

**REDWOODS COMMUNITY  
COLLEGE DISTRICT**

**Eureka, California**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORTS**

**June 30, 2005**

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**INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the 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 units of Redwoods Community College District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 discretely presented component units of the District as of June 30, 2005, and the respective results of operations and cash flows thereof for the year 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 November 11, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 12 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

## **INDEPENDENT AUDITORS' REPORT**

Continued

Our audit was conducted for the purpose of forming an opinion on the District's financial statements. The accompanying supplemental information listed in the table of contents, including the schedule of expenditures of federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Matson and Isom*

November 11, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

*Redwoods Community College District*

June 30, 2005

**INTRODUCTION**

As required by the 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 and the College of the Redwoods Financing Corporation. 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**

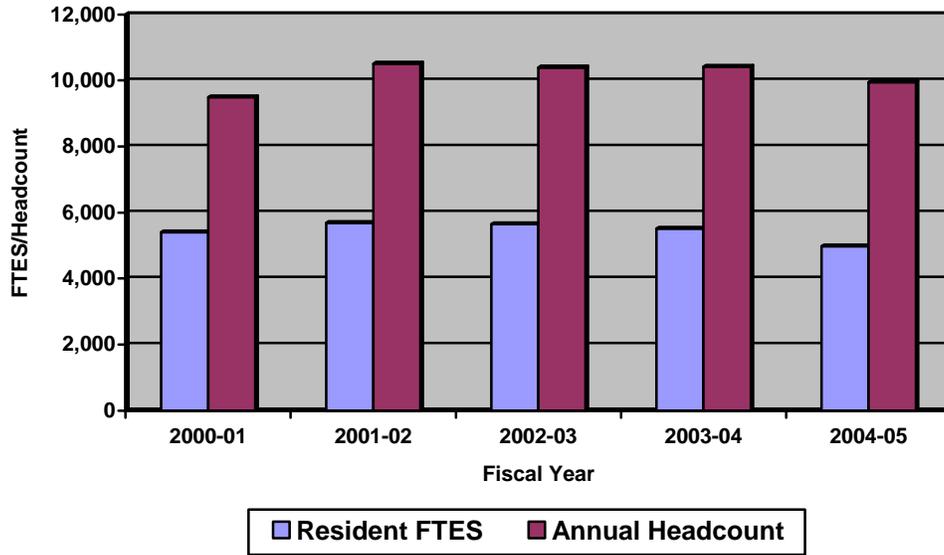
The District's full-time equivalent students (FTES) eligible for state funding decreased by 9.8% in 2004-05 to 4,974.27. Due to stability provisions in the state budget, the District did not lose funding for 2004-05.

Unduplicated headcount for 2004-05 decreased by 472 or 4.5% to 9,946 as determined for state funding purposes.

The state cost of living adjustment (COLA) for 2004-05 was 2.41%. Although there was a state-wide deficit in enrollment fees and property tax collections resulting in a potential reduction in funding of \$60,910 of the state program based funding entitlement, it is estimated that provisions in the 2005-06 state budget act will be sufficient to restore the potential shortfall. The most recent communication from the Chancellor's Office supports this estimate, although the actual amount will not be known until the first annual apportionment for 2005-06 is issued, usually in late January.

District revenues for categorically funded programs increased slightly in 2004-05. The District has been awarded a 5-year federal Title III grant totaling \$1,641,629 beginning October 1, 2005.

**Annual FTES and Headcount  
Credit/Non-Credit Resident Students  
(Reported for State Funding)**



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2005

*Redwoods Community College District*

**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.

|  | <b>2005</b>          | <b>2004</b>          | <b>Change</b> |
|--|----------------------|----------------------|---------------|
| <b>ASSETS</b>                              |                      |                      |               |
| Current assets                             | \$ 8,734,356         | \$ 9,853,913         | -11%          |
| Restricted cash and cash equivalents       | 17,632,844           | 250,379              | 6942%         |
| Capital asset - net                        | 37,379,794           | 37,121,380           | 1%            |
| <b>Total Assets</b>                        | <b>\$ 63,746,994</b> | <b>\$ 47,225,672</b> | <b>35%</b>    |
| <b>LIABILITIES</b>                         |                      |                      |               |
| <b>CURRENT LIABILITIES</b>                 |                      |                      |               |
| Current liabilities (including TRANs)      | \$ 2,818,480         | \$ 2,981,273         | -5%           |
| Long-term liabilities - noncurrent portion | 26,277,633           | 8,104,545            | 224%          |
| <b>Total Liabilities</b>                   | <b>29,096,113</b>    | <b>11,085,818</b>    | <b>162%</b>   |
| <b>NET ASSETS</b>                          |                      |                      |               |
| Invested in capital assets - net           | 35,260,997           | 35,322,834           | 0%            |
| Restricted                                 | 391,704              | 329,861              | 19%           |
| Unrestricted:                              |                      |                      |               |
| Reserve for non-cash assets                | 280,997              | 181,390              | 55%           |
| Contractual obligations                    | 378,276              | 341,379              | 11%           |
| Designated for special purpose             | 680,152              | 740,502              | -8%           |
| Unfunded postemployment benefits           | (2,048,093)          | (2,349,926)          | -13%          |
| General contingency reserve                | (2,341,245)          | 1,903,670            | -223%         |
| <b>Total Unrestricted</b>                  | <b>(1,001,820)</b>   | <b>817,015</b>       | <b>-223%</b>  |
| <b>Total Net Assets</b>                    | <b>34,650,881</b>    | <b>36,139,854</b>    | <b>-4%</b>    |
| <b>Total Liabilities and Net Assets</b>    | <b>\$ 63,746,994</b> | <b>\$ 47,225,672</b> | <b>35%</b>    |

Restricted cash and cash equivalents consisted mainly of amounts relating to the general obligation bonds payable (including unamortized bond premium) of \$18,469,878 as of June 30, 2005, and are included in liabilities within the noncurrent portion of long-term debt.

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 the net assets. In addition to normal replacement and new acquisitions of capital assets, the District purchased classroom equipment, started construction on the pool and gymnasium projects, and began planning efforts on other classroom modernization projects funded by general obligation bonds during the 2004-05 fiscal year totaling \$1,118,220.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

*Redwoods Community College District*

June 30, 2005

Newly revised fiscal policies of the Chancellor's Office recommend that the District maintain a contingency reserve in the General Fund of 5%. The District's General Fund reserve declined from 10% as of June 30, 2004, to 4% as of June 30, 2005. The District plans to increase its General Fund reserve level to 5% in the coming years and to continue to maintain a reserve in other funds at a prudent level.

The District has elected to record its actuarially determined accrued liability for postemployment health benefits. In arriving at the amount for unrestricted net assets, these liabilities have been deducted (together with other liabilities) from total assets. The unrestricted net asset value is a negative amount because the District is still a number of years away from fully funding its postemployment health benefits. Over the past 11 years the District has improved funding its unfunded liability from 0% to over 63%. The District intends to continue to set funds aside until its unfunded liability is fully funded.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2005

*Redwoods Community College District*

**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.

|   | <b>2005</b>          | <b>2004</b>          | <b>Change</b> |
|---|----------------------|----------------------|---------------|
| <b>REVENUES</b>   |                      |                      |               |
| Operating revenues:   |                      |                      |               |
| Net tuition and fees  | \$ 3,399,602         | \$ 3,188,005         | 7%            |
| Grants, contracts, and other designated revenues - noncapital   | 6,933,165            | 6,065,544            | 14%           |
| Auxiliary enterprise - net                                      | 117,466              | 93,049               | 26%           |
| Other operating income  | 1,148,593            | 1,678,412            | -32%          |
| <b>Total Operating Revenue</b>                                  | <b>11,598,826</b>    | <b>11,025,010</b>    | <b>5%</b>     |
| <b>Total Operating Expenses</b>                                 | <b>37,632,181</b>    | <b>34,444,703</b>    | <b>9%</b>     |
| <b>Operating Loss</b>   | <b>(26,033,355)</b>  | <b>(23,419,693)</b>  | <b>-11%</b>   |
| Nonoperating revenues (expenses):                               |                      |                      |               |
| State apportionments - noncapital                               | 16,189,972           | 13,369,247           | 21%           |
| Local property taxes  | 6,903,812            | 9,328,362            | -26%          |
| Lottery and other revenue                                       | 1,518,777            | 2,017,062            | -25%          |
| Investment income   | 162,034              | 270,568              | -40%          |
| Other nonoperating revenues (expenses) - net                    | (279,631)            | 287,659              | -197%         |
| <b>Total Nonoperating Revenues (Expenses)</b>                   | <b>24,494,964</b>    | <b>25,272,898</b>    | <b>-3%</b>    |
| Income (Loss) before other revenues, expenses, gains, or losses | (1,538,391)          | 1,853,205            | 183%          |
| Apportionment and property taxes - capital                      | 15,103               | 142,947              | -89%          |
| Investment income - capital                                     | 60,427               | -                    | 100%          |
| Interest expense - capital                                      | (82,583)             | (141,360)            | -42%          |
| Grants and gifts - capital                                      | 56,420               | -                    | 100%          |
| <b>Increase (Decrease) in Net Assets</b>                        | <b>(1,489,024)</b>   | <b>1,854,792</b>     | <b>-180%</b>  |
| <b>Net Assets - Beginning of Year</b>                           | <b>36,139,905</b>    | <b>34,285,113</b>    | <b>5%</b>     |
| <b>Net Assets - End of Year</b>                                 | <b>\$ 34,650,881</b> | <b>\$ 36,139,905</b> | <b>-4%</b>    |

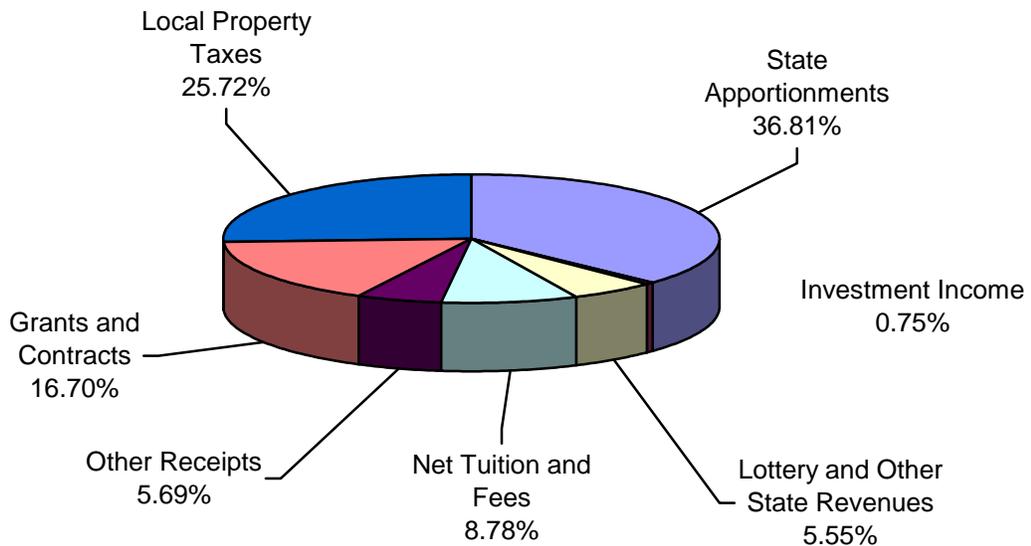
**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2005

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 program based funding formula. The state budget act for 2004-05 included a provision to shift property taxes back to local government from K-14 educational agencies. As a result, the state funded a greater proportion of the District's entitlement under the program based funding formula.

Net tuition and fees include enrollment fees of \$966,607 in 2003-04 and \$1,213,524 in 2004-05. The regular enrollment fee rate of \$18 per semester unit in 2003-04 was increased by the state to \$26 in 2004-05.

## Revenues



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2005

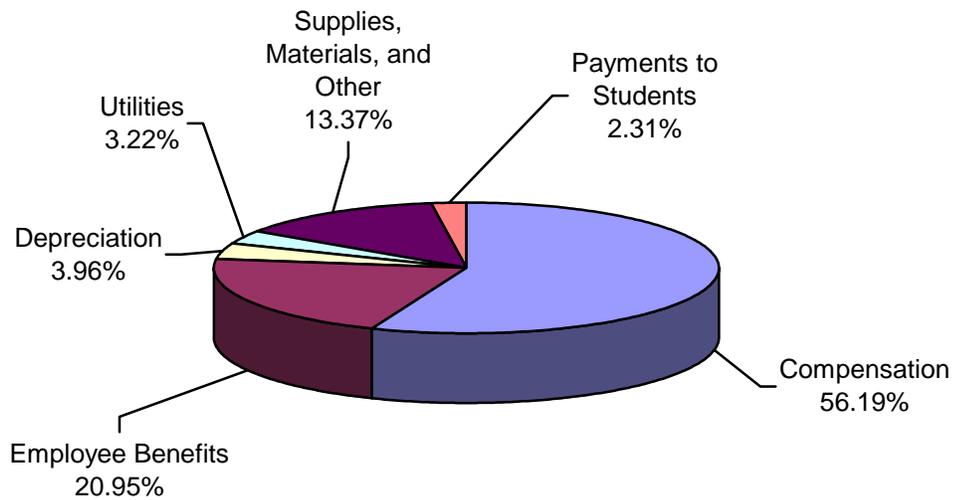
*Redwoods Community College District*

**Operating Expenses (by Natural Classification)**

|   | <b>2005</b>          | <b>2004</b>          | <b>Change</b> |
|---|----------------------|----------------------|---------------|
| Compensation  | \$ 21,326,437        | \$ 20,512,707        | 4%            |
| Employee benefits   | 7,759,465            | 5,592,495            | 39%           |
| Supplies, materials, other operating expenses, and services | 5,325,918            | 4,876,157            | 9%            |
| Utilities   | 1,174,704            | 1,173,694            | 0%            |
| Depreciation  | 1,218,296            | 1,446,599            | -16%          |
| Payments to students  | 827,361              | 843,051              | -2%           |
| <b>Total Operating Expenses</b>                             | <b>\$ 37,632,181</b> | <b>\$ 34,444,703</b> | <b>9%</b>     |

Employee benefits increased by a net of 39% due to several factors. In addition to an increase of 1.4% due to benefit price increases/decreases and other operational changes, the prior-year expenses were adjusted downward on a one-time basis due to actuarial adjustments to the unfunded post employment health care benefits.

**Expenses**



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2005

*Redwoods Community College District*

**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.

|  | <b>2005</b>          | <b>2004</b>          |
|--|----------------------|----------------------|
| Cash provided (used) by:                   |                      |                      |
| Operating activities                       | \$ (25,341,680)      | \$ (27,258,322)      |
| Noncapital financing activities            | 24,672,794           | 28,029,853           |
| Capital and related financing activities   | 15,952,237           | 5,644,709            |
| Investment activities                      | 185,762              | 480,794              |
| <b>Net Increase (Decrease) in Cash</b>     | <b>15,469,113</b>    | <b>6,897,034</b>     |
| <b>Cash - Beginning of the Fiscal Year</b> | <b>5,926,853</b>     | <b>6,088,612</b>     |
| <b>Cash - End of the Fiscal Year</b>       | <b>\$ 21,395,966</b> | <b>\$ 12,985,646</b> |

Cash receipts from operating activities consist primarily of state grants and contracts of \$4,898,174. Cash outlays included payments to or on behalf of employees of \$29,185,996.

General apportionment of \$17,940,095 and property taxes of \$6,689,282 were primary sources of noncapital financing.

Purchase of capital assets was the main use of cash for capital, and related financing activities and proceeds from capital debt related to a general obligation bond issue was the source.

**Economic Factors That May Affect the Future**

Projections of state revenues for 2005-06 and future years show continual improvement. However, there continues to be uncertainty over the state's willingness to fund community colleges at guaranteed levels as required under Proposition 98.

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. It is expected that bonds representing the remaining authorized amount of \$22,320,000 will be issued within the next 3 years.

The District completed three-year agreements with its faculty and classified staff bargaining units covering fiscal years 2003-04 through 2005-06 and 2004-05 through 2006-07, respectively.

The District is in the process of changing its enrollment management practices. A shift is occurring in the degree of interaction the college achieves in all aspects of a student's educational experience. This new enrollment management model is intensive and aggressive. Initially, these changes are expected to have the effect of slowing growth in attendance and headcount. However, the District expects the long-range effect to produce dramatic improvement in enrollments and student outcomes.

**FINANCIAL SECTION**

**STATEMENT OF NET ASSETS**

*Redwoods Community College District*

| June 30, 2005                                    | <b>Primary<br/>Institution</b> | <b>Component<br/>Units</b> |
|--|--------------------------------|----------------------------|
| <b>ASSETS</b>                                    |                                |                            |
| <b>CURRENT ASSETS</b>                            |                                |                            |
| Cash and cash equivalents                        | \$ 3,763,122                   | \$ 801,691                 |
| Accounts receivable - net                        | 4,193,316                      | 365,233                    |
| Stores inventory                                 | 217,817                        | 533,852                    |
| Prepaid expenses                                 | 63,180                         | 30,276                     |
| <b>Total Current Assets</b>                      | <b>8,237,435</b>               | <b>1,731,052</b>           |
| <b>NON-CURRENT ASSETS</b>                        |                                |                            |
| Restricted cash and cash equivalents             | 17,632,844                     | -                          |
| Long-term investments                            | -                              | 1,770,507                  |
| Deferred charges                                 | 496,921                        | -                          |
| Capital assets - net                             | 37,379,794                     | 15,032                     |
| <b>Total Non-Current Assets</b>                  | <b>55,509,559</b>              | <b>1,785,539</b>           |
| <b>Total Assets</b>                              | <b>\$ 63,746,994</b>           | <b>\$ 3,516,591</b>        |
| <b>LIABILITIES AND NET ASSETS</b>                |                                |                            |
| <b>CURRENT LIABILITIES</b>                       |                                |                            |
| <b>LIABILITIES</b>                               |                                |                            |
| Accounts payable                                 | \$ 1,237,838                   | \$ 131,067                 |
| Accrued salaries and related benefits            | 253,856                        | -                          |
| Amounts held in trust for others                 | 83,268                         | -                          |
| Deferred revenue                                 | 848,210                        | 1,680                      |
| Other accrued liabilities                        | 101,070                        | -                          |
| Current portion of long-term liabilities         | 294,238                        | -                          |
| <b>Total Current Liabilities</b>                 | <b>2,818,480</b>               | <b>132,747</b>             |
| <b>NONCURRENT LIABILITIES</b>                    |                                |                            |
| Long-term liabilities                            | 26,277,633                     | -                          |
| <b>Total Noncurrent Liabilities</b>              |                                |                            |
| <b>Total Liabilities</b>                         | <b>29,096,113</b>              | <b>132,747</b>             |
| <b>NET ASSETS</b>                                |                                |                            |
| Invested in capital assets - net of related debt | 35,260,997                     | 15,032                     |
| Restricted for:                                  |                                |                            |
| Nonexpendable                                    | -                              | 1,956,038                  |
| Expendable                                       | 391,704                        | 811,728                    |
| Unrestricted                                     | (1,001,820)                    | 601,046                    |
| <b>Total Net Assets</b>                          | <b>34,650,881</b>              | <b>3,383,844</b>           |
| <b>Total Liabilities and Net Assets</b>          | <b>\$ 63,746,994</b>           | <b>\$ 3,516,591</b>        |

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

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

*Redwoods Community College District*

| Year Ended June 30, 2005                                       | <b>Primary<br/>Institution</b> | <b>Component<br/>Units</b> |
|--|--------------------------------|----------------------------|
| <b>OPERATING REVENUES</b>                                      |                                |                            |
| Tuition and fees (gross)                                       | \$ 3,413,159                   | \$ -                       |
| Scholarship discounts and allowances                           | (13,557)                       | -                          |
| <b>Net Tuition and Fees</b>                                    | <b>3,399,602</b>               | <b>-</b>                   |
| Grants and contracts - noncapital:                             |                                |                            |
| Federal  | 1,539,969                      | -                          |
| State  | 5,017,385                      | -                          |
| Local  | 375,811                        | -                          |
| Other operating payments                                       | 1,148,593                      | -                          |
| Auxiliary enterprise sales and charges                         | 117,466                        | 2,034,938                  |
| <b>Total Operating Revenues</b>                                | <b>11,598,826</b>              | <b>2,034,938</b>           |
| <b>OPERATING EXPENSES</b>                                      |                                |                            |
| Salaries   | 21,326,437                     | -                          |
| Employee benefits  | 7,759,465                      | -                          |
| Supplies, materials, and other operating expenses and services | 5,325,918                      | 2,977,240                  |
| Utilities  | 1,174,704                      | -                          |
| Depreciation   | 1,218,296                      | 2,313                      |
| Payments to students   | 827,361                        | 467,425                    |
| <b>Total Operating Expenses</b>                                | <b>37,632,181</b>              | <b>3,446,978</b>           |
| <b>Operating Loss</b>  | <b>(26,033,355)</b>            | <b>(1,412,040)</b>         |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                        |                                |                            |
| State apportionments - noncapital                              | 16,189,972                     | -                          |
| Local property taxes   | 6,903,812                      | -                          |
| State taxes and other revenues                                 | 1,518,777                      | -                          |
| Investment income - noncapital                                 | 164,113                        | 125,376                    |
| Amortization expense   | (2,079)                        | -                          |
| Financial aid revenues - federal                               | 8,105,901                      | -                          |
| Financial aid expenses   | (8,704,468)                    | -                          |
| Other nonoperating revenues - grants/gifts - noncapital        | 318,936                        | 1,238,661                  |
| <b>Total Nonoperating Revenues (Expenses)</b>                  | <b>24,494,964</b>              | <b>1,364,037</b>           |
| <b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>  | <b>(1,538,391)</b>             | <b>(48,003)</b>            |
| Local property taxes and revenues - capital                    | 15,103                         | -                          |
| Investment income - capital                                    | 60,427                         | -                          |
| Interest expense - capital                                     | (82,583)                       | -                          |
| Grants and gifts - capital                                     | 56,420                         | -                          |
| <b>Decrease in Net Assets</b>                                  | <b>(1,489,024)</b>             | <b>(48,003)</b>            |
| <b>Net Assets - Beginning of Year</b>                          | <b>36,139,905</b>              | <b>3,431,847</b>           |
| <b>Net Assets - End of Year</b>                                | <b>\$ 34,650,881</b>           | <b>\$ 3,383,844</b>        |

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

**STATEMENT OF CASH FLOWS**

*Redwoods Community College District*

Page 1 of 2

| Year Ended June 30, 2005  | <b>Primary<br/>Institution</b> | <b>Component<br/>Units</b> |
|---|--------------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                                |                            |
| Tuition and fees  | \$ 3,326,814                   | \$ -                       |
| Federal grants and contracts                                    | 1,403,795                      | -                          |
| State grants and contracts                                      | 4,898,174                      | -                          |
| Local grants and contracts                                      | 638,451                        | -                          |
| Payments to suppliers   | (6,867,777)                    | (2,999,231)                |
| Payments to/on behalf of employees                              | (29,185,996)                   | -                          |
| Payments to/on behalf of students                               | (834,007)                      | (467,425)                  |
| Auxiliary enterprise sales and charges                          | -                              | 1,905,511                  |
| Other receipts (payments)                                       | 1,278,866                      | -                          |
| <b>Net Cash Used by Operating Activities</b>                    | <b>(25,341,680)</b>            | <b>(1,561,145)</b>         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                                |                            |
| State apportionment and receipts                                | 17,940,095                     | -                          |
| Property taxes  | 6,674,179                      | -                          |
| Financial aid, scholarship, and loan trust receipts - federal   | 8,105,901                      | -                          |
| Proceeds from tax revenue anticipation notes                    | 465,000                        | -                          |
| Financial aid, scholarship, and loan trust disbursements        | (8,704,468)                    | -                          |
| Principal paid on tax revenue anticipation notes                | (465,000)                      | -                          |
| Interest paid on noncapital debt                                | -                              | 920                        |
| Other receipts (payments)                                       | 657,087                        | 1,180,708                  |
| <b>Net Cash From Noncapital Financing Activities</b>            | <b>24,672,794</b>              | <b>1,181,628</b>           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                                |                            |
| Proceeds from capital debt                                      | 18,471,844                     | -                          |
| Capital grants and gifts received                               | 56,420                         | -                          |
| Purchases of capital assets                                     | (1,814,861)                    | -                          |
| Principal paid on capital debt                                  | (691,607)                      | -                          |
| Interest paid on capital debt                                   | (84,662)                       | -                          |
| Local property taxes and other revenues for capital             | 15,103                         | -                          |
| <b>Net Cash From Capital and Related Financing Activities</b>   | <b>15,952,237</b>              | <b>-</b>                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                                |                            |
| Interest on investments   | 125,335                        | -                          |
| Proceeds from sales and maturities of investments               | 60,427                         | 125,376                    |
| <b>Net Cash From Investing Activities</b>                       | <b>185,762</b>                 | <b>125,376</b>             |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>     | <b>15,469,113</b>              | <b>(254,141)</b>           |
| <b>Cash and Cash Equivalents Balance - Beginning of Period</b>  | <b>5,926,853</b>               | <b>1,055,832</b>           |
| <b>Cash and Cash Equivalents Balance - End of Period</b>        | <b>\$ 21,395,966</b>           | <b>\$ 801,691</b>          |

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

**STATEMENT OF CASH FLOWS**

| Year Ended June 30, 2005   | <b>Primary<br/>Institution</b> | <b>Component<br/>Units</b> |
|--|--------------------------------|----------------------------|
| Operating loss   | \$ (26,033,355)                | \$ (1,412,040)             |
| Adjustments to reconcile operating loss to net cash<br>used by operating activities: |                                |                            |
| Depreciation expense   | 1,218,296                      | 2,313                      |
| Changes in assets and liabilities:   |                                |                            |
| Receivables - net  | (21,140)                       | (129,427)                  |
| Inventories  | (125,106)                      | 102,956                    |
| Prepaid expenses   | 25,505                         | (6,206)                    |
| Accounts payable   | 202,966                        | (118,741)                  |
| Deferred charges   | (496,921)                      | -                          |
| Accrued salaries and benefits  | (132,111)                      | -                          |
| Deferred revenue   | (31,586)                       | -                          |
| Amounts held in trust for others   | (6,646)                        | -                          |
| Compensated absences payable   | 32,017                         | -                          |
| Other liabilities  | 26,401                         | -                          |
| <b>Net Cash Used by Operating Activities</b>   | <b>\$ (25,341,680)</b>         | <b>\$ (1,561,145)</b>      |

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

**1. ORGANIZATION AND NATURE OF ACTIVITIES**

***Definition of the 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 two branches located throughout the service area (the Primary Institution).

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.

As result, 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 District, the College of the Redwoods Financing Corporation, and the College of the Redwoods Foundation (the Component Units) have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB), for inclusion of the corporations as component units of the District. Accordingly, the financial activities of the component units have been included in the financial statements of the District.

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

***Accountability***

1. The Component Units operate under a master agreement with the District in accordance with the California Education Code requirements.
2. The District is able to impose its will upon the Component Units.
3. The Component Units provide specific financial benefits or impose 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. College of the Redwoods Foundation was formed to promote and assist the educational services of the District. The College of the Redwoods Financing 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.

June 30, 2005

***Discrete Presentation***

For financial presentation purposes, the Component Units' financial activities have been discretely presented with the financial activities of the District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Financial Statement Presentation*** The District implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 addresses selected issues and amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments, (Including Repurchase Agreements), and Reverse Repurchase Agreements*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

***Basis of Accounting*** 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. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

Exceptions to the accrual basis of accounting are as follows:

1. Summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30, with the revenue being recorded in the fiscal year in which the program is predominately conducted.
2. The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has elected not to apply FASB pronouncements issued after that date. The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the Chancellor's Office of the California Community College.

***Cash and Cash Equivalents*** The District considers demand deposits and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

June 30, 2005

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury as part of the common investment pool. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the county pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The fair value of the District's position in the pool is the same as the carrying value of the pool shares. The pool has deposits and investments with a weighted-average maturity of less than three years. As of June 30, 2005, the fair value of the county pool is 99.42% of the carrying value and is deemed not to represent a material difference. Information regarding the amount of dollars invested in derivatives with the county was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by Government Code Section 27130. The District is considered to be an involuntary participant in the external investment pool.

**Accounts Receivable** Accounts receivable consist 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. The District utilizes the allowance method with respect to its accounts receivable. The allowance was \$517,639 at June 30, 2005.

**Inventories** Inventories, primarily bookstore merchandise, are carried at the lower of cost or market using the first-in, first-out (FIFO) method.

**Investments** Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value is determined from quoted market prices. The District is restricted by state law and the Board's investment policy in the types of investments that can be made.

Permissible investments include the county treasury, the state Local Agency Investment Fund (LAIF), federally insured deposits, and individual securities. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor's or Moody's indices. In addition, maturities may not exceed five years. The proportion of investments in each of the permissible categories is restricted as defined in the state Government Code and further limited by the District's investment policy. The maximum average maturity of funds invested is three years. The District's investment policy established safety of principal as the primary investment objective. The District's investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity.

**Restricted Cash and Cash Equivalents** Cash that is externally restricted for contractual obligations such as debt service payments, sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as a noncurrent asset in the statement of net assets.

**Capital Assets** Capital assets are recorded at cost on the date of acquisition, or fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repair and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed on a straight-line basis using the half-year convention over the estimated useful life of the assets, generally 50 years for buildings, 10 years for land improvements, 8 years for equipment, 5 years for library books, and 3 years for technology equipment.

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

**Compensated Absences** Compensated absence costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year-end as liabilities of the District. The District has a load-banking program for eligible faculty employees whereby the employee may accrue overload service toward a paid leave.

**Net Assets** The District's net assets are classified as follows:

*Invested in capital assets, net of related debt* 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 for capital assets but not yet expended, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets, non-expendable*, consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expended or added to principal depending on donor stipulations.

*Restricted net assets, expendable*, include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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 towards restricted resources, and then towards unrestricted resources.

**Classification of Revenues** The District has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*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.

June 30, 2005

*Nonoperating revenues* include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues, such as state appropriations and investment income, according to GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB 34.

***Scholarship Discounts and Allowances and Financial Aid*** Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of activities. The District offers Board of Governor's Grants (BOGG) to qualified students, and these tuition waivers are reported as scholarship discounts and allowances.

***Risk Management*** The District retains risk for liability and property damage on the first \$1,000 of each claim. The District retains no risk for workers' compensation claims, and coverage is provided by pooled insurance as a member of a joint powers authority (JPA) of California community colleges.

Certain liability coverage in excess of \$1,000 and up to \$15,000,000 is provided by pooled insurance as a member of a joint powers authority of California community colleges and school districts. Property damage in excess of \$1,000 and up to \$144,750,000 is provided by pooled insurance as a member of a joint powers authority.

***Estimates Used in Financial Reporting*** In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual results could differ from those estimates. The District's largest source of revenues, known as "Program Based Funding," includes property taxes, enrollment fees, and state revenues. Each of these revenue types is subject to some estimation at the date of the financial statements.

***Budgets 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 for miscellaneous changes to the spending plans. The District's governing board approves revisions to the budget.

Purchase orders, contracts, and other commitments for expenditures are encumbered in order to reserve that portion of the applicable appropriation as an extension of formal budgetary integration. Encumbrances are liquidated when the commitments are paid. Any outstanding encumbrances lapse at June 30 and are generally reencumbered in the subsequent years.

***Property Tax*** Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 1, and February 1, and become delinquent if paid after December 10, and April 10. The counties of Humboldt, Mendocino, and Trinity bill and collect the taxes for the District. Tax revenues are recognized by the District when received.

**3. CASH AND INVESTMENTS**

The following is a summary of cash and investments at June 30, 2005:

|   | <b>District</b>      | <b>Component<br/>Units</b> |
|---|----------------------|----------------------------|
| CASH ON HAND                            | \$ -                 | \$ 15,675                  |
| DEPOSITS (1)                            | 241,547              | 235,098                    |
| INVESTMENTS THAT ARE NOT SECURITIES (2) |                      |                            |
| County treasurer's investment pool      | 21,154,419           | 550,918                    |
| Certified deposits                      | -                    | 75,050                     |
| Money market funds                      | -                    | 42,220                     |
| EQUITY SECURITIES                       | -                    | 1,653,237                  |
| <b>Total Cash and Investments</b>       | <b>\$ 21,395,966</b> | <b>\$ 2,572,198</b>        |

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposits, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$431,365 of the District’s bank balance of \$799,732 and \$83,934 of the Component Units’ bank balance of \$241,534 was exposed to custodial credit risk as follows:

|                                | <b>District</b> | <b>Component<br/>Units</b> |
|--------------------------------|-----------------|----------------------------|
| Uninsured and uncollateralized | \$ 431,365      | \$ 83,934                  |

**Credit Risk**

California Government Code Section 53601 limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO) and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor’s or Moody’s indices. The District’s investment policy established safety of principal as the primary investment objective. The District’s investment in the county investment pool is unrated. The District’s investments in the U.S. government agency securities are rated AAA or Aaa by Standard & Poor’s or Moody’s indices. The county investment pool was not rated as of the issuance of this report.

**Concentration of Credit Risk**

The proportion of investment in each of the permissible investment categories is restricted as defined in California Government Code Section 53601 and 53635. Investments are further limited by the District’s investment policy. Investments in the county treasurer’s pool were 100% and 24% of the District’s and Component Units’ total investments respectively. No single securities exceeded 5% of the District’s or the Component Units’ total investments.

**Interest Rate Risk - District**

California Government Code Section 53601 limits the District’s investments to maturities of five years. The maximum average maturity of funds invested is three years. The District’s investment strategy is to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity. The schedule of maturities at June 30, 2005, is as follows:

| <u>Investment Type</u>                    | <u>Fair Value</u>    | <u>Maturity (in Years)</u> |                      |
|---|----------------------|----------------------------|----------------------|
|   |                      | <u>Less Than 1</u>         | <u>1-5</u>           |
| <u>County treasurer's investment pool</u> | <u>\$ 21,154,419</u> | <u>\$ -</u>                | <u>\$ 21,154,419</u> |

**Interest Rate Risk – Component Units**

California Government Code Section 53601 limits the Component Units’ investments to maturities of five years. The maximum average maturity of funds invested is three years. The Component Units’ investment strategies are to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity. The schedule of maturities at June 30, 2005, is as follows:

| <u>Investment Type</u>                    | <u>Fair Value</u> | <u>Maturity (in Years)</u> |                   |
|---|-------------------|----------------------------|-------------------|
|   |                   | <u>Less Than 1</u>         | <u>1-5</u>        |
| <u>County treasurer's investment pool</u> | <u>\$ 550,918</u> | <u>\$ -</u>                | <u>\$ 550,918</u> |

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2005:

|                                 | <b>Primary<br/>Institution</b> | <b>Component<br/>Units</b> |
|---------------------------------|--------------------------------|----------------------------|
| Federal grants and contracts    | \$ 992,847                     | \$ -                       |
| State grants and contracts      | 560,010                        | -                          |
| Local grants and contracts      | 157,554                        | -                          |
| State apportionment non-capital | 1,736,410                      | -                          |
| Local property taxes            | 431,717                        | -                          |
| Auxiliaries                     | -                              | 356,241                    |
| Interest receivable             | 103,615                        | -                          |
| Tuition and fees                | 198,470                        | -                          |
| Other                           | 12,693                         | 8,992                      |
| <b>Total</b>                    | <b>\$ 4,193,316</b>            | <b>\$ 365,233</b>          |

**5. CAPITAL ASSETS**

Changes in capital assets consist of the following:

|                                       | <b>Balance<br/>July 1, 2004</b> | <b>Additions</b>  | <b>Deductions</b> | <b>Balance<br/>June 30, 2005</b> |
|---------------------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <b>NONDEPRECIATED CAPITAL ASSETS</b>  |                                 |                   |                   |                                  |
| Land                                  | \$ 1,960,294                    | \$ -              | \$ -              | \$ 1,960,294                     |
| Construction in progress              | 23,382                          | 1,241,764         | 328,725           | 936,421                          |
| <b>DEPRECIATED CAPITAL ASSETS</b>     |                                 |                   |                   |                                  |
| Site improvements                     | 5,096,724                       | -                 | -                 | 5,096,724                        |
| Buildings and improvements            | 45,500,676                      | 328,725           | -                 | 45,829,401                       |
| Equipment                             | 2,759,640                       | 146,016           | 31,454            | 2,874,202                        |
| Vehicles                              | 936,221                         | 22,228            | -                 | 958,449                          |
| Library books and film                | 161,666                         | 76,128            | -                 | 237,794                          |
| <b>Total Capital Assets</b>           | <b>56,438,603</b>               | <b>1,814,861</b>  | <b>360,179</b>    | <b>57,893,285</b>                |
| <b>LESS: ACCUMULATED DEPRECIATION</b> | <b>19,317,223</b>               | <b>1,218,296</b>  | <b>22,028</b>     | <b>20,513,491</b>                |
| <b>Total Capital Assets - Net</b>     | <b>\$ 37,121,380</b>            | <b>\$ 596,565</b> | <b>\$ 338,151</b> | <b>\$ 37,379,794</b>             |

Foundation capital assets consist of \$15,032 of bookstore equipment, net of accumulated depreciation.

**6. TAX REVENUE ANTICIPATION NOTES**

On July 6, 2004, the District issued \$465,000 of tax revenue anticipation notes (TRANs) at an interest rate of 3.00%. The balance was paid off prior to June 30, 2005, and the maturity date of July 6, 2005. These TRANs were issued under the authority of the California Government Code. Proceeds from the issuance of TRANs were used to meet fiscal 2004-05 expenditures, including operating expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the District.

**7. LONG-TERM LIABILITIES**

The long-term liability activities for the year ended June 30, 2005, is shown below:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b>     | <b>Payments and<br/>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
|--|------------------------------|----------------------|------------------------------------|---------------------------|----------------------------|
| General obligation bonds               | \$ -                         | \$ 18,000,000        | \$ -                               | \$ 18,000,000             | \$ -                       |
| Unamortized bond premium               | -                            | 471,844              | 1,966                              | 469,878                   | -                          |
| Capital lease obligations              | 1,798,546                    | -                    | 691,607                            | 1,106,939                 | 294,238                    |
| Accrued compensated<br>absences        | 664,004                      | 32,017               | -                                  | 696,021                   | -                          |
| Postemployment<br>health care benefits | 6,299,033                    | -                    | -                                  | 6,299,033                 | -                          |
| <b>Total</b>                           | <b>\$ 8,761,583</b>          | <b>\$ 18,503,861</b> | <b>\$ 693,573</b>                  | <b>\$ 26,571,871</b>      | <b>\$ 294,238</b>          |

**General Obligation Bonds**

The general obligation bonds payable at June 30, 2005, with their outstanding balances are comprised of the following issuances:

|   |                      |
|---|----------------------|
| 2005 Series A general obligation bond, due in annual installments of \$295,000 to \$2,290,000 beginning August 1, 2006, through August 1, 2029, at interest from 3.375% to 8.00%. | <b>\$ 18,000,000</b> |
|---|----------------------|

The amount of interest cost incurred during the year ended June 30, 2005, was \$-0-.

The annual requirements to amortize the general obligation bonds payable are as follows:

|               | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>         |
|---------------|----------------------|----------------------|----------------------|
| 2006          | \$ -                 | \$ 601,102           | \$ 601,102           |
| 2007          | 295,000              | 846,918              | 1,141,918            |
| 2008          | 465,000              | 816,518              | 1,281,518            |
| 2009          | 485,000              | 778,718              | 1,263,718            |
| 2010          | 510,000              | 738,518              | 1,248,518            |
| 2011-2015     | 2,920,000            | 3,144,806            | 6,064,806            |
| 2016-2020     | 3,585,000            | 2,502,764            | 6,087,764            |
| 2021-2025     | 4,360,000            | 1,689,368            | 6,049,368            |
| 2026-2030     | 5,380,000            | 625,334              | 6,005,334            |
| <b>Totals</b> | <b>\$ 18,000,000</b> | <b>\$ 11,744,046</b> | <b>\$ 29,744,046</b> |

**Capital Leases Obligations**

The District leases equipment valued at \$4,930,255 under agreements which provide for title to pass upon expiration of the lease period. The amount of interest cost incurred during the year ended June 30, 2005, was \$84,549, all of which was charged to expenses. Future minimum lease payments are as follows:

| Year Ending June 30                                | <b>Lease<br/>Payments</b> |
|--|---------------------------|
| 2006   | \$ 345,465                |
| 2007   | 101,595                   |
| 2008   | 97,433                    |
| 2009   | 102,960                   |
| 2010   | 97,891                    |
| 2011-2015  | 505,849                   |
| 2016-2018  | 156,757                   |
| <b>Total</b>                                       | <b>1,407,950</b>          |
| Less: Amount representing interest                 | 301,011                   |
| <b>Present Value of Net Minimum Lease Payments</b> | <b>\$ 1,106,939</b>       |

**8. EMPLOYEE RETIREMENT SYSTEMS****State Teachers' Retirement System (STRS)*****Plan Description***

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS office, 7919 Folsom Boulevard, Sacramento, California 95826.

***Funding Policy***

Active plan members are required to contribute 8.0% of their 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. The required employer contribution rate for fiscal year 2004-05 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$944,032, \$881,117, and \$877,105, respectively, and equal 100% of the required contributions for each year.

***Other Information***

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit, which may be paid on either a current or deferred basis. The District has no obligations to STRS for early retirement incentives granted to retired employees at June 30, 2005.

**California Public Employees Retirement System (CalPERS)*****Plan Description***

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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.

June 30, 2005

***Funding Policy***

Active plan members are required to contribute 7.0% of their 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 CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 9.952% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$685,552, \$709,243, and \$194,270, respectively, and equal 100% of the required contributions for each year.

**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The District provides certain health care benefits for retired salaried employees. The District's salaried employees may become eligible for those benefits if they reach normal retirement age while working for the District. On June 30, 2005, 65 retirees met these eligibility requirements. Those and similar benefits for active employees are provided through a joint powers authority whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing those benefits to retirees by expensing the related annual insurance premiums, which amounted to \$502,983 in 2004-05.

The District has estimated the present value of the postemployment health care benefits at June 30, 2005, to be \$6,299,033. This estimate was computed as part of an actuarial valuation performed November 2004. Actuarial assumptions used to value the liability included an annual health care inflation factor of 4.00% and a discount rate of 5.00%.

**10. COMMITMENTS AND CONTINGENCIES**

The District 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 disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

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.

**11. JOINT POWERS AGREEMENTS**

The District participates in property, liability, and workers' compensation insurance programs organized by the Northern California Community College Self Insurance Authority (NCCCSIA). The NCCCSIA is a JPA created to provide self-insurance programs to northern 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.

June 30, 2005

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 JPAs are independently accountable for their fiscal matters, and thus are not component units of the District for financial reporting purposes.

Condensed financial information for June 30, 2005, as well as the District's share of assets, liabilities, and fund balance for the JPAs, were not available for disclosure as of the date of this report.

**SUPPLEMENTARY INFORMATION**

**ORGANIZATION**

June 30, 2005

*Redwoods Community College District*

The District, a political subdivision of the state of California, was established on July 1, 1964, and commenced operations on July 1, 1965. Its territories encompass portions of Humboldt, Del Norte, Mendocino, and Trinity counties. There were no changes in boundaries during the fiscal year.

**GOVERNING BOARD**

| <b>Name</b>       | <b>Office</b>  | <b>Term Expires</b> |
|-------------------|----------------|---------------------|
| George Truett     | President      | 2005                |
| Bruce Emad        | Vice President | 2007                |
| Rick Bennett      | Clerk          | 2006                |
| Dr. John E. Burke | Member         | 2007                |
| Will Smith        | Member         | 2005                |
| Yvonne Gower      | Member         | 2007                |
| Milton Dobkin     | Member         | 2007                |
| Tracy Coppini     | Member         | 2005                |
| Thomas Ross       | Member         | 2005                |

**SCHEDULES OF WORKLOAD MEASURES  
FOR STATE GENERAL APPORTIONMENT**

*Redwoods Community College District*

June 30, 2005

The full-time equivalent resident students eligible for 2004-05 state apportionment reported to the state of California as of June 30, 2005, are summarized below:

|   | <b>Annual<br/>Report</b> |
|---|--------------------------|
| Summer intersession                           | 86.55                    |
| Census weekly procedure classes               | 4,211.04                 |
| Census daily procedure classes                | 106.89                   |
| Independent study and work experience classes | 101.73                   |
| Actual hours of positive attendance classes   | 468.06                   |
| <b>Total</b>                                  | <b>4,974.27</b>          |

The gross square footage eligible for 2004-05 state apportionment reported to the state of California as of June 30, 2005, is summarized below:

|                     | <b>Annual<br/>Report</b> |
|---------------------|--------------------------|
| Existing facilities | 481,519                  |
| New facilities      | -                        |
| <b>Total</b>        | <b>481,519</b>           |

The full-time equivalent students in leased space eligible for 2004-05 state apportionments reported to the state of California as of June 30, 2005, is summarized below:

|                      | <b>Annual<br/>Report</b> |
|----------------------|--------------------------|
| FTES in leased space | 289.68                   |
| <b>Total</b>         | <b>289.68</b>            |

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

*Redwoods Community College District*

| Year Ended June 30, 2005  | <b>Federal<br/>Catalog<br/>Number</b> | <b>Program<br/>Expenditures</b> |
|---|---------------------------------------|---------------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                       |                                 |
| Pell grant  | 84.063                                | \$ 5,238,326                    |
| College work study  | 84.033                                | 191,742                         |
| Supplemental education opportunity grants                                       | 84.007                                | 205,526                         |
| Upward bound program  | 84.047A                               | 412,176                         |
| Student support services  | 84.042A                               | 248,506                         |
| <b>Total U.S. Department of Education</b>                                       |                                       | <u>6,296,276</u>                |
| <b>FEDERAL AWARDS PASSED THROUGH OTHER AGENCIES</b>                             |                                       |                                 |
| <b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>                           |                                       |                                 |
| Passed Through Chancellor's Office  |                                       |                                 |
| Americorps  | 94.006                                | 198,924                         |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                                       |                                 |
| Passed Through Humboldt County Office of Education                              |                                       |                                 |
| Forest reserve  | 10.665                                | 69,488                          |
| Passed Through California Department of Education                               |                                       |                                 |
| Child and adult care food   | 10.558                                | 5,404                           |
| <b>Total U.S. Department of Agriculture</b>                                     |                                       | <u>74,892</u>                   |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                       |                                 |
| Passed Through California Department of Education                               |                                       |                                 |
| Vocational and Applied Technology Education Act -Title IC - basic grants        | 84.048                                | 240,067                         |
| Vocational and Applied Technology Education Act -Title II - tech prep education | 84.049                                | 79,794                          |
| <b>Total U.S. Department of Education</b>                                       |                                       | <u>319,861</u>                  |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                             |                                       |                                 |
| Passed Through Chancellor's Office  |                                       |                                 |
| Temporary assistance to needy families  | 93.558                                | 106,964                         |
| <b>U.S. DEPARTMENT OF THE INTERIOR</b>  |                                       |                                 |
| Passed Through Various Tribes   |                                       |                                 |
| Bureau of Indian Affairs  | 15.124                                | 60,202                          |
| <b>U.S. DEPARTMENT OF LABOR</b>   |                                       |                                 |
| Passed Through County of Humboldt   |                                       |                                 |
| Work Force Investment Act   | 17.250                                | 6,800                           |
| <b>Total Federal Programs</b>   |                                       | <u>\$ 7,063,919</u>             |

*See the accompanying notes to the supplemental information.*

**SCHEDULE OF EXPENDITURES OF STATE AWARDS**

*Redwoods Community College District*

| Year Ended June 30, 2005                                   | Program Entitlements |                      |                     | Program Revenues    |                     |                  | Program Expenditures |                     |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|------------------|----------------------|---------------------|
|  | Current Year         | Prior-Year Carryover | Total               | Cash Received       | Accounts Receivable | Deferred Revenue |                      | Total               |
| <b>CATEGORICAL APPORTIONMENTS</b>                          |                      |                      |                     |                     |                     |                  |                      |                     |
| Extended opportunity programs and services                 | \$ 822,646           | \$ 13,650            | \$ 836,296          | \$ 836,296          | \$ -                | \$ -             | \$ 836,296           | \$ 836,296          |
| CARE supplement  | 129,887              | 5,543                | 135,430             | 135,430             | -                   | -                | 135,430              | 135,430             |
| Disabled students programs and services                    | 1,021,606            | -                    | 1,021,606           | 1,081,365           | -                   | -                | 1,081,365            | 1,081,365           |
| <b>Subtotal</b>  | <b>1,974,139</b>     | <b>19,193</b>        | <b>1,993,332</b>    | <b>2,053,091</b>    | <b>-</b>            | <b>-</b>         | <b>2,053,091</b>     | <b>2,053,091</b>    |
| <b>CATEGORICAL PROGRAM ALLOWANCES</b>                      |                      |                      |                     |                     |                     |                  |                      |                     |
| BFAP allowance   | 320,198              | 26,287               | 346,485             | 346,485             | -                   | -                | 346,485              | 346,485             |
| Cal Grant  | 622,576              | 5,862                | 628,438             | 609,536             | 18,902              | -                | 628,438              | 628,438             |
| California articulation number                             | 5,000                | -                    | 5,000               | 5,000               | -                   | -                | 5,000                | 5,038               |
| Cal-SOAP   | 500,526              | 6,518                | 507,044             | 378,989             | 145,202             | -                | 524,191              | 544,419             |
| CalWorks   | 232,653              | -                    | 232,653             | 208,841             | 23,812              | -                | 232,653              | 232,653             |
| CCC live caption   | 24,151               | -                    | 24,151              | 24,151              | -                   | 1,140            | 23,011               | 23,011              |
| CDE instructional material                                 | 2,307                | -                    | 2,307               | 2,307               | -                   | -                | 2,307                | 2,307               |
| Child care   | 223,309              | -                    | 223,309             | 212,788             | 10,521              | -                | 223,309              | 223,309             |
| Economic development - associate degree                    | 49,882               | 3,861                | 53,743              | 45,762              | 7,981               | -                | 53,743               | 53,743              |
| Economic development - north/far north regional consortium | 10,415               | -                    | 10,415              | 10,415              | -                   | -                | 10,415               | 10,415              |
| Economic development - REBRAC                              | 88,289               | -                    | 88,289              | 75,929              | 12,360              | -                | 88,289               | 88,366              |
| Foster parent training                                     | 183,695              | 7,895                | 191,590             | 99,743              | 91,847              | -                | 191,590              | 191,590             |
| Instructional equipment                                    | 254,013              | 86,235               | 340,248             | 340,248             | -                   | 10,744           | 329,504              | 340,248             |
| Matriculation  | 220,392              | -                    | 220,392             | 220,392             | -                   | -                | 220,392              | 220,392             |
| NFNRC  | 3,500                | -                    | 3,500               | 3,500               | -                   | -                | 3,500                | 3,500               |
| POST   | 29,204               | -                    | 29,204              | 3,950               | 25,254              | -                | 29,204               | 29,204              |
| Prop 20 state lottery                                      | 124,494              | -                    | 124,494             | 124,494             | -                   | -                | 124,494              | 124,494             |
| Staff development  | -                    | 1,439                | 1,439               | 1,439               | -                   | 1,077            | 362                  | 362                 |
| Staff diversity  | 20,381               | 8,224                | 28,605              | 28,605              | -                   | 16,626           | 11,979               | 11,979              |
| State mandated cost  | 35,125               | -                    | 35,125              | 35,125              | -                   | -                | 35,125               | 35,125              |
| Telecommunications and technology                          | 58,369               | 76,871               | 135,240             | 129,974             | -                   | 35,163           | 94,811               | 94,811              |
| <b>Subtotal</b>  | <b>3,008,479</b>     | <b>223,192</b>       | <b>3,231,671</b>    | <b>2,907,673</b>    | <b>335,879</b>      | <b>64,750</b>    | <b>3,178,802</b>     | <b>3,209,889</b>    |
| <b>Total State Programs</b>                                | <b>\$ 4,982,618</b>  | <b>\$ 242,385</b>    | <b>\$ 5,225,003</b> | <b>\$ 4,960,764</b> | <b>\$ 335,879</b>   | <b>\$ 64,750</b> | <b>\$ 5,231,893</b>  | <b>\$ 5,262,980</b> |

See the accompanying notes to the supplemental information.

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT (CCFS-311) WITH  
AUDITED FINANCIAL STATEMENTS**

*Redwoods Community College District*

June 30, 2005

There were no adjustments or reclassifications necessary to reconcile the annual financial and budget report with the audited statement of net assets and statement of revenues, expenses and changes in net assets, other than those items related to GASB Statement Nos. 34 and 35.

June 30, 2005

**1. PURPOSE OF SCHEDULES**

**Schedule of Workload Measures for State General Apportionments**

A full-time equivalent student is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to community college districts.

**Schedule of Expenditures of Federal and State Awards**

This schedule is prepared on the modified accrual basis of accounting. OMB Circular A-133 requires disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

**Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements.

## **OTHER REPORTS**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
Redwoods Community College District

We have audited the financial statements of Redwoods Community College District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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, the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Matson and Isom*

November 11, 2005



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees  
Redwoods Community College District

### Compliance

We have audited the compliance of Redwoods Community College District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of audit 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 which 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Matson and Isom*

November 11, 2005



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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees  
Redwoods Community College District

We have audited the financial statements of the Redwoods Community College District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following:

- 
- 
- SALARIES OF CLASSROOM INSTRUCTORS
  - APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS
  - REQUIRED DATA ELEMENTS
  - RESIDENCY DETERMINATION FOR CREDIT COURSES
  - CONCURRENT ENROLLMENT OF K-12 STUDENTS
  - USES OF MATRICULATION FUNDS
  - ALLOCATION OF COSTS (DSPS AND EOPS)
  - EOPS ADMINISTRATOR/DIRECTOR REQUIREMENTS
  - GANN LIMIT CALCULATION
  - ENROLLMENT FEE
  - SCHEDULED MAINTENANCE PROGRAM
  - OPEN ENROLLMENT
  - MINIMUM CONDITIONS - "STANDARDS OF SCHOLARSHIP"
  - STUDENT FEES - INSTRUCTIONAL MATERIALS FEES AND HEALTH FEES
-

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

Based on our audit, for the items tested, we found the District complied with the state laws and regulations referred to above. Further based on our examination for items not tested, nothing came to our attention to indicate the District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Matson and Isom*

November 11, 2005

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2005

*Redwoods Community College District*

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

|  |             |
|--|-------------|
| Type of auditors' report issued                              | Unqualified |
| Internal control over financial reporting                    |             |
| Material weaknesses identified?                              | No          |
| Reportable conditions not identified as material weaknesses? | No          |
| Noncompliance material to financial statements noted?        | No          |

**FEDERAL COMPLIANCE**

|   |                                      |
|---|--------------------------------------|
| Internal control over major programs                                  |                                      |
| Material weaknesses identified?                                       | No                                   |
| Reportable conditions not identified as material weaknesses?          | No                                   |
| Type of auditors' report issued<br>on compliance for major program    | Unqualified                          |
| Audit findings disclosed relative<br>to major federal award programs? | No                                   |
| Identification of major programs<br>CFDA No. 84.007, 84.033, 84.063   | Student Financial Assistance Cluster |
| Threshold for distinguishing types A and B programs                   | \$300,000                            |
| Determined to be a low-risk auditee?                                  | Yes                                  |

**STATE COMPLIANCE**

|   |             |
|---|-------------|
| Internal control over state programs  |             |
| Material weaknesses identified?   | No          |
| Reportable conditions identified not considered to be material<br>weaknesses? | No          |
| Type of auditors' report issued<br>on compliance for state programs           | Unqualified |

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2005

*Redwoods Community College District*

**SECTION II FINDINGS  
FINANCIAL STATEMENT AUDIT**

None.

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

None.

None.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2005

*Redwoods Community College District*

**SECTION II FINDINGS  
FINANCIAL STATEMENT AUDIT**

None.

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

None.