
<u>(1)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>1</u>
<u>(1)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(47,957)</u>	<u>-</u>	<u>(88,590)</u>
<u>\$ 43,261</u>	<u>\$ 488,091</u>	<u>\$ 857,501</u>	<u>\$ 14,458,467</u>	<u>\$4,243,105</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 23,644,358</u>

REDWOODS COMMUNITY COLLEGE DISTRICT  
 COMBINING BALANCE SHEET - ALL DISTRICT FUNDS  
 INCLUDED IN THE REPORTING ENTITY

JUNE 30, 2010

	General Funds	Bond Interest and Redemption Fund	Other Debt Service Fund
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	1,582,177	-
Accounts receivable, net	6,812,041	94,591	-
Inventory	31,499	-	-
Prepaid expenses	38,891	-	-
Due from other funds	34,177	-	-
Due from Foundation	208,252	-	-
	<b>Total current assets</b>	<b>1,676,768</b>	<b>-</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	-	-	-
Capital assets, net of depreciation	-	-	-
	<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>
	<b>Total assets</b>	<b>\$ 1,676,768</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Deficit cash balance	\$ 2,259,453	\$ -	\$ -
Accounts payable	684,734	-	-
Accrued liabilities	454,412	-	-
Deferred revenue	1,801,255	-	-
Due to other funds	-	-	-
Amounts held for others	-	-	-
	<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY:</b>			
Retained earnings (deficit)	-	-	-
Fund balances:			
Reserved for debt service	-	1,676,768	-
Reserved for capital projects	-	-	-
Reserved for special purposes	19,014	-	-
Unreserved:			
Undesignated	1,905,992	-	-
	<b>Total fund equity</b>	<b>1,676,768</b>	<b>-</b>
	<b>Total liabilities and fund equity</b>	<b>\$ 1,676,768</b>	<b>\$ -</b>

(Continued on following page)

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

Child Development Fund	Farm Operations Fund	Bookstore Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Employee Benefit Fund
\$ -	\$ 60,917	\$ -	\$ 666,993	\$ -	\$ -	\$ 4,241,801
-	-	-	-	-	-	-
25,879	-	492,037	7,196	955,205	50,000	15,000
-	-	517,494	269,990	-	-	-
-	-	128,170	-	-	-	-
-	-	-	-	-	-	-
433	-	35,055	256	-	-	-
<u>26,312</u>	<u>60,917</u>	<u>1,172,756</u>	<u>944,435</u>	<u>955,205</u>	<u>50,000</u>	<u>4,256,801</u>
-	-	-	-	181,206	14,176,608	-
-	-	3,469	-	-	-	-
-	-	3,469	-	181,206	14,176,608	-
<u>\$ 26,312</u>	<u>\$ 60,917</u>	<u>\$ 1,176,225</u>	<u>\$ 944,435</u>	<u>\$ 1,136,411</u>	<u>\$ 14,226,608</u>	<u>\$ 4,256,801</u>
\$ 37,633	\$ -	\$ 548,378	\$ -	\$ 59,810	\$ -	\$ -
29,671	1,781	82,664	35,839	408,812	114,187	-
6,854	892	22,915	4,054	-	-	13,696
-	14,983	-	47,041	321,743	-	-
-	-	34,177	-	-	-	-
-	-	-	-	-	-	-
<u>74,158</u>	<u>17,656</u>	<u>688,134</u>	<u>86,934</u>	<u>790,365</u>	<u>114,187</u>	<u>13,696</u>
-	43,261	488,091	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	346,046	14,112,421	-
(47,846)	-	-	-	-	-	4,243,105
-	-	-	857,501	-	-	-
<u>(47,846)</u>	<u>43,261</u>	<u>488,091</u>	<u>857,501</u>	<u>346,046</u>	<u>14,112,421</u>	<u>4,243,105</u>
<u>\$ 26,312</u>	<u>\$ 60,917</u>	<u>\$ 1,176,225</u>	<u>\$ 944,435</u>	<u>\$ 1,136,411</u>	<u>\$ 14,226,608</u>	<u>\$ 4,256,801</u>

REDWOODS COMMUNITY COLLEGE DISTRICT  
 COMBINING BALANCE SHEET - ALL DISTRICT FUNDS  
 INCLUDED IN THE REPORTING ENTITY

JUNE 30, 2010

	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 4,969,711
Restricted cash and cash equivalents	80,260	-	1,662,437
Accounts receivable, net	302	154,793	8,607,044
Inventory	-	-	818,983
Prepaid expenses	-	-	167,061
Due from other funds	-	-	34,177
Due from Foundation	400	-	244,396
<b>Total current assets</b>	<u>80,962</u>	<u>154,793</u>	<u>16,503,809</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	-	-	14,357,814
Capital assets, net of depreciation	-	-	3,469
<b>Total noncurrent assets</b>	<u>-</u>	<u>-</u>	<u>14,361,283</u>
<b>Total assets</b>	<u>\$ 80,962</u>	<u>\$ 154,793</u>	<u>\$ 30,865,092</u>
<b>LIABILITIES</b>			
Deficit cash balance	\$ -	\$ 133,076	\$ 3,038,350
Accounts payable	2,805	21,712	1,382,205
Accrued liabilities	-	-	502,823
Deferred revenue	30,200	-	2,215,222
Due to other funds	-	-	34,177
Amounts held for others	47,957	-	47,957
<b>Total liabilities</b>	<u>80,962</u>	<u>154,788</u>	<u>7,220,734</u>
<b>FUND EQUITY:</b>			
Retained earnings (deficit)	-	-	531,352
Fund balances:			
Reserved for debt service	-	-	1,676,768
Reserved for capital projects	-	-	14,458,467
Reserved for special purposes	-	5	4,214,278
Unreserved:			
Undesignated	-	-	2,763,493
<b>Total fund equity</b>	<u>-</u>	<u>5</u>	<u>23,644,358</u>
<b>Total liabilities and fund equity</b>	<u>\$ 80,962</u>	<u>\$ 154,793</u>	<u>\$ 30,865,092</u>

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN FUND EQUITY - ALL DISTRICT FUNDS  
 INCLUDED IN THE REPORTING ENTITY  
 YEAR ENDED JUNE 30, 2010

	General	Bond Interest and Redemption Fund	Other Debt Service Fund
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 4,806,620	\$ -	\$ -
Less: scholarship discount and allowance	1,748,555	-	-
<b>Net tuition and fees</b>	3,058,065	-	-
Grants and contracts, non-capital:			
Federal	2,582,431	-	-
State	3,174,919	-	-
Local	721,085	-	-
Auxiliary enterprise sales and charges	74,659	-	-
<b>Total operating revenues</b>	9,611,159	-	-
<b>OPERATING EXPENDITURES/EXPENSES</b>			
Salaries	24,390,813	-	-
Employee benefits	7,166,724	-	-
Payments to students	700,003	-	-
Supplies, materials, and other operating expenditures/expenses and services	4,837,596	1,375	-
Capital outlay	1,124,650	-	-
Utilities	984,000	-	-
Depreciation	-	-	-
<b>Total operating expenditures/expenses</b>	39,203,786	1,375	-
<b>OPERATING INCOME (LOSS)</b>	(29,592,627)	(1,375)	-
<b>NON-OPERATING REVENUES (EXPENDITURES)</b>			
State apportionments, non-capital	18,227,943	-	-
Local property taxes, non-capital	8,374,304	-	-
State taxes and other revenues	966,180	-	-
Investment income	120,969	14,309	-
Debt service - principal retirement	-	(645,000)	(66,400)
Debt service - interest and fiscal charges	-	(1,431,049)	(31,408)
Other non-operating revenues	251,778	-	-
<b>Total non-operating revenues (expenditures)</b>	27,941,174	(2,061,740)	(97,808)

(Continued on following page)

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

Child Development Fund	Farm Operations Fund	Bookstore Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Employee Benefit Fund
\$ 27,968	\$ -	\$ -	\$ 1,060,667	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
27,968	-	-	1,060,667	-	-	-
124,321	-	-	-	-	-	-
359,646	190,469	-	-	54,795	-	-
490	-	-	-	-	-	-
67	31,458	1,999,395	275,000	-	-	-
512,492	221,927	1,999,395	1,335,667	54,795	-	-
402,247	27,511	209,869	198,610	-	-	-
222,256	6,761	68,690	80,511	-	-	873,995
-	-	-	-	-	-	-
52,876	18,517	1,688,965	641,369	27,558	92,049	500
10,040	196,752	289	327,882	1,608,486	856,765	-
-	7,290	1,295	167,273	-	-	-
-	-	2,312	-	-	-	-
687,419	256,831	1,971,420	1,415,645	1,636,044	948,814	874,495
(174,927)	(34,904)	27,975	(79,978)	(1,581,249)	(948,814)	(874,495)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,187	-	-	-	256,122	56,115
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,546	500	-	84,519	(26,065)	-	300,530
4,546	6,687	-	84,519	(26,065)	256,122	356,645

REDWOODS COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN FUND EQUITY - ALL DISTRICT FUNDS  
 INCLUDED IN THE REPORTING ENTITY  
 YEAR ENDED JUNE 30, 2010

	General	Bond Interest and Redemption Fund	Other Debt Service Fund
<b>Income (loss) before other revenues and expenditures</b>	(1,651,453)	(2,063,115)	(97,808)
<b>OTHER REVENUES AND EXPENDITURES</b>			
State apportionments and grants, capital	-	-	-
Local property taxes, capital	-	2,147,070	-
<b>Excess of revenues over (under) expenditures</b>	(1,651,453)	83,955	(97,808)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	97,808
Operating transfers out	(290,808)	-	-
<b>Total other financing sources (uses)</b>	(290,808)	-	97,808
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	(1,942,261)	83,955	-
<b>FUND EQUITY, BEGINNING OF YEAR</b>	3,867,267	1,592,813	-
<b>FUND EQUITY, END OF YEAR</b>	\$ 1,925,006	\$ 1,676,768	\$ -

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

Child Development Fund	Farm Operations Fund	Bookstore Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Employee Benefit Fund
<u>(170,381)</u>	<u>(28,217)</u>	<u>27,975</u>	<u>4,541</u>	<u>(1,607,314)</u>	<u>(692,692)</u>	<u>(517,850)</u>
-	-	-	-	1,466,430	-	-
-	-	-	-	<u>134,590</u>	-	-
<u>(170,381)</u>	<u>(28,217)</u>	<u>27,975</u>	<u>4,541</u>	<u>(6,294)</u>	<u>(692,692)</u>	<u>(517,850)</u>
113,416	49,820	-	444,764	100,000	-	-
-	-	<u>(15,000)</u>	-	-	<u>(500,000)</u>	-
<u>113,416</u>	<u>49,820</u>	<u>(15,000)</u>	<u>444,764</u>	<u>100,000</u>	<u>(500,000)</u>	-
(56,965)	21,603	12,975	449,305	93,706	(1,192,692)	(517,850)
<u>9,119</u>	<u>21,658</u>	<u>475,116</u>	<u>408,196</u>	<u>252,340</u>	<u>15,305,113</u>	<u>4,760,955</u>
<u>\$ (47,846)</u>	<u>\$ 43,261</u>	<u>\$ 488,091</u>	<u>\$ 857,501</u>	<u>\$ 346,046</u>	<u>\$ 14,112,421</u>	<u>\$ 4,243,105</u>

REDWOODS COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN FUND EQUITY - ALL DISTRICT FUNDS  
 INCLUDED IN THE REPORTING ENTITY  
 YEAR ENDED JUNE 30, 2010

	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ -	\$ -	\$ 5,895,255
Less: scholarship discount and allowance	-	-	1,748,555
<b>Net tuition and fees</b>	-	-	4,146,700
Grants and contracts, non-capital:			
Federal	-	10,758,436	13,465,188
State	-	514,701	4,294,530
Local	-	-	721,575
Auxiliary enterprise sales and charges	-	-	2,380,579
<b>Total operating revenues</b>	-	11,273,137	25,008,572
<b>OPERATING EXPENDITURES/EXPENSES</b>			
Salaries	-	-	25,229,050
Employee benefits	-	-	8,418,937
Payments to students	-	11,258,036	11,958,039
Supplies, materials, and other operating expenditures/expenses and services	-	15,101	7,375,906
Capital outlay	-	-	4,124,864
Utilities	-	-	1,159,858
Depreciation	-	-	2,312
<b>Total operating expenditures/expenses</b>	-	11,273,137	58,268,966
<b>OPERATING INCOME (LOSS)</b>	-	-	(33,260,394)
<b>NON-OPERATING REVENUES (EXPENDITURES)</b>			
State apportionments, non-capital	-	-	18,227,943
Local property taxes, non-capital	-	-	8,374,304
State taxes and other revenues	-	-	966,180
Investment income	-	-	453,702
Debt service - principal retirement	-	-	(711,400)
Debt service - interest and fiscal charges	-	-	(1,462,457)
Other non-operating revenues	-	-	615,808
<b>Total non-operating revenues (expenditures)</b>	-	-	26,464,080

(Continued on following page)

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN FUND EQUITY - ALL DISTRICT FUNDS  
 INCLUDED IN THE REPORTING ENTITY  
 YEAR ENDED JUNE 30, 2010

	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>Income (loss) before other revenues and expenditures</b>	-	-	(6,796,314)
<b>OTHER REVENUES AND EXPENDITURES</b>			
State apportionments and grants, capital	-	-	1,466,430
Local property taxes, capital	-	-	2,281,660
<b>Excess of revenues over (under) expenditures</b>	-	-	(3,048,224)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	-	805,808
Operating transfers out	-	-	(805,808)
<b>Total other financing sources (uses)</b>	-	-	-
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	-	-	(3,048,224)
<b>FUND EQUITY, BEGINNING OF YEAR</b>	-	5	26,692,582
<b>FUND EQUITY, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 23,644,358</u>

The accompanying notes to supplementary information are an  
 integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF FUND EQUITY TO NET ASSETS  
JUNE 30, 2010

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 23,644,358
Assets recorded within the GASB 35 Statement of Net Assets not included in the District fund financial statements:		
Deferred costs, net		656,769
Non-depreciable capital assets		6,699,858
Depreciable capital assets	\$ 72,421,576	
Accumulated depreciation	<u>(26,919,966)</u>	45,501,610
Liabilities recorded within the GASB 35 Statement of Net Assets not recorded in the District fund financial statements:		
Accrued interest payable		(586,083)
Long-term debt:		
Current	(745,000)	
Non-current	<u>(31,346,802)</u>	(32,091,802)
Other long-term liabilities		<u>(689,051)</u>
Net assets reported within the GASB 35 Statement of Net Assets		<u><u>\$ 43,135,659</u></u>

The accompanying notes to supplementary information are an  
integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF CHANGE IN FUND EQUITY  
TO CHANGE NET ASSETS  
YEAR ENDED JUNE 30, 2010

Change in Fund Equity - District Funds Included in the Reporting Entity	\$ (3,048,224)
Depreciation expense reported within the GASB 35 Statements	(1,536,359)
Capital outlay expense not reported within the GASB 35 Statements	2,798,531
Decrease in compensated absences reported within the GASB 35 Statements	4,694
Principal payments on debt not reported within the GASB 35 Statements	711,400
Interest expense from change in accrued interest payable and amortization of bond premiums and bond issuance costs reported within the GASB 35 Statements	18,027
Decrease in other post-employment benefits reported within the GASB 35 Statements	<u>31,711</u>
Change in net assets reported within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets	<u><u>\$ (1,020,220)</u></u>

The accompanying notes to supplementary information are an  
integral part of this supplementary information.

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

NOTE 1      PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the Redwoods Community College District for the year ended June 30, 2010 was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with A-133 the Schedule of Expenditures of Federal Awards was prepared for the Redwoods Community College District.

The schedule has been prepared on the accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2010, represents the basis of apportionment of the Redwoods Community College District's annual source of funding.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with District Accounting Records

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District Accounting Records.

NOTE 2      FEDERAL FAMILY EDUCATIONAL LOAN PROGRAM

The District granted \$3,806,881 in loans under the Federal Family Education Loan Program for the year ended June 30, 2010.

(Continued on following page)

REDWOODS COMMUNITY COLLEGE DISTRICT  
NOTES TO THE SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

NOTE 3      COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES

Basis of Accounting

The accompanying Combining Balance Sheet – All District Funds Included in the Reporting Entity, Combining Statement of Revenues, Expenditures/Expenses, and Changes in Fund Equity – All District Funds Included in the Reporting Entity are presented on the modified accrual basis of accounting with the exception of the Farm Operations Fund, Bookstore Fund and Employee Benefit Trust Fund, which are presented on the accrual basis of accounting consistent with the presentation in the entity-wide financial statements.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Property taxes, franchise taxes, licenses, interest revenue and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

The District reports deferred revenue on its combining balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

THIS PAGE INTENTIONALLY LEFT BLANK

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*

Board of Trustees  
Redwoods Community College District  
Eureka, California

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Redwoods Community College District (District) as of and for the years ended June 30, 2010 and 2009 which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards prescribed by the California Department of Finance.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 financial statements, 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 a 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 first paragraph of this section 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 District's financial statements are 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*.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, California Community Colleges Chancellor's Office, California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nystrom & Company LLP*

February 22, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Redwoods Community College District  
Eureka, California

Compliance

We have audited Redwoods Community College District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in item(s) 2010-2, 2010-3 and 2010-4 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Activities Allowed or Unallowed and Matching/Level of Effort/Earmarking that are applicable to its Higher Education Institutional Aid (grant no. P031A0500006) program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 and 2010-5.

#### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-2, 2010-3, and 2010-4 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a significant deficiency.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management, others within the entity, federal awarding agencies, California Community College's Chancellor's Office, California Department of Finance, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nystrom & Company LLP*

February 22, 2011

INDEPENDENT AUDITORS' REPORT  
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees  
Redwoods Community College District  
Eureka, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Redwoods Community College District (District) as of and for the year ended June 30, 2010, and have issued our report thereon dated February 22, 2011.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the standards prescribed by the California Department of Finance and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations in accordance with Section 400 of the Chancellor's Office's *California Community Colleges Contracted District Audit Manual* (CDAM):

ANNUAL COMPLIANCE FOCUS

General Directives Testing Structure

1. State General Apportionment Required Data Elements

Administration Testing Structure

1. Fiscal Operations – Salaries of Classroom Instructors: 50 Percent Law
2. Fiscal Operations – GANN Limit Calculation
3. Apportionments – Residency Determination for Credit Courses
4. Apportionments – Concurrent Enrollment of K-12 Students in Community College Credit Courses

5. Apportionments – Apportionment for Instructional Service Agreements/Contracts
6. Apportionments – Enrollment Fee
7. Apportionments – Students Actively Enrolled
8. Open Enrollment
9. Student Fee – Instructional Materials and Health Fees

#### Student Services Testing Structure

1. Matriculation – Uses of Matriculation Funds
2. CalWORKs – Use of State and Federal TANF Funding

#### Facilities

1. Scheduled Maintenance Program

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 audit.

Our audit 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for the findings 2010-6 through 2010-8, described in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2010.

The District responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's management, the Board of Trustees, audit committee, and others within the District, California Community Colleges Chancellor's Office, California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

*Nystrom & Company LLP*

February 22, 2011

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010 AND 2009

**A. SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the Redwoods Community College District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Redwoods Community College District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Five significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133. Three of these deficiencies are reported as a material weakness.
5. The Independent Auditors' Report on compliance for Higher Education Institution Aid program expresses a qualified opinion; the report on the remaining programs is unqualified.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include: 1) Federal Supplemental Educational Opportunity Grants Program (CFDA 84.007); Federal Family Education Loan Program (CFDA 84.032); Federal Work-Study Program (CFDA 84.033); Federal Pell Grant Program (CFDA 84.063) and Academic Competitiveness Grant (CFDA 84.375A), which together comprise the student financial aid "cluster" program as defined in the Compliance Supplement; 2) Title III Higher Education Institutional Aid (CFDA 84.031); 3) Workforce Investment Act Adult Program (CFDA 17.258) and Workforce Investment Act Dislocated Workers (CFDA 17.260) which together comprise the Workforce Investment Act "cluster" program as defined in the compliance supplement; and 4) State Fiscal Stabilization Fund – Education State Grants, Recovery Act (CFDA 84.394).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Redwoods Community College District did not qualify as a low-risk auditee.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Questioned  
Costs

**DEPARTMENT OF EDUCATION**

**Higher Education Institutional Aid – CFDA No. 84.031A;  
Grant No. P031A050006**

**DEPARTMENT OF LABOR**

**Workforce Investment Act – Adult Program – CFDA No. 17.258;  
Workforce Investment Act – Youth Activities – CFDA No. 17.259; and  
Workforce Investment Act - Dislocated Workers – CFDA No. 17.260**

**2010-1 – Allowable Costs/Cost Principles – Time and Effort Reporting**

**Criteria or Specific Requirement:** OMB Circular A-21 requires that salaries allocated to federal programs be supported by after-the-fact time and effort reports.

**Statement of Condition:** The District has a time and effort policy in place to support salary allocations to federal programs but the policy is only applied to the Redwood Coast Training Program (one of the two CFDA 17.258 programs the District has).

**Cause of Condition:** Management was unaware that this policy was necessary for all federal programs.

**Effect of Condition:** The finding represents a systemic problem. Since the policy was not in place, the issue exists for all federal programs that incur salaries for less than 100% federally funded positions.

**Recommendation:** The District should review the policy they use on the Redwood Coast Training Program to ensure it meets the requirements of OMB and then develop a plan of implementation for all applicable federal program expenditures.

**District Response:** The District management concurs with the auditor's findings. Management will review the policy in use on the Redwood Coast Training Program to ensure it meets the requirements of OMB and develop a plan to implement for all federal program expenditures.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT (Continued)

Questioned  
Costs

DEPARTMENT OF EDUCATION

Higher Education Institutional Aid – CFDA No. 84.031A;  
Grant No. P031A050006

2010-2 – Activities Allowed or Unallowed - Grant Budget Salaries

\$ 64,823

**Criteria or Specific Requirement:** Code of Federal Regulations CFR 74.25(b) states, “recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.” Per discussion with U.S. Department of Education, Title III Liaison, for purposes of this section “key personnel” include any staff position that has salaries allocated to the grant.

**Statement of Condition:** \$64,823 of salaries and related benefits for two staff positions (IR Extra Help and Trainer) that were not included in the original budget were charged to the program without prior approval from the Department of Education.

**Cause of Condition:** Lack of communication by District personnel with the Department of Education.

**Effect of Condition:** The cost of the additional salaries and benefits may be disallowed.

**Recommendation:** The District should implement procedures whereby the Program Director obtains approval from the Department of Education for proposed changes to the budgeted expenditures.

**District Response:** The District concurs with the auditor’s findings. In December of 2009 the Project Director changed and the District established a 9-member Title III Leadership Team to serve as an oversight committee. The Committee met regularly throughout the remainder of the grant period to review all expenditures charged to the program. It is the District’s position that all of the expenditures charged to the Grant were for carrying out “allowable activities”. These differing interpretations along with turnover with District staff and DOE liaison staff, have contributed to the questioned costs.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT (Continued)

Questioned  
Costs

DEPARTMENT OF EDUCATION

Higher Education Institutional Aid – CFDA No. 84.031A;  
Grant No. P031A050006

2010-2 – Activities Allowed or Unallowed - Grant Budget Salaries  
(Continued)

**District Response (Continued):** The District will be working with the Title III liaison to close out the grant and through that process a final determination will be made as to allowable costs. Management will develop a process, for all future grants, through which grant awards, budgets and reports are reviewed at the time of award and quarterly throughout the duration of the grant period by the Program Director and Business Office staff to ensure that all grant requirements are being met, reporting is accurate and timely and that Program Directors, Business Office staff and committee members are kept informed of relevant regulations.

2010-3 – Activities Allowed or Unallowed - Grant Budget Endowment

\$ 30,000

**Criteria or Specific Requirement:** Code of Federal Regulations CFR 74.25(b) states, “recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.” Per discussion with US Department of Education, Title III Liaison, the District’s Grant contract included \$90,000 for the purpose of establishing an endowment. The endowment required a non-federal \$1 for \$1 match.

**Statement of Condition:** \$90,000 (\$30,000 per year for grant years three, four and five) was not used to establish an endowment. Instead the funds were used for other expenses in furtherance of the grant objective. However, the District did not receive prior approval from the Department of Education for a change in the use of these funds.

**Cause of Condition:** Lack of communication by District personnel with the Department of Education.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT (Continued)**

Questioned  
Costs

**DEPARTMENT OF EDUCATION**

**Higher Education Institutional Aid – CFDA No. 84.031A;  
Grant No. P031A050006**

**2010-3 – Activities Allowed or Unallowed - Grant Budget Endowment  
(Continued)**

**Effect of Condition:** The expenditures of the \$90,000 for uses other than the establishment of an endowment may be disallowed.

**Recommendation:** The District should implement procedures whereby the Program Director obtains approval from the Department of Education for proposed changes to the budgeted expenditures.

**District Response:** The District management concurs with the auditor’s finding. Management will develop a process by which grant awards, budgets and reports are reviewed at the time of award and quarterly throughout the duration of the grant by the Program Director and Business Office staff to ensure that all grant requirements are being met and reporting is accurate and timely.

**2010-4 – Matching/Level of Effort/Earmarking - Grant Budgeted  
Non Federal Amounts**

**Criteria or Specific Requirement:** The grant requires the District to incur non-federal expenditures, budgeted for each of the five years of the grant, in furtherance of the grant objective.

**Statement of Condition:** The District does not have an internal control structure in place that assures compliance with this requirement.

**Cause of Condition:** The District does not plan for these expenditures in the annual budgeting process and they do not use “program” codes in their general ledger to identify these expenditures.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT (Continued)**

Questioned  
Costs

**DEPARTMENT OF EDUCATION**

**Higher Education Institutional Aid – CFDA No. 84.031A;  
Grant No. P031A050006**

**2010-4 – Matching/Level of Effort/Earmarking - Grant Budgeted  
Non Federal Amounts (Continued)**

**Effect of Condition:** Without a process to plan for and monitor expenditures while they occur it is possible that the District will not meet the non-federal requirement in accordance with grant agreement budget.

**Recommendation:** The District should implement procedures during the annual budget process to plan the expenditure of non-federal amounts in furtherance of the grant objectives and then take advantage of their general ledger account number structure to record and monitor these expenditures throughout the year to assure compliance with the grant agreement budget.

**District Response:** The District management concurs with the auditor's finding. Management will develop a process by which grant awards, budgets and reports are reviewed at the time of award and quarterly throughout the duration of the grant by the Program Director and Business Office staff to ensure that all grant requirements are being met and reporting is accurate and timely.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)**

Questioned  
Costs

**DEPARTMENT OF LABOR**

**Workforce Investment Act - Dislocated Workers – CFDA No. 17.260**

**2010-5 – Allowable Costs/Cost Principles – Indirect Cost Allocation Plan**

**Criteria or Specific Requirement:** OMB Circular A-21 requires that the distribution of facilities and administrative costs allocated to federal programs be in accordance with an indirect cost allocation plan or indirect cost rate approved by the grantor.

**Statement of Condition:** The District does not have an indirect cost allocation agreement for the Workforce Investment Act – Dislocated Workers grant.

**Cause of Condition:** The District personnel responsible for this grant were not aware of the applicable federal cost principles.

**Effect of Condition:** The District charged \$40,558 of indirect costs which were disallowed by the grantor organization. However, during our audit the client accepted an audit adjusting journal entry to remove the \$40,558 of grant revenue and reclassify the amount to Deferred Revenue.

**Recommendation:** The District should provide training to grant managers to assure they understand the applicable cost principles and what amounts are allowed to be charged to federal grants.

**District Response:** The District management concurs with the auditor's finding. Management will develop a process by which grant awards, budgets and reports are reviewed at the time of award and quarterly throughout the duration of the grant by the Program Director and Business Office staff to ensure that all grant requirements are being met and reporting is accurate and timely.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**D. FINDINGS – STATE COMPLIANCE AUDIT**

**2010-6 – Open Enrollment**

**Criteria or Specific Requirement:** The District is not allowed to limit enrollment for courses for which FTES are claimed for apportionment purposes.

**Statement of Condition:** The District's language in the course catalog for PE-15 Women's Self Defense and similar courses could be deemed to limit enrollment because the description does not specify that both men and women are able to enroll in the course.

**Questioned Cost:** N/A

**Cause of Condition:** Lack of clarifying language in course schedules.

**Effect of Condition:** The District claimed FTES for apportionment that were generated by courses that may be considered to not meet the open enrollment requirements.

**Recommendation:** We recommend the District review the language descriptions for all courses and add clarifying language where needed.

**District Response:** The District management concurs with the auditor's findings. Management will implement a review of the language of the descriptions for all courses and add clarifying language where needed.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**D. FINDINGS – STATE COMPLIANCE AUDIT  
(Continued)**

**2010-7 – Open Enrollment**

**Criteria or Specific Requirement:** As required by California Code of Regulations Section 51006(b), the statement of open enrollment policy is to be published in the District's official catalog, schedule of classes, and addenda to the Schedule of Classes.

**Statement of Condition:** Our procedures disclosed that the open enrollment policy was not included in the course schedules for the Del Norte and Mendocino Coast campuses.

**Questioned Cost:** N/A

**Cause of Condition:** Policy not disclosed in accordance with requirements.

**Effect of Condition:** Noncompliance with disclosure requirement.

**Recommendation:** We recommended that the District implement procedures to ensure that the statement of open enrollment policy is included in all schedules and catalogs in compliance with the Education Code.

**District Response:** The District management concurs with the auditor's findings. Management will implement procedures to ensure that the required statement is included in all schedules and catalogs.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

NONE

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Higher Education Institutional Aid – CFDA No. 84.031A;  
Grant No. P031A050006**

**2009-1 – Grant Budget Salaries**

**Criteria or Specific Requirement:** Code of Federal Regulations CFR 74.25(b) states, “recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.” Per discussion with US Department of Education, Title III Liaison, for purposes of this section “key personnel” include any staff position that has salaries allocated to the grant.

**Statement of Condition:** \$91,258 of salaries and related benefits for three individuals who were not included in the original budget were added to the program without prior approval from the Department of Education.

**Cause of Condition:** Lack of communication by District personnel with the Department of Education.

**Effect of Condition:** The cost of the additional salaries may be disallowed.

**Recommendation:** The District should implement procedures whereby the Program Director obtains approval from the Department of Education for proposed changes to the budgeted expenditures.

**Current Status:** Subsequent to our audit of the year ended June 30, 2009, the District communicated with the Department of Education’s Findings Resolution Officer that the corrective action plan was to remove the above questioned costs from the grant. In correspondence with the Department of Education the District reported that they removed \$153,577 of salaries and benefits from the grant (which included \$73,163 of the costs questioned in our finding above). However, our review of the District’s fiscal year ending June 30, 2010 detail of grant expenditures does not support that these expenses were removed prior to September 30, 2009. Additionally, through our discussions with the Department of Education, the District has not made any requests for budget revisions during the year ended June 30, 2010. During our testing of program expenditures for the year ending June 30, 2010 we continue to identify expenditures that, while they appear allowable, were not in accordance with the original budget and no budget revisions or prior approval for these expenditures was obtained. **See current year finding 2010-2.**

REDWOODS COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010

**FINDINGS – STATE COMPLIANCE AUDIT**

**2009-2 – Open Enrollment**

**Criteria or Specific Requirement:** California Code of Regulations (CCR), Title V, Section 58104 requires that all courses to be conducted shall be described in the official general catalog and/or addenda and listed in the schedules of classes.

**Statement of Condition:** During our testing, we noted that supervised tutoring courses, which are claimed for apportionment, were not advertised in the catalog or schedule of classes.

**Cause of Condition:** The District's procedures for advertisement of those courses did not comply with CCR requirements.

**Effect of Condition:** Without proper advertisement, students may not be aware of the course.

**Recommendation:** The District should develop procedures to ensure all courses claimed for apportionment are adequately advertised in order to comply with open enrollment requirements.

**Current Status:** We noted no issues with the supervised tutoring courses in the current year. **IMPLEMENTED**

**2009-3 – Concurrent Enrollment**

**Criteria or Specific Requirement:** Per the Contracted District Audit Manual Section 427.03.2 no more than ten percent of the apportionment claimed for any individual physical education course can be comprised of concurrently enrolled students.

**Statement of Condition:** During our testing, we noted 11 courses where the apportionment claimed for concurrently enrolled students was greater than ten percent of the total FTES claimed for the course.

**Cause of Condition:** Although the District has procedures in place to address this during enrollment, they do not have a procedure in place to verify this at the completion of the CCFS-320.

REDWOODS COMMUNITY COLLEGE DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010

**FINDINGS – STATE COMPLIANCE AUDIT  
(Continued)**

**2009-3 – Concurrent Enrollment (Continued)**

**Effect of Condition:** FTES were overstated by 0.75.

**Recommendation:** The District should review their procedures over monitoring compliance with the 10% requirement to avoid future over-reporting of FTES.

**Current Status:** We noted the District had implemented procedures to address compliance with the 10% requirement. **IMPLEMENTED**