

**REDWOODS COMMUNITY
COLLEGE DISTRICT**

Eureka, California

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

June 30, 2006

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Redwoods Community College District

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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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of the District as of June 30, 2006, and the respective changes in financial position 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 25, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 13 are not a required part of the financial statements but are supplemental 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 supplemental 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 opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and the *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Matson and Ison

November 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplemental Information)

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Redwoods Community College District

June 30, 2006

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. 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

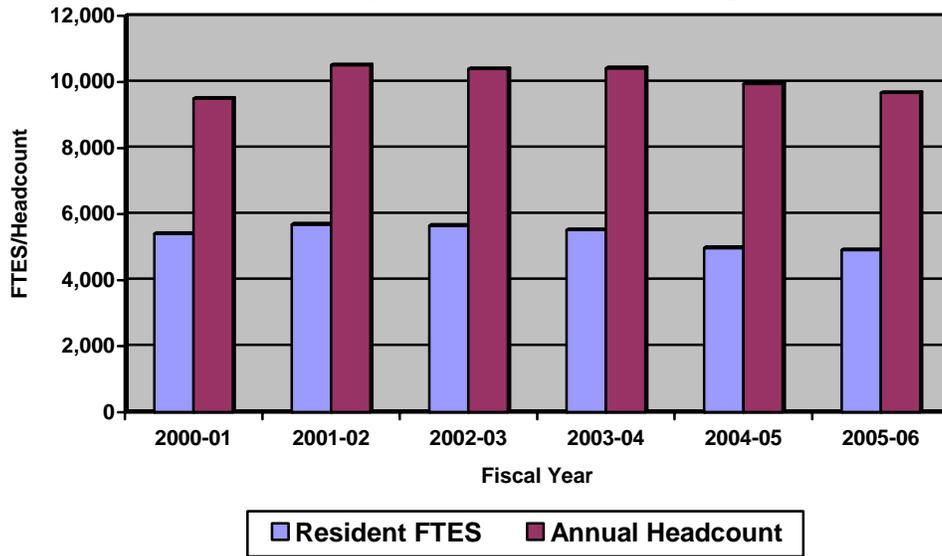
The District's full-time equivalent students (FTES) eligible for state funding decreased by 9.8% in 2004-05 to 4,974.27 and by 1.2% in 2005-06 to 4,914.26. Due to stability provisions in the state budget, districts lose funding for declines in FTES in the year following the loss of FTES, if not restored. Therefore, the District lost funding for 2005-06 due to the decline the prior year and will lose funding in 2006-07 if FTES is not restored to the 2005-06 level.

Unduplicated headcount for 2005-06 decreased by 279, or 2.8%, to 9,667 as determined for state funding purposes.

The state will use its Program Based Funding model for allocation of funds for district regular unrestricted programs for the last time in 2005-06. Under this formula, the District received in 2005-06 a cost of living adjustment (COLA) at 4.23% amounting to \$979,318, growth funding for maintenance and operations of \$66,147, and equalization funding of \$81,010.

District revenues for categorically funded programs increased slightly in 2005-06. The District has been awarded a five-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, 2006

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.

| | <u>2006</u> | <u>2005</u> | <u>Change</u> |
|--|----------------------|----------------------|---------------|
| ASSETS | | | |
| Current assets | \$ 8,970,286 | \$ 8,734,356 | 3% |
| Restricted cash and cash equivalents | 15,769,241 | 17,632,844 | -11% |
| Capital asset - net | 38,588,627 | 37,379,794 | 3% |
| Total Assets | <u>\$ 63,328,154</u> | <u>\$ 63,746,994</u> | -1% |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Current liabilities | \$ 2,989,763 | \$ 2,818,479 | 6% |
| Long-term liabilities - noncurrent portion | 25,879,383 | 26,277,633 | -2% |
| Total Liabilities | <u>28,869,146</u> | <u>29,096,112</u> | -1% |
| NET ASSETS | | | |
| Invested in capital assets - net | 33,965,911 | 35,260,997 | -4% |
| Restricted | 1,541,575 | 391,704 | 294% |
| Unrestricted: | | | |
| Reserve for non-cash assets | 228,700 | 280,997 | -19% |
| Contractual obligations | 414,150 | 378,276 | 9% |
| Designated for special purpose | 358,173 | 680,152 | -47% |
| Unfunded postemployment benefits | (1,755,698) | (2,048,093) | -14% |
| General contingency reserve | (2,049,501) | (2,341,245) | -12% |
| Total Unrestricted | <u>(1,048,478)</u> | <u>(1,001,820)</u> | 5% |
| Total Net Assets | <u>34,459,008</u> | <u>34,650,881</u> | -1% |
| Total Liabilities and Net Assets | <u>\$ 63,328,154</u> | <u>\$ 63,746,994</u> | -1% |

Restricted cash and cash equivalents as of June 30, 2005 and 2006, consisted mainly of unspent proceeds from the \$18M general obligation bond issue of 2005. Balances will continue to decline as bond project costs are paid.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Redwoods Community College District

June 30, 2006

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, completed construction on the pool and gymnasium projects, and continued planning efforts on other classroom modernization projects funded by general obligation bonds. During the state construction plan review process, seismic concerns have surfaced causing a shift in District planning for facilities for the Eureka campus. New plans are being developed to utilize state construction funds to augment District bond funds to build new classrooms and administrative space.

Fiscal policies adopted by the Chancellor's Office recommend that the District maintain a contingency reserve in the General Fund of 5% of unrestricted expenditures and other outgo. The District's General Fund reserve declined from 3.8% as of June 30, 2005, to 3.1% as of June 30, 2006. The District plans to work toward a General Fund reserve level of 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 total 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 12 years the District has improved funding its unfunded liability from 0% to over 66%. The District intends to continue to set funds aside until its unfunded liability is fully funded.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2006

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 nonoperating revenues and expenses. State general apportionment funds, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

| | 2006 | 2005 | Change |
|---|----------------------|----------------------|---------------|
| REVENUES | | | |
| Operating revenues: | | | |
| Net tuition and fees | \$ 3,372,160 | \$ 3,399,602 | -1% |
| Grants, contracts, and other designated revenues - noncapital | 6,374,299 | 6,310,589 | 1% |
| Auxiliary enterprise - net | 465,652 | 117,466 | 296% |
| Other operating income | 1,152,842 | 1,148,593 | 0% |
| Total Operating Revenue | 11,364,953 | 10,976,250 | 4% |
| Total Operating Expenses | 38,169,980 | 37,632,181 | 1% |
| Operating Loss | (26,805,027) | (26,655,931) | -1% |
| Nonoperating revenues (expenses): | | | |
| State apportionments - noncapital | 15,619,779 | 16,189,972 | -4% |
| Local property taxes - noncapital | 7,128,058 | 6,903,812 | 3% |
| Lottery and other revenue | 1,581,959 | 1,518,777 | 4% |
| Investment income | 133,765 | 164,113 | -18% |
| Other nonoperating revenues (expenses) - net | 450,623 | 352,371 | 28% |
| Total Nonoperating Revenues (Expenses) | 24,914,184 | 25,129,045 | 3% |
| Income (Loss) before other revenues, expenses, gains, or losses | (1,890,843) | (1,526,886) | -24% |
| State apportionments - capital | 26,184 | - | 100% |
| Apportionment and property taxes - capital | 1,458,423 | 15,103 | 9557% |
| Investment income - capital | 543,034 | 60,427 | 799% |
| Interest expense - capital | (628,614) | (82,583) | 661% |
| Grants and gifts - capital | - | 56,420 | -100% |
| Amortization of deferred charges | (24,950) | (2,079) | 1100% |
| Gains (losses) - disposal of capital assets | 397,030 | (9,426) | -4312% |
| Decrease in Net Assets | (119,736) | (1,489,024) | 92% |
| Net Assets - as Previously Reported | 34,650,881 | 36,139,905 | -4% |
| Prior-Period Adjustment | (72,137) | - | 100% |
| Net Assets - as Restated | 34,578,744 | 36,139,905 | -4% |
| Net Assets - End of Year | \$ 34,459,008 | \$ 34,650,881 | -1% |

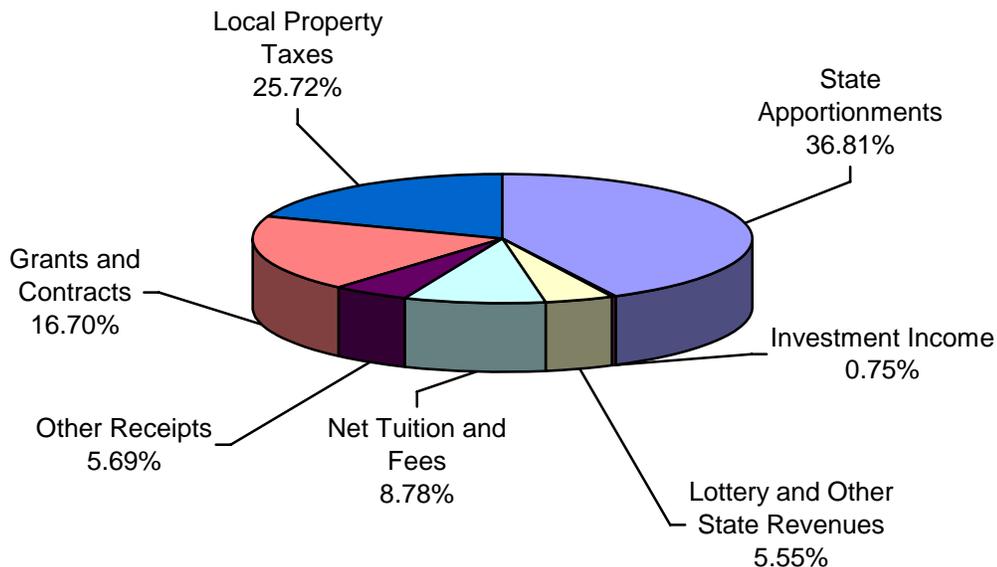
**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2006

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 funded portion of the District's entitlement under the program based funding formula remained relatively constant as the proportion of property taxes and enrollment fees changed only slightly.

Net tuition and fees include enrollment fees of \$1,213,524 in 2004-05 and \$1,135,315 in 2005-06. The regular enrollment fee rate of \$26 per semester unit in 2004-05 and 2005-06 will decrease in 2006-07 mid-year to \$20.

Revenues



The sale of a student built house of \$349,000 as part of a student enterprise project was the principal reason for the net increase in auxiliary enterprise sales and charges in 2005-06. A partial year of interest on unspent bond proceeds in 2004-05 produced \$60,427 in earnings, while a full year in 2005-06 produced \$543,034 as shown in investment income - capital. Apportionment and property taxes – capital includes secured taxes levied and collected for the first time in 2005-06 for the repayment of bond interest and principal of \$1,436,370.

Gain on sale of capital assets in 2005-06 is made up of the sale of land that was no longer needed by the District. The proceeds from the sale exceeded the historical cost of the property by \$397,030.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2006

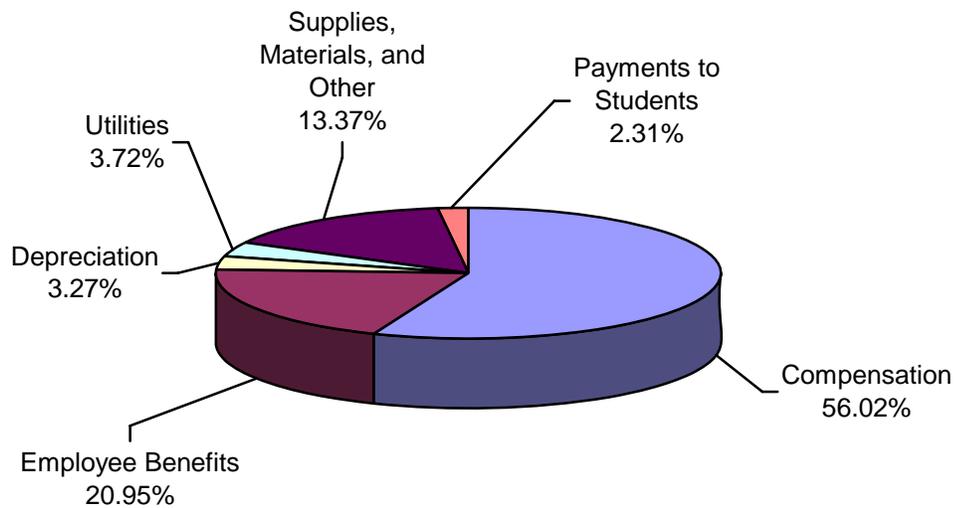
Redwoods Community College District

Operating Expenses (by Natural Classification)

| | 2006 | 2005 | Change |
|---|----------------------|----------------------|---------------|
| Compensation | \$ 21,384,457 | \$ 21,326,437 | 0% |
| Employee benefits | 7,589,208 | 7,759,465 | -2% |
| Supplies, materials, other operating expenses, and services | 5,758,826 | 5,325,918 | 8% |
| Utilities | 1,419,955 | 1,174,704 | 21% |
| Depreciation | 1,249,209 | 1,218,296 | 3% |
| Payments to students | 768,325 | 827,361 | -7% |
| Total Operating Expenses | \$ 38,169,980 | \$ 37,632,181 | 1% |

Employee benefits decreased in 2005-06 by a net of 4%. Despite an increase of 6% due to benefit price increases, progress was made in cost containment by benefit plan changes.

Expenses



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2006

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.

| | <u>2006</u> | <u>2005</u> |
|--|----------------------|----------------------|
| Cash provided (used) by: | | |
| Operating activities | \$ (25,469,693) | \$ (25,341,680) |
| Noncapital financing activities | 24,782,641 | 24,672,794 |
| Capital and related financing activities | (1,619,937) | 15,952,237 |
| Investment activities | <u>588,761</u> | <u>185,762</u> |
| Net Increase (Decrease) in Cash | (1,718,228) | 15,469,113 |
| Cash - Beginning of the Fiscal Year | <u>21,396,012</u> | <u>5,926,899</u> |
| Cash - End of the Fiscal Year | <u>\$ 19,677,784</u> | <u>\$ 21,396,012</u> |

Cash receipts from operating activities consist primarily of state grants and contracts of \$4,288,262 and tuition and fees of \$3,372,160. Cash outlays included payments to or on behalf of employees of \$28,973,665.

State apportionments of \$15,619,779 and property taxes of \$7,128,058 were primary sources of noncapital financing.

The purchase of capital assets was the main use of cash for capital and related financing activities.

Economic Factors That May Affect the Future

The 2006-07 state budget benefited from stronger than expected personal income tax revenues in 2005-06. The state was able to provide increased funding for education, fully fund most other programs, prepay debt, and provide a \$2 billion reserve. Due to declining oil prices, original projections of a 5% COLA for 2007-08 for California Community Colleges has been revised downward and state tax revenues revised upward. Even so, the Legislative Analyst's Office is still projecting future annual state budget shortfalls due to the continuing structural imbalance of tax revenues and projected expenditures. It is expected that state funding will provide modest growth and COLA allowances with no significant augmentations for 2007-08.

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 two years. The District has applied for state funding for the construction of new facilities to replace buildings on the Eureka campus currently used for instruction, student support, and administrative functions.

The District completed a three-year agreement with its classified staff bargaining unit covering fiscal years 2006-07 through 2008-09. A three-year agreement with the faculty unit expires at the end of 2006-07 and negotiations have begun on a new agreement.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

Redwoods Community College District

June 30, 2006

The District has experienced declining enrollments from 2001-02 through 2006-07. An attempt has been made to maintain programs and services despite reductions in state revenue that are tied to the level of full-time equivalent students attending the District. Staffing has declined somewhat due to the elimination of some classes taught by part-time faculty and vacant positions not filled. Other cost containment measures were also employed. However, expenditures have exceeded revenues each year since 2001-02 causing District reserves to decline from 15.7% of unrestricted expenditures and other outgo to 3.1% in 2005-06. The District is taking steps to enhance revenues and reduce costs to operate a balanced budget in 2007-08.

FINANCIAL SECTION

STATEMENT OF NET ASSETS

Redwoods Community College District

| June 30, 2006 | Primary Institution | Foundation |
|--|--------------------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 3,908,543 | \$ 852,543 |
| Accounts receivable - net | 4,361,072 | 316,178 |
| Stores inventory | 166,695 | 537,824 |
| Prepaid expenses | 62,005 | 1,389 |
| Total Current Assets | 8,498,315 | 1,707,934 |
| NONCURRENT ASSETS | | |
| Restricted cash and cash equivalents | 15,769,241 | - |
| Long-term investments | - | 1,812,554 |
| Deferred charges | 471,971 | - |
| Capital assets - net | 38,588,627 | 12,719 |
| Total Noncurrent Assets | 54,829,839 | 1,825,273 |
| Total Assets | \$ 63,328,154 | \$ 3,533,207 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,004,879 | \$ 57,458 |
| Accrued salaries and related benefits | 280,543 | - |
| Amounts held in trust for others | 88,929 | - |
| Deferred revenue | 1,136,163 | 1,402 |
| Other accrued liabilities | 124,249 | - |
| Current portion of long-term liabilities | 355,000 | - |
| Total Current Liabilities | 2,989,763 | 58,860 |
| NONCURRENT LIABILITIES | | |
| Long-term liabilities | 25,879,383 | - |
| Total Liabilities | 28,869,146 | 58,860 |
| NET ASSETS | | |
| Invested in capital assets - net of related debt | 33,965,911 | 12,719 |
| Restricted for: | | |
| Nonexpendable | - | 2,008,350 |
| Expendable | 1,541,575 | 796,624 |
| Unrestricted | (1,048,478) | 656,654 |
| Total Net Assets | 34,459,008 | 3,474,347 |
| Total Liabilities and Net Assets | \$ 63,328,154 | \$ 3,533,207 |

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, 2006 | Primary Institution | Foundation |
|--|--------------------------------|---------------------|
| OPERATING REVENUES | | |
| Tuition and fees (gross) | \$ 4,928,875 | \$ - |
| Scholarship discounts and allowances | (1,556,715) | - |
| Net Tuition and Fees | 3,372,160 | - |
| Grants and contracts - noncapital: | | |
| Federal | 1,834,692 | - |
| State | 4,121,708 | - |
| Local | 417,899 | - |
| Other operating payments | 1,152,842 | - |
| Auxiliary enterprise sales and charges | 465,652 | 2,082,155 |
| Total Operating Revenues | 11,364,953 | 2,082,155 |
| OPERATING EXPENSES | | |
| Salaries | 21,384,457 | - |
| Employee benefits | 7,589,208 | - |
| Supplies, materials, and other operating expenses and services | 5,758,826 | 2,847,272 |
| Utilities | 1,419,955 | - |
| Depreciation | 1,249,209 | 2,313 |
| Payments to students | 768,325 | 427,801 |
| Total Operating Expenses | 38,169,980 | 3,277,386 |
| Operating Loss | (26,805,027) | (1,195,231) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State apportionments - noncapital | 15,619,779 | - |
| Local property taxes - noncapital | 7,128,058 | - |
| State taxes and other revenues | 1,581,959 | - |
| Investment income - noncapital | 133,765 | 115,802 |
| Financial aid revenues - federal | 8,664,898 | - |
| Financial aid revenues - state | 612,069 | - |
| Financial aid expenses | (9,198,774) | - |
| Other nonoperating revenues - grants/gifts - noncapital | 372,430 | 1,169,930 |
| Total Nonoperating Revenues (Expenses) | 24,914,184 | 1,285,732 |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | (1,890,843) | 90,501 |
| State apportionments - capital | 26,184 | - |
| Local property taxes and revenues - capital | 1,458,423 | - |
| Investment income - capital | 543,034 | - |
| Interest expense - capital | (628,614) | - |
| Amortization of deferred charges | (24,950) | - |
| Gains - disposal of capital assets | 397,030 | - |
| Increase (Decrease) in Net Assets | (119,736) | 90,501 |
| Net Assets - as Previously Reported | 34,650,881 | 3,383,846 |
| Prior-Period Adjustment | (72,137) | - |
| Net Assets - as Restated | 34,578,744 | 3,383,846 |
| Net Assets - End of Year | \$ 34,459,008 | \$ 3,474,347 |

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

STATEMENT OF CASH FLOWS

| Year Ended June 30, 2006 | Primary Institution | Foundation |
|--|--------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 3,536,501 | \$ - |
| Federal grants and contracts | 1,885,108 | - |
| State grants and contracts | 4,288,262 | - |
| Local grants and contracts | 246,715 | - |
| Payments to suppliers | (7,311,360) | (2,895,967) |
| Payments to/on behalf of employees | (28,966,635) | - |
| Payments to/on behalf of students | (762,664) | (427,801) |
| Auxiliary enterprise sales and charges | - | 2,131,210 |
| Other receipts (payments) | 1,614,380 | - |
| Net Cash Used by Operating Activities | (25,469,693) | (1,192,558) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State apportionment and receipts | 16,986,371 | - |
| Property taxes | 7,345,647 | - |
| Financial aid, scholarship, and loan trust receipts - federal | 8,664,898 | - |
| Financial aid, scholarship, and loan trust receipts - state | 612,069 | - |
| Financial aid, scholarship, and loan trust disbursements | (9,198,774) | - |
| Interest paid on noncapital debt | - | (278) |
| Other receipts (payments) | 372,430 | 1,127,883 |
| Net Cash Provided by Noncapital Financing Activities | 24,782,641 | 1,127,605 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| State apportionments for capital purposes | 26,184 | - |
| Purchases of capital assets | (2,682,973) | - |
| Proceeds from sales of capital assets | 549,824 | - |
| Principal paid on capital debt | (294,239) | - |
| Interest paid on capital debt | (677,156) | - |
| Local property taxes and other revenues for capital | 1,458,423 | - |
| Net Cash Used by Capital and Related Financing Activities | (1,619,937) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest on investments | 45,727 | - |
| Proceeds from sales and maturities of investments | 543,034 | 115,802 |
| Net Cash Provided by Investing Activities | 588,761 | 115,802 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,718,228) | 50,849 |
| Cash and Cash Equivalents Balance - Beginning of Period | 21,396,012 | 801,694 |
| Cash and Cash Equivalents Balance - End of Period | \$ 19,677,784 | \$ 852,543 |

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

STATEMENT OF CASH FLOWS

| Year Ended June 30, 2006 | Primary Institution | Foundation |
|--|--------------------------------|-----------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating loss | \$ (26,805,027) | \$ (1,195,231) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation expense | 1,249,209 | 2,313 |
| Changes in assets and liabilities: | | |
| Accounts receivables - net | (81,940) | 49,055 |
| Stores inventory | 51,122 | (3,972) |
| Prepaid expenses | 1,175 | 28,887 |
| Accounts payable | (233,005) | (73,610) |
| Deferred charges | 24,950 | - |
| Accrued salaries and benefits | 26,687 | - |
| Deferred revenue | 287,953 | - |
| Amounts held in trust for others | 5,661 | - |
| Compensated absences | (19,657) | - |
| Other liabilities | 23,179 | - |
| Net Cash Used by Operating Activities | \$ (25,469,693) | \$ (1,192,558) |

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 three 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.

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 (the Corporation), and the College of the Redwoods Foundation (the Foundation), collectively known as the Component Units, have financial and operational relationships that meet the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB), 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 The Foundation operates under a master agreement with the District in accordance with the *California Education Code* requirements. The District is able to impose its will upon the Foundation. The Foundation provides specific financial benefits or imposes specific financial burdens on the District.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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:

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.

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's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments purchased with an original maturity of three months or less.

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.

In accordance with *California 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 *California 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 value of the District's position in the pool is the fair value of the pool shares. The pool has deposits and investments with a weighted-average maturity of less than two years. As of June 30, 2006, the fair value of the county pool is 98.65% 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 *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

June 30, 2006

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 \$526,010 at June 30, 2006.

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.

Deferred Charges Deferred charges are bond issuance costs and are deferred and amortized over the term of bonds using the straight-line method since the results are not significantly different from the effective interest method.

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. Land and construction in progress are considered nondepreciable capital assets; therefore, no depreciation is computed.

June 30, 2006

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.

Amounts Held in Trust for Others The District administers funds for certain college-related organizations. The liability represents the amount of funds held for these organizations.

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.

Bond Premium Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

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, nonexpendable, 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.

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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

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 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 (JPA) 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 JPA.

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.

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, CASH EQUIVALENTS, AND INVESTMENTS

The following is a summary of cash, cash equivalents, and investments at June 30, 2006:

| | <u>District</u> | <u>Fair Value Foundation</u> |
|--|----------------------|----------------------------------|
| PETTY CASH/CASH AWAITING DEPOSIT | \$ 3,270 | \$ 26,868 |
| DEPOSITS (1) | 1,125,435 | 342,329 |
| INVESTMENTS THAT ARE NOT SECURITIES (2) | | |
| County treasurer's investment pool | 18,549,079 | 591,045 |
| EQUITY SECURITIES | - | 1,704,855 |
| Total Cash, Cash Equivalents, and Investments | \$ 19,677,784 | \$ 2,665,097 |

- (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 - Deposits

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 and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2006, the District’s and the Foundation’s bank balances were exposed to custodial credit risk as follows:

| | <u>District</u> | <u>Foundation</u> |
|--------------------------------|-----------------|-------------------|
| Uninsured and uncollateralized | \$ 2,556,790 | \$ 100,402 |

Credit Risk – Investments

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 Aaa, Aa, or A Moody’s indices. The District’s and Foundation’s investment policy established safety of principal as the primary investment objective. The District’s and Foundation’s investment in the county investment pool is unrated.

Interest Rate Risk - Investment

California Government Code, Section 53601 limits the District's investments to maturities of five years. The District's and Foundation's investment policies are to realize a reasonable interest yield, and investment decisions are executed with the intent that they will be held to maturity. The District's and Foundation's' investment in the county treasurer's investment pool has a maturity of less than two years.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2006:

| | Primary Institution | Foundation |
|--------------------------------|--------------------------------|-------------------|
| Federal grants and contracts | \$ 942,431 | \$ - |
| State grants and contracts | 393,456 | - |
| Local grants and contracts | 328,738 | - |
| State apportionment noncapital | 1,951,777 | - |
| Local property taxes | 214,128 | - |
| Auxiliaries | - | 309,535 |
| Interest receivable | 191,653 | - |
| Tuition and fees | 322,082 | - |
| Other | 16,807 | 6,643 |
| Total | \$ 4,361,072 | \$ 316,178 |

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, is as follows:

| | Balance July 1, 2005 | Additions | Deductions | Balance June 30, 2006 |
|---------------------------------------|---------------------------------|---------------------|---------------------|----------------------------------|
| NONDEPRECIATED CAPITAL ASSETS | | | | |
| Land | \$ 1,960,294 | \$ - | \$ 152,794 | \$ 1,807,500 |
| Construction in progress | 864,284 | 2,369,850 | 1,974,338 | 1,259,796 |
| DEPRECIATED CAPITAL ASSETS | | | | |
| Site improvements | 5,096,724 | - | - | 5,096,724 |
| Buildings and improvements | 45,829,407 | 1,974,338 | - | 47,803,745 |
| Equipment | 2,869,384 | 253,013 | - | 3,122,397 |
| Vehicles | 958,449 | 23,589 | - | 982,038 |
| Library books and film | 237,794 | 36,521 | - | 274,315 |
| Total Capital Assets | 57,816,336 | 4,657,311 | 2,127,132 | 60,346,515 |
| LESS: ACCUMULATED DEPRECIATION | 20,508,679 | 1,249,209 | - | 21,757,888 |
| Total Capital Assets - Net | \$ 37,307,657 | \$ 3,408,102 | \$ 2,127,132 | \$ 38,588,627 |

Foundation capital assets consist of \$12,719 of bookstore equipment, net of accumulated depreciation.

6. LONG-TERM LIABILITIES

The long-term liability activity for the year ended June 30, 2006, is as follows:

| | Balance July 1, 2005 | Additions | Payments and Reductions | Balance July 30, 2006 | Current Portion |
|-------------------------|---------------------------------|------------------|------------------------------------|----------------------------------|----------------------------|
| General obligation bond | \$ 18,000,000 | \$ - | \$ - | \$ 18,000,000 | \$ 295,000 |
| Bond issuance premium | 469,878 | - | 23,592 | 446,286 | - |
| Capital leases | 1,106,939 | - | 294,239 | 812,700 | 60,000 |
| Compensated absences | 696,021 | - | 19,657 | 676,364 | - |
| Postemployment benefits | 6,299,033 | - | - | 6,299,033 | - |
| Total | \$ 26,571,871 | \$ - | \$ 337,488 | \$ 26,234,383 | \$ 355,000 |

7. GENERAL OBLIGATION BOND

The general obligation bonded debt is as follows:

| | |
|---|----------------------|
| 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%. | \$ 18,000,000 |
|---|----------------------|

The amount of interest cost incurred during the year ended June 30, 2006, was \$601,102, all of which was charged to expenses.

The annual requirements to amortize the general obligation bond payable is as follows:

| Year Ending June 30 | Principal | Interest | Total |
|---------------------|----------------------|----------------------|----------------------|
| 2007 | \$ 295,000 | \$ 846,918 | \$ 1,141,918 |
| 2008 | 465,000 | 816,518 | 1,281,518 |
| 2009 | 485,000 | 778,518 | 1,263,518 |
| 2010 | 510,000 | 738,718 | 1,248,718 |
| 2011 | 530,000 | 697,118 | 1,227,118 |
| 2012-2016 | 3,055,000 | 3,000,849 | 6,055,849 |
| 2017-2021 | 3,725,000 | 2,360,300 | 6,085,300 |
| 2022-2026 | 4,540,000 | 1,497,994 | 6,037,994 |
| 2027-2030 | 4,395,000 | 406,013 | 4,801,013 |
| Totals | \$ 18,000,000 | \$ 11,142,946 | \$ 29,142,946 |

8. CAPITAL LEASES

The District leases equipment valued at \$1,592,100 under an agreement which provide for title to pass upon expiration of the lease period. The amount of interest cost incurred during the year ended June 30, 2006, was \$51,104, all of which was charged to expenses. Future minimum lease payments are as follows:

| | Lease Payments |
|--|---------------------------|
| 2007 | \$ 101,595 |
| 2008 | 97,433 |
| 2009 | 102,960 |
| 2010 | 97,891 |
| 2011 | 102,733 |
| 2012-2016 | 502,183 |
| 2017-2021 | 57,689 |
| Total | 1,062,484 |
| Less: Amount representing interest | 249,784 |
| Present Value of Net Minimum Lease Payments | \$ 812,700 |

9. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS 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 CalSTRS Board. The required employer contribution rate for fiscal year 2005-06 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$921,506, \$944,032, and \$881,117 respectively, and equal 100% of the required contributions for each year.

Other Information

Under CalSTRS 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 CalSTRS for early retirement incentives granted to terminated employees at June 30, 2006.

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.

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 2005-06 was 9.116% 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, 2006, 2005, and 2004, were \$681,868, \$685,552, and \$709,243, respectively, and equal 100% of the required contributions for each year.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described above, 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, 2006, 86 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 \$539,226 in 2005-06.

The District has estimated the present value of the postemployment health care benefits liability as of June 30, 2006, to be \$6,299,033. This estimate was computed as part of an actuarial valuation performed December 2004. Actuarial assumptions used to value the liability included an annual health care inflation factor of 3.0% and a discount rate of 5.0%.

11. COMMITMENTS AND CONTINGENCIES**Federal and State Allowances, Awards, and Grants**

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.

Operating Leases

June 30, 2006

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.

Construction Commitments

Subsequent to June 30, 2006, the District entered into construction encumbrances for two projects totaling \$139,113.

Other Contingencies

The California Division of the State Architect has informed the District that some of the District's buildings are located near active earthquake faults. The District has not yet determined its response to this information, and may choose to continue the use of the buildings or abandon them. Therefore, at June 30, 2006, no adjustment has been made to the value of capital assets. At June 30, 2006, the District's affected assets have a net book value of \$2,884,499.

The District is involved in claims and other litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse financial effect on the District.

12. 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 joint powers authority (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). The NCCCSIA JPA was created to provide self-insurance programs for school districts.

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. The JPAs financial information for the year ended June 30, 2006, was not available for this report. Condensed audited financial information for SELF, NCCCSIA, and NCSMIG for the year ended June 30, 2005, are as follows:

NOTES TO THE FINANCIAL STATEMENTS*Redwoods Community College District*

June 30, 2006

| | SELF | NCCCSIA | NCSMIG |
|-----------------------------|------------------------|---------------------|---------------------|
| | (Audited) | (Audited) | (Audited) |
| Total assets | \$ 177,635,435 | \$ 10,679,182 | \$ 11,137,095 |
| Total liabilities | 174,412,337 | 4,870,114 | 2,316,557 |
| Net Assets | \$ 3,223,098 | \$ 5,809,068 | \$ 8,820,538 |
| Total revenues | \$ 38,195,479 | \$ 7,569,639 | \$ 23,886,394 |
| Total expenditures | 60,768,157 | 7,185,155 | 22,920,962 |
| Change in Net Assets | \$ (22,572,678) | \$ 384,484 | \$ 965,432 |

13. PRIOR-PERIOD ADJUSTMENT

Net assets and construction in progress at June 30, 2005, have been decreased by \$72,137 to account for expenditures that were inadvertently capitalized in the statement of net assets. This adjustment has no effect on revenue or expenses during the 2005-06 fiscal year.

SUPPLEMENTAL INFORMATION SECTION

ORGANIZATION

June 30, 2006

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

| Name | Office | Term Expires |
|-------------------|----------------|---------------------|
| Yvonne Gower | President | 2007 |
| Milton Dobkin | Vice President | 2007 |
| Thomas Ross | Clerk | 2009 |
| Dr. John E. Burke | Member | 2007 |
| Will Smith | Member | 2009 |
| George Truett | Member | 2009 |
| Bruce Emad | Member | 2007 |
| Tracy Coppini | Member | 2009 |
| Rick Bennett | Member | 2006 |

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

Redwoods Community College District

June 30, 2006

The full-time equivalent resident students eligible for 2005-06 state apportionment reported to the state of California as of June 30, 2006, are summarized below:

| | Annual Report |
|---|--------------------------|
| Summer intersession | 296.46 |
| Census weekly procedure classes | 3,908.39 |
| Census daily procedure classes | 170.63 |
| Independent study and work experience classes | 112.55 |
| Actual hours of positive attendance classes | 426.23 |
| Total | 4,914.26 |

The gross square footage eligible for 2005-06 state apportionment reported to the state of California as of June 30, 2006, is summarized below:

| | Annual Report |
|---------------------|--------------------------|
| Existing facilities | 481,519 |
| New facilities | 3,568 |
| Total | 485,087 |

The full-time equivalent students in leased space eligible for 2005-06 state apportionments reported to the state of California as of June 30, 2006, is summarized below:

| | Annual Report |
|----------------------|--------------------------|
| FTES in leased space | 310.49 |

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Redwoods Community College District

| Year Ended June 30, 2006 | Federal Catalog Number | Program Expenditures |
|---|---------------------------------------|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | |
| Pell grant | 84.063 | \$ 5,227,066 |
| College work study | 84.033 | 174,283 |
| Supplemental education opportunity grants | 84.007 | 202,110 |
| Upward bound program | 84.047A | 438,068 |
| Student support services | 84.042A | 282,389 |
| Total U.S. Department of Education | | <u>6,323,916</u> |
| FEDERAL AWARDS PASSED THROUGH OTHER AGENCIES | | |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | |
| Passed Through Chancellor's Office | | |
| Americorps | 94.006 | <u>156,256</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | |
| Passed Through Humboldt County Office of Education | | |
| Forest reserve | 10.665 | <u>67,173</u> |
| U.S. DEPARTMENT OF EDUCATION | | |
| Passed Through California Department of Education | | |
| Vocational and Applied Technology Education Act -Title IC - basic grants | 84.051 | 240,533 |
| Vocational and Applied Technology Education Act -Title II - tech prep education | 84.243 | 265,752 |
| Higher Education Institutional Aid | 84.031 | <u>166,812</u> |
| Total U.S. Department of Education | | <u>673,097</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | |
| Passed Through Chancellor's Office | | |
| Temporary assistance to needy families | 93.558 | 94,071 |
| U.S. DEPARTMENT OF THE INTERIOR | | |
| Passed Through Various Tribes | | |
| Bureau of Indian Affairs | 15.124 | 89,153 |
| U.S. DEPARTMENT OF LABOR | | |
| Passed Through County of Humboldt | | |
| Work Force Investment Act | 17.259 | <u>31,025</u> |
| Total Federal Programs | | <u>\$ 7,434,691</u> |

See the accompanying notes to the supplemental information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Redwoods Community College District

| Year Ended June 30, 2006 | Program Entitlements | | | Program Revenues | | | | Program Expenditures |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|-------------------|---------------------|----------------------|
| | Current Year | Prior-Year Carryover | Total | Cash Received | Accounts Receivable | Deferred Revenue | Total | |
| CATEGORICAL APPORTIONMENTS | | | | | | | | |
| Board financial assistance | \$ 293,587 | \$ - | \$ 293,587 | \$ 293,587 | \$ - | \$ 53,017 | \$ 240,570 | \$ 240,570 |
| Calworks | 237,973 | - | 237,973 | 237,973 | - | - | 237,973 | 237,973 |
| Cooperative agency resource education | 131,990 | - | 131,990 | 131,990 | - | 19,411 | 112,579 | 112,579 |
| Disabled students programs and services | 1,031,344 | - | 1,031,344 | 1,031,344 | - | - | 1,031,344 | 1,050,240 |
| Economic development | 152,502 | - | 152,502 | 128,282 | 22,059 | - | 150,341 | 150,341 |
| Extended opportunity programs and services | 881,114 | - | 881,114 | 881,114 | - | 22,914 | 881,114 | 858,200 |
| Faculty and staff diversity | 11,842 | 16,626 | 28,468 | 28,468 | - | 11,066 | 17,402 | 17,401 |
| Instructional equipment | - | 10,744 | 10,744 | 10,744 | - | - | 10,744 | 10,744 |
| Matriculation | 235,884 | - | 235,884 | 235,884 | - | 1,294 | 234,590 | 234,590 |
| Staff development | - | 1,077 | 1,077 | 1,077 | - | - | 1,077 | 1,077 |
| Telecommunications and technology | 52,332 | 35,163 | 87,495 | 87,495 | - | 31,115 | 56,380 | 56,380 |
| Subtotal | 3,028,568 | 63,610 | 3,092,178 | 3,067,958 | 22,059 | 138,817 | 2,974,114 | 2,970,095 |
| CATEGORICAL PROGRAM ALLOWANCES | | | | | | | | |
| Cal grant | 612,069 | - | 612,069 | 597,871 | 14,198 | - | 612,069 | 612,069 |
| Cal-SOAP | 500,526 | 11,229 | 511,755 | 379,864 | 135,690 | - | 515,554 | 515,554 |
| CA conservation corp | 6,000 | - | 6,000 | 6,000 | - | - | 6,000 | 6,000 |
| CCC live caption | - | 1,140 | 1,140 | 1,140 | - | 1,140 | - | - |
| Child care | 255,510 | - | 255,510 | 232,755 | 22,755 | - | 255,510 | 255,510 |
| Economic development - associate degree | - | 58,823 | 58,823 | 58,823 | - | - | 58,823 | 58,823 |
| Economic development - north/far north regional consortium | 11,108 | - | 11,108 | 8,322 | 2,786 | - | 11,108 | 11,108 |
| Education financing foundation | - | - | - | 55,000 | - | 55,000 | - | - |
| Foster parent training | 180,634 | - | 180,634 | 90,317 | 90,317 | - | 180,634 | 180,634 |
| State block grant | 119,487 | - | 119,487 | 119,487 | - | 198 | 119,289 | 119,289 |
| NFNRC | 2,400 | - | 2,400 | 2,400 | - | - | 2,400 | 2,400 |
| Subtotal | 1,687,734 | 71,192 | 1,758,926 | 1,551,979 | 265,746 | 56,338 | 1,761,387 | 1,761,387 |
| Total State Programs | \$ 4,716,302 | \$ 134,802 | \$ 4,851,104 | \$ 4,619,937 | \$ 287,805 | \$ 195,155 | \$ 4,735,501 | \$ 4,731,482 |

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, 2006

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, 2006

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 SECTION



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

To the Board of Trustees
Redwoods Community College District
Eureka, California

We have audited the financial statements of Redwoods Community College District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 25, 2006. 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 an opinion 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 reportable 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 25, 2006



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2006. 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with 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 ON 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 reportable 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 caused by error or fraud 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 25, 2006



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Redwoods Community College District
Eureka, California

We have audited the financial statements of the Redwoods Community College District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2006. 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: 50% LAW
 APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS
 REQUIRED DATA ELEMENTS
 RESIDENCY DETERMINATION FOR CREDIT COURSES
 STUDENTS ACTIVELY ENROLLED
 CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES
 USES OF MATRICULATION FUNDS
 ALLOCATION OF COSTS (DSPS AND EOPS)
 ENROLLMENT FEE
 CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)
 OPEN ENROLLMENT
 MINIMUM CONDITIONS - "STANDARDS OF SCHOLARSHIP"
 STUDENT FEES - INSTRUCTIONAL MATERIALS FEES AND HEALTH FEES
 NONCREDIT COURSES

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, except as described in the schedule of findings and questioned costs. 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 except as described in the accompanying schedule of findings and questioned costs as items 06-01, 06-02, and 06-03.

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 25, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2006

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 AWARDS

| | |
|--|--|
| Internal control over major programs | |
| Material weaknesses identified? | No |
| Reportable conditions not identified as material weaknesses? | No |
| Type of auditors' report issued on compliance for major program | Unqualified |
| Audit findings disclosed relative to major federal award programs? | No |
| Identification of major programs CFDA No. 84.007, 84.033, 84.063 CFDA No. 84.047A, 84.042A | Student Financial Assistance Cluster TRIO Cluster |
| Threshold for distinguishing types A and B programs | \$300,000 |
| Determined to be a low-risk auditee? | Yes |

STATE AWARDS

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

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2006

Redwoods Community College District

**SECTION II FINDINGS
FINANCIAL STATEMENT AUDIT**

None.

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2006

Redwoods Community College District

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (Standards of Scholarship)

06-01

Reportable Condition

Condition

The District did not include in its catalog information pertaining to: (1) repetition of courses for students to meet a legally mandated training requirement as a condition of continued paid or volunteer employment, (2) challenge of a grade that a student believes was given due to mistake, fraud, bad faith, or incompetence, and (3) limitations on repetition of remedial coursework.

Criteria

As a minimum standard to receive state aid, each district must adopt regulations consistent with Minimum Conditions – “Standards of Scholarship”, contained in *California Code of Regulations (CCR)*, Title 5 and publish statements of those regulations under appropriate headings in their catalogs. (*California Education Code* Section 70901 (b)(6) and 76232; *CCR*, Title 5, Sections 51000, 51002, 55750-55765 and 58161; Legal Advisory 04-01).

Effect

The District is not in compliance with state requirements to publish its statements of regulations in its catalog.

Recommendation

We recommend that the District add statements of its policies to its catalog.

Response

The District will include in its 2007-2008 catalog, under “Academic Regulations,” the following:

Course Repetition in Special Circumstances

Repetition shall be permitted, without petition, in instances when such repetition is necessary for a student to meet a legally mandated training requirement as a condition of continued paid or volunteer employment. (*Cal. Admin. Code* tit. 5, s 55763).

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Redwoods Community College District

June 30, 2006

Grade Challenges

The grade recorded for a student in any course is determined by the faculty member; and in the absence of error, fraud, bad faith, or incompetence, is considered final. A student who believes that a grade has been assigned on the basis of error, fraud, bad faith, or incompetence may appeal that grade to the faculty member who assigned it and then, if necessary, to the appropriate academic dean or campus vice president. The decision of the dean or campus vice president may be appealed by the student or the faculty member to the Board of Trustees. (In accordance with *Cal. Admin. Code* tit. 5, s 55760).

Remedial Course Work Limitation

A student's need for remedial coursework shall be determined using appropriate assessment instruments, methods, or procedures administered pursuant to subchapter 6 (commencing with section 55500) of chapter 6. However, except as provided in subdivision (c) of this section, no student shall receive more than 30 semester units (or 45 quarter units) of credit for remedial coursework. Students having exhausted the unit limitation shall be referred to appropriate adult noncredit education services provided by a college, adult school, community-based organization, or other appropriate local provider with which the district has an established referral agreement.

(c) The following students are exempted from the limitation on remedial coursework described in subdivision (b) of this section: (1) Students enrolled in one or more courses of English as a Second Language (ESL), and (2) Students identified by the district as having a learning disability as defined in section 56036. (In accordance with *Cal. Admin. Code* tit. 5, s 55756.5).

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2006

Redwoods Community College District

STATE COMPLIANCE (Noncredit Courses)

06-02

Reportable Condition

Condition

The District did not complete the required self-assessment forms for the 2003-04 noncredit courses in accordance with the prescribed time frames.

Criteria

Self-assessment forms for noncredit courses are required to be completed (*California Education Code*, Section 70901; *CCR Title 5*, Sections 55002(b); and *Legal Advisory 05-03*). These forms for the 2003-04 year were required to be completed by April 2005.

Effect

Without completing the self-assessment forms in a timely manner, noncredit course apportionment may not be accurate.

Recommendation

We recommend that the District establish procedures to ensure that the self-assessment forms are completed within the required time frames.

Response

The District believes that it has completed the required self-assessment forms but is temporarily unable to locate copies kept on file at the District. If copies cannot be located within a relatively short time period, the District will recreate the forms and ensure that they are maintained on file and are available to ensure compliance with this requirement.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2006

Redwoods Community College District

STATE COMPLIANCE (Required Data Elements)

06-03

Condition

The District was unable to provide census rosters for 2 of the 25 classes selected for testing due to the failure of instructors to turn in rosters within the required time frames to the Admissions and Records Office.

Criteria

The District is required to have available timely, accurate and complete information that verifies each district's workload measures as defined in the *CCR*, Title 5. (*CCR*, Title 5, Sections 58020-58024).

Effect

The District is at risk of potentially misstating state apportionment funds claimed on students actively enrolled and of causing instances of noncompliance with federal regulations for student financial aid assistance programs. In addition, the failure of instructors to return census rosters creates significant reporting difficulties.

Recommendation

The District should improve its procedures to assure that census rosters are collected from each instructor on a timely basis.

Response

The District has reviewed its procedures for tracking and verifying that census rosters are collected from each instructor and are properly filed in the Admissions and Records Office. The District believes that recent improvements in this process will ensure that no rosters are missing in the future. The District is also in the process of determining which rosters were unable to be located in the recent review and ensuring that they are found and properly filed.

CORRECTIVE ACTION PLAN

June 30, 2006

Redwoods Community College District

Not applicable: there are no current year findings related to federal awards.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2006

Redwoods Community College District

None.