



MATSON
& ISOM

REDWOODS COMMUNITY
COLLEGE DISTRICT

Eureka, California

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2012

TABLE OF CONTENTS

June 30, 2012

*Redwoods Community
College District*

	Page Number
Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	4
FINANCIAL SECTION	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Net Assets	13
Statement of Cash Flows	14
Notes to the Financial Statements	16
SUPPLEMENTARY INFORMATION SECTION	
Organization Structure	35
Schedule of Workload Measures for State General Apportionment	36
Schedule of Expenditures of Federal Awards	37
Schedule of Expenditures of State Awards	39
Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With Audited Financial Statements	40
Combining Balance Sheets – District Funds Included in the Reporting Entity	42
Combining Statement of Revenues, Expenditures/Expenses, and Changes in Fund Equity – District Funds Included in the Reporting Entity	46
Reconciliation of Fund Equity to Net Assets	50
Reconciliation of Change in Fund Equity to Change in Net Assets	51
Notes to the Supplementary Information	52

TABLE OF CONTENTS

June 30, 2012

*Redwoods Community
College District*

	Page Number
<hr/>	
OTHER REPORTS SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	55
Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	57
Independent Auditors' Report on State Compliance Requirements	59
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION	
Schedule of Findings and Questioned Costs	62
Corrective Action Plan	69
Summary Schedule of Prior Audit Findings	70



MATSON
& ISOM

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 unit of the Redwoods Community College District (the District) as of and for the year ended June 30, 2012, 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 the 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 the discretely presented component unit of the District as of June 30, 2012, 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 January 23, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT

Continued

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

Matson and Isom

January 23, 2013
Redding, California

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

INTRODUCTION

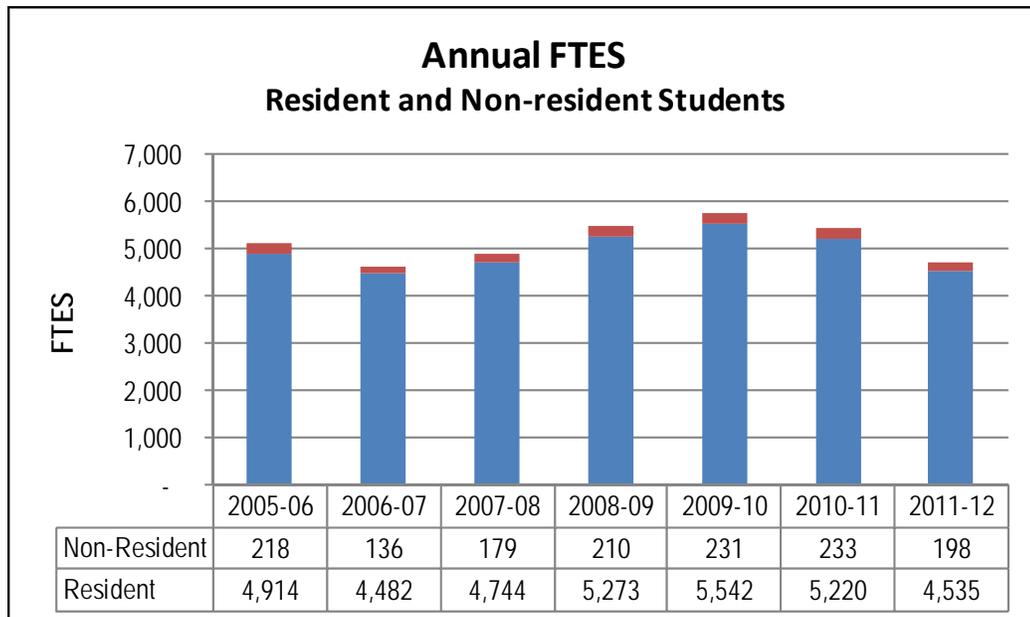
As required by accounting principles, the annual report consists of three basic financial statements that provide information on Redwoods Community College District (the District) as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement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

ATTENDANCE HIGHLIGHTS

The District's resident full-time equivalent students (FTES) for Fiscal Year 2011-12 stood at 4,535. The Chancellor's Office set the District's resident funded FTES at 4,811 for Fiscal Year 2011-12. The Chancellor's Office provided stability funding in Fiscal Year 2011-12 for the 276 FTES shortfall.

<i>Credit/Non-credit Resident and Non-resident Students</i>							
<i>Academic Year</i>	<i>Resident</i>	<i>Non-Resident</i>	<i>Total</i>	<i>Percentage Change</i>			
				<i>Resident</i>	<i>Non-Resident</i>	<i>Total</i>	
2005-06	4,914	218	5,132	-10.9%	-6.0%	-10.7%	
2006-07	4,482	136	4,618	-8.8%	-37.6%	-10.0%	
2007-08	4,744	179	4,923	5.8%	31.6%	6.6%	
2008-09	5,273	210	5,483	11.2%	17.3%	11.4%	
2009-10	5,542	231	5,773	5.1%	10.0%	5.3%	
2010-11	5,220	233	5,453	-5.8%	0.9%	-5.5%	
2011-12	4,535	198	4,733	-13.1%	-15.0%	-13.2%	



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*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.

For the Years Ended June 30	2012	2011	Change	Pct Chg
ASSETS				
Current assets	\$ 18,040,168	\$ 14,240,687	\$ 3,799,481	27%
Noncurrent restricted cash and cash equivalents	4,941,401	13,338,059	(8,396,658)	-63%
Capital assets and deferred costs, net	84,422,324	61,289,211	23,133,113	38%
Total Assets	107,403,893	88,867,957	18,535,936	21%
LIABILITIES				
Current liabilities	8,737,319	6,244,737	2,492,582	40%
Noncurrent liabilities	30,364,810	31,213,008	(848,198)	-3%
Total Liabilities	39,102,129	37,457,745	1,644,384	4%
NET ASSETS				
Investments in capital assets, net of related debt	63,445,872	44,901,366	18,544,506	41%
Restricted-expendable	189,409	282,334	(92,925)	-33%
Unrestricted	4,666,483	6,226,512	(1,560,029)	-25%
Total net assets	68,301,764	51,410,212	16,891,552	33%
Total liabilities and net assets	\$ 107,403,893	\$ 88,867,957	\$ 18,535,936	21%

The decrease in Noncurrent restricted cash and cash equivalents of \$4.5 million is due to the progress made on projects funded with local bond funds. This line item will continue to decrease as the District pays invoices for capital projects funded by the Measure Q bonds. Following the issuance of the District's remaining authorized bonds, expected in spring of 2013, this line item will increase and then continue to decrease as all funds are expended on Measure Q bond funded projects.

The decrease of \$1.5 million in unrestricted net assets is partly due to the net deficit in the unrestricted general fund operations for Fiscal Year 2012, and partly due to net operating deficit in other funds of the District.

The total net assets increased primarily due to the District's continued building program.

Current liabilities increased by \$2.5 million in comparison to the prior year primarily due to the timing of invoice payments and payroll tax payments.

The Chancellor's Office recommends that each college district maintain a contingency reserve in the Unrestricted General Fund of 5.00% of unrestricted expenditures. As of June 30, 2012 the Unrestricted General Fund reserve level or fund equity was 4.6%.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*Redwoods Community
College District*

The District has elected to record its actuarially determined annual liability for postemployment health benefits according to GASB 45. Through changes in board policy and collective bargaining contracts, newly hired employees will no longer participate in this program. For eligible plan participants, the District funds the current service liability, and may make annual contributions for its prior service liability. The District intends to continue to set funds aside to meet its unfunded accrued liability. The most recent actuarial study of retiree health liabilities was as of September 1, 2011. The unfunded liability is estimated to be \$6.9 million. The funds set aside to pay future benefits stood at \$3.0 million at June 30, 2012.

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.

For the Years Ended June 30	2012	2011	Change	Pct Chg
OPERATING REVENUES AND EXPENSES				
Operating Revenues				
Net tuition and fees	\$ 3,890,194	\$ 4,021,010	\$ (130,816)	-3%
Grants and contracts - non-capital	20,090,744	23,270,744	(3,180,000)	-14%
Auxiliary enterprise sales and charges	1,501,534	2,160,958	(659,424)	-31%
Total operating revenues	25,482,472	29,452,712	(3,970,240)	-13%
Operating Expenses	55,252,383	59,327,336	(4,074,953)	-7%
Operating Loss	(29,769,911)	(29,874,624)	104,713	0%
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	16,916,196	18,789,234	(1,873,038)	-10%
Local property taxes	8,051,801	8,088,352	(36,551)	0%
State taxes and other revenues	1,118,385	1,212,922	(94,537)	-8%
Investment income	169,424	156,277	13,147	8%
Interest expense - capital asset-related debt	(1,301,690)	(1,354,159)	52,469	-4%
Amortization of bond issuance costs	(36,374)	(38,449)	2,075	-5%
Other non-operating revenues (expenses)	230,688	354,890	(124,202)	-35%
Non-operating revenues	25,148,430	27,209,067	(2,060,637)	-8%
LOSS BEFORE OTHER REVENUES AND EXPENSES	(4,621,481)	(2,665,557)	(1,955,924)	73%
State apportionments and grants, capital	19,431,881	8,725,047	10,706,834	123%
Local Property taxes, capital	2,081,152	2,215,063	(133,911)	-6%
CHANGE IN NET ASSETS	16,891,552	8,274,553	8,616,999	104%
NET ASSETS, BEGINNING OF YEAR	51,410,212	43,135,659	8,274,553	19%
NET ASSETS, END OF YEAR	\$ 68,301,764	\$ 51,410,212	\$ 16,891,552	33%

Operating revenues decreased by approximately \$4.0 million in Fiscal Year 2012. This is due to both a decrease in auxiliary sales revenue and a decrease in grant revenue, both program awards and student financial aid awards. Operating expenses have also decreased which is discussed in more detail in the Operating Expenses portion of this report.

**MANAGEMENT’S DISCUSSION
AND ANALYSIS**

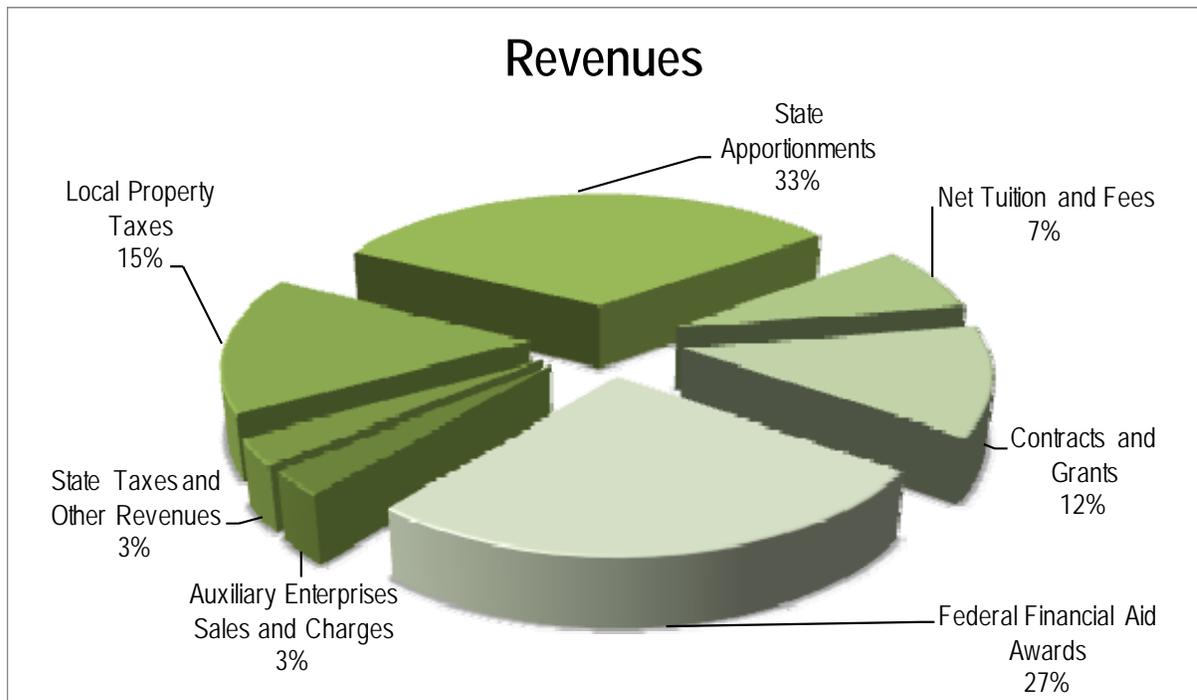
June 30, 2012

*Redwoods Community
College District*

The State’s SB361 funding formula allocates apportionment funding to 72 community college districts through two calculations. For Fiscal Year 2011-12 the District’s total apportionment was \$ 26 million. First, basic funding is provided to each District and approved center at a scheduled rate, with additional funding provided to rural districts. For Fiscal Year 2011-12 the District received \$4.7 million in basic funding, comprised of \$3.3 million for the District, \$830 thousand combined for the Mendocino and Del Norte centers and \$554 thousand for rural district support.

Second, the Chancellor’s Office caps each district’s level of funded full-time equivalent students or FTES (One FTES equals 30 credits per year). The SB361 formula calculates funding for the Chancellor’s Office’s FTES cap at a statewide rate of \$4,564 per credit FTES in Fiscal Year 2011-12, or \$ 21.9 million for the District’s 4,811 FTES cap.

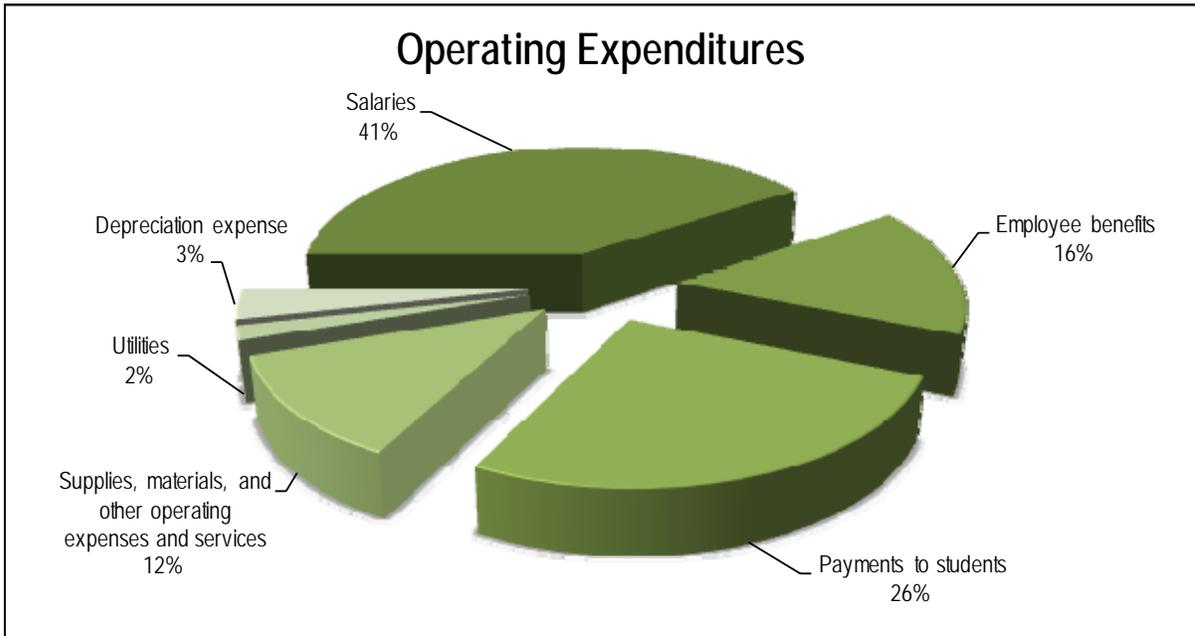
Then the formula offsets the state’s apportionment liability by all enrollment fees assessed, including enrollment fees paid by students in excess of the Chancellor’s FTES cap and all non-residents, as well as all eligible property taxes received by the District. The District enrollment revenue was \$1.2 million and property taxes were \$8.6 million. Finally, in years when the Chancellor’s Office experiences a funding shortfall, the Chancellor reduces all of the FTES-based apportionment funding on a pro-rata basis across all but the smallest community college districts, referred to as a *deficit coefficient*. As a result of a funding shortfall in Fiscal Year 2011-12, the Chancellor’s deficit coefficient reduced the District’s funding by \$636 thousand to balance the statewide apportionment funding model. State funding is then provided for any apportionment needed after all offsets and deficit coefficients have been applied, which amounted to \$ 16.2 million for the District in Fiscal Year 2011-12.



Operating Expenses (by Natural Classification)

For the years ended	2012	2011	Change	Pct Chg
Salaries	\$ 22,414,354	\$ 24,132,861	\$ (1,718,507)	-7%
Employee benefits	8,609,255	8,654,783	(45,528)	-1%
Payments to students	14,621,241	16,691,112	(2,069,871)	-12%
Supplies, materials, and other operating expenses and services	6,738,928	7,142,164	(403,236)	-6%
Utilities	961,216	989,936	(28,720)	-3%
Depreciation expense	1,907,389	1,716,480	190,909	11%
Total operating expense	\$ 55,252,383	\$ 59,327,336	\$ (4,074,953)	-7%

District-wide operating expenses decreased over last year by approximately \$ 4.1 million. Salaries decreased by \$ 1.7 million. Supplies, materials and other operating costs decreased by \$432 thousand. Payments to students, which consists of financial aid awards, decreased by \$2.1 million.



**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

June 30, 2012

*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.

For the years ended	2012	2011	Change	Pct Chg
Cash provided by (used) by:				
Operating activities	\$ (26,082,671)	\$ (27,811,281)	\$ 1,728,610	-6%
Non-capital financing activities	24,872,940	27,371,681	(2,498,741)	-9%
Capital financing activities	(9,313,252)	(2,425,888)	(6,887,364)	284%
Investing activities	169,171	209,089	(39,918)	-19%
Net increase (decrease) in cash and cash equivalents	(10,353,812)	(2,656,399)	(7,697,413)	290%
Cash and cash equivalents - beginning of year	15,295,213	17,951,612	(2,656,399)	-15%
Cash and cash equivalents - end of year	4,941,401	15,295,213	(10,353,812)	-68%

The District's cash and cash equivalents balance decreased by \$ 10.3 million to \$ 4.9 million. The decrease in cash and cash equivalents is the result of the increase in bond capital construction payments, the increase in state bond construction reimbursements receivable and state apportionment deferrals.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The District's Fiscal Year 2011-12 ending unrestricted ending fund equity fell below 5%. District reorganization and one-time concessions from bargaining unit employees, unrepresented employees and the Board of Trustees helped to balance the Fiscal Year 2012-13 budget. While the District continues to remain fiscally sound, the budget for 2013-14 and beyond requires significant budget savings in order for the District to maintain financial solvency. The District continues to negotiate with its faculty and staff bargaining units to identify solutions to help balance the budget. In January 2012, the District was placed on Show Cause status by its accrediting agency which is the most serious sanction prior to removal of accreditation from the institution. The District asked for and was appointed a State Special Trustee to assist in improving the accreditation status and with financial recovery efforts.

State voters passed proposition 30 which may provide additional resources to community colleges, for example to fund increased enrollments. Until the District resolves its budget imbalance, the District will be limited in its ability to grow enrollments in a sustainable manner. State funding did not provide for a COLA in 2008-09, 2009-10, 2010-11, and Fiscal Year 2011-12 and it is unclear if this trend will continue or not.

The District's finances are being positioned for the probability of austerity budgets for the near term. With long term capital investments, most notably two new buildings under construction at the Eureka main campus and other projects district wide, the District is also being positioned to capitalize on opportunities in the future as the State's economic outlook eventually improves and the District resolves its budget shortfall in a sustainable manner.

FINANCIAL SECTION

STATEMENT OF NET ASSETS

Redwoods Community

College District

Page 1 of 2

June 30, 2012	Primary Institution	Foundation
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 1,146,751
Accounts receivable - net	17,146,111	1,214
Inventories	909,406	11,668
Prepaid expenses	11,140	700
Internal balances	(26,489)	26,489
Total Current Assets	18,040,168	1,186,822
NONCURRENT ASSETS		
Restricted cash and cash equivalents	4,941,401	1,856,754
Investments	-	2,091,149
Beneficial interest in CRAT	-	222,967
Other assets	-	4,443
Nondepreciable capital assets	39,326,756	-
Depreciable capital assets - net	44,390,160	-
Other postemployment benefit obligation	125,537	-
Deferred costs - net	579,871	-
Total Noncurrent Assets	89,363,725	4,175,313
Total Assets	\$ 107,403,893	\$ 5,362,135

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

STATEMENT OF NET ASSETS

Redwoods Community

College District

Page 2 of 2

June 30, 2012	Primary Institution	Foundation
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 3,826,549	\$ 55,809
Accrued liabilities	1,515,258	-
Deferred revenue	2,370,360	30,579
Amounts held for others	145,639	371,606
Compensated absences - current portion	58,413	-
Long-term debt - current portion	821,100	-
Total Current Liabilities	8,737,319	457,994
NONCURRENT LIABILITIES		
Long-term debt - noncurrent portion	29,670,026	-
Compensated absences - noncurrent portion	694,784	-
Total Noncurrent Liabilities	30,364,810	-
Total Liabilities	39,102,129	457,994
NET ASSETS		
Investments in capital assets - net of related debt	63,445,872	-
Restricted		
Nonexpendable	-	3,772,883
Expendable	189,409	932,377
Unrestricted	4,666,483	198,881
Total Net Assets	68,301,764	4,904,141
Total Liabilities and Net Assets	\$ 107,403,893	\$ 5,362,135

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, 2012	Primary Institution	Foundation
OPERATING REVENUES		
Tuition and fees	\$ 6,661,884	\$ -
Less: Scholarship discounts and allowances	(2,771,690)	-
Tuition and Fees - Net	3,890,194	-
Grants and contracts - noncapital:		
Federal	15,919,632	-
State	3,689,076	-
Local	482,036	-
Auxiliary enterprise sales and charges	1,501,534	970,770
Total Operating Revenues	25,482,472	970,770
OPERATING EXPENSES		
Salaries	22,414,354	-
Employee benefits	8,609,255	-
Payments to students	14,621,241	177,447
Supplies, materials, and other operating expenses and services	6,738,928	1,152,793
Utilities	961,216	-
Depreciation	1,907,389	-
Total Operating Expenses	55,252,383	1,330,240
Operating Loss	(29,769,911)	(359,470)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	16,916,196	-
Local property taxes - noncapital	8,051,801	-
State taxes and other revenues	1,118,385	-
Investment income	169,424	(60,433)
Interest expense - capital asset - related debt	(1,338,064)	-
Other nonoperating revenues	230,688	185,169
Total Nonoperating Revenues (Expenses)	25,148,430	124,736
Loss Before Other Revenues and Expenses	(4,621,481)	(234,734)
State apportionments and grants - capital	19,431,881	-
Local property taxes - capital	2,081,152	-
Change in Net Assets	16,891,552	(234,734)
Net Assets - Beginning of Year	51,410,212	5,138,875
Net Assets - End of Year	\$ 68,301,764	\$ 4,904,141

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, 2012	Primary Institution	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 4,629,902	\$ -
Federal grants and contracts	15,637,055	-
State grants and contracts	3,665,016	-
Local grants and contracts	397,917	-
Payments to/on behalf of employees	(22,141,338)	-
Payments for benefits	(8,609,255)	-
Payments for scholarships and grants	(14,621,241)	(177,447)
Payments to suppliers	(6,364,637)	(1,106,523)
Payments for utilities	(961,216)	-
Auxiliary enterprise sales and charges	1,365,942	970,770
Other receipts (payments)	919,184	(289,917)
Net Cash Used by Operating Activities	(26,082,671)	(603,117)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments - noncapital	15,235,803	-
Local property taxes - noncapital	8,051,801	-
State taxes and other revenues	1,585,336	-
Other receipts (payments)	-	185,169
Net Cash Provided by Noncapital Financing Activities	24,872,940	185,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(23,220,342)	-
Interest paid on capital debt	(1,356,990)	-
Principal paid on capital debt	(783,200)	-
State apportionments and grants - capital	13,966,128	-
Local property taxes	2,081,152	-
Net Cash Used by Capital and Related Financing Activities	(9,313,252)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	169,171	45,082
Purchase of investments	-	(8,475)
Net Cash Provided by Investing Activities	169,171	36,607
Net Change in Cash and Cash Equivalents	(10,353,812)	(381,341)
Cash and Cash Equivalents - Beginning of Year	15,295,213	3,384,846
Cash and Cash Equivalents - End of Year	\$ 4,941,401	\$ 3,003,505

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

STATEMENT OF CASH FLOWS

Redwoods Community

College District

Page 2 of 2

Year Ended June 30, 2012	Primary Institution	Foundation
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (29,769,911)	\$ (359,470)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,907,389	-
Other receipts	230,688	-
Changes in:		
Accounts receivable - net	381,985	123,041
Inventories	(20,923)	1,908
Other assets	-	5,117
Prepaid expenses	57,198	-
Internal balances	488,311	(488,311)
Other postemployment benefits in long-term assets	(99,459)	-
Accounts payable	299,679	39,245
Accrued liabilities	343,122	-
Deferred revenue	(20,039)	28,265
Amounts held for others	51,599	47,088
Compensated absences - included in long-term liabilities	67,690	-
Net Cash Used by Operating Activities	\$ (26,082,671)	\$ (603,117)
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ -	\$ 1,146,751
Restricted cash and cash equivalents - noncurrent	4,941,401	1,856,754
Total Cash and Cash Equivalents	\$ 4,941,401	\$ 3,003,505

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

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

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

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

Exceptions to the accrual basis of accounting are as follows:

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

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

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

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

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

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

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

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

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

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

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

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

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

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

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

Long-Term Liabilities and Deferred Costs Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred costs and amortized over the term of the related debt. Amortization of issuance costs was \$38,449 for the year ended June 30, 2012.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

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

Invested in Capital Assets - Net of Related Debt: This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

Restricted Net Assets - Nonexpendable: Consists 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: Restricted expendable net assets represent resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets: Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

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

Revenues are classified according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state, and local grants and contracts, and federal appropriations.

Nonoperating Revenues: Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as state appropriations and investment income, 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*.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

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

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

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

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

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

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

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

On-Behalf Payments GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all Community College Districts in California. Payment amounts have not been reported in the basic financial statements, as management believes they are immaterial to the financial statements taken as a whole.

2. CASH AND INVESTMENTS

The following is a summary of cash and cash equivalents and investments at June 30, 2012:

	Fair Value	
	Primary Institution	Foundation
PETTY CASH/CASH AWAITING DEPOSIT	\$ -	\$ -
DEPOSITS (1)	4,941,401	3,003,505
INVESTMENTS THAT ARE NOT SECURITIES (2)		
Certificates of deposit	-	75,050
Money market mutual funds	-	12,663
Subtotal	-	87,713
INVESTMENT SECURITIES		
Equity mutual funds	-	2,003,436
Subtotal	-	2,003,436
Total Cash and Cash Equivalents and Investments	\$ 4,941,401	\$ 5,094,654

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, 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, credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2012, the District’s and the Foundations’ bank balances were exposed to custodial credit risk as follows:

	Primary Institution
Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 274,112

Primary Institution – 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 by Moody’s indices. The District has no investment policy that would further limit its investment choices.

The District has no investments as of June 30, 2012.

Foundation – Credit Risk - Investments

The Foundation’s investment policy states that the equity portion of the investable assets shall be allocated to asset classes on the basis of pre-approved ratios. The portion of assets invested in equities shall be 40% to 80% with the balance in fixed income (cash, cash equivalents, bonds, CDs, etc.). Fixed income investment instruments other than cash or cash equivalents shall have the highest rating by all three rating agencies (Fitch, Moody’s and S&P) and have short or intermediate maturities. As of June 30, 2012, the Foundation has \$2,003,436 invested in equity mutual funds, representing 82.7% of the Foundation’s investment pool.

Concentration of Credit Risk - Investments

The portion of investment in each of the permissible investment categories is restricted as defined in the *California Government Code*, Section 53601 and 53635. The Foundation’s investment policy states that the equity portion of the investable assets shall be allocated to asset classes on the basis of pre-approved ratios.

Interest Rate Risk – Investments

California Government Code, Section 53601, limits the District’s investments to maturities of five years. As of June 30, 2012, the District had no investments with maturities greater than 5 years. The Foundation’s investment policy limits fixed income investment instruments other than cash or cash equivalents to short or intermediate maturities. As of June 30, 2012 the Foundation had one investment with a maturity of one year.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2012:

Tuition and fees - net	\$ 2,809,465
Less: Allowance for doubtful accounts	(1,649,993)
Tuition and Fees - Net	1,159,472
Federal grants and contracts	946,087
State grants and contracts	234,469
Local grants and contracts	19,449
State apportionment - noncapital	6,075,117
State taxes and other revenues	124,980
State apportionment and grants - capital	8,017,663
Interest receivable	26,353
Auxiliary	380,728
Other	161,793
Total	\$ 17,146,111

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, is summarized as follows:

	Balance June 30, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
NONDEPRECIABLE CAPITAL ASSETS					
Land	\$ 1,807,500	\$ -	\$ -	\$ -	\$ 1,807,500
Construction in progress	14,685,298	24,799,132	-	(1,965,174)	37,519,256
Total Nondepreciable Capital Assets	\$ 16,492,798	\$ 24,799,132	\$ -	\$ (1,965,174)	\$ 39,326,756
DEPRECIABLE CAPITAL ASSETS					
Site improvements	\$ 7,053,223	\$ -	\$ -	\$ -	\$ 7,053,223
Buildings and improvements	60,058,043	-	-	719,804	60,777,847
Equipment	4,109,401	141,010	(31,530)	1,245,370	5,464,251
Vehicles	1,153,635	36,311	(37,080)	-	1,152,866
Library books and film	429,190	3,039	-	-	432,229
Total Depreciable Capital Assets	72,803,492	180,360	(68,610)	1,965,174	74,880,416
Less: Accumulated depreciation	(28,651,477)	(1,907,389)	68,610	-	(30,490,256)
Total Capital Assets - Net	\$ 44,152,015	\$ (1,727,029)	\$ -	\$ 1,965,174	\$ 44,390,160

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

5. ACCOUNTS PAYABLE

Accounts payable consisted of the following at June 30, 2012:

Amounts payable to vendors	\$ 745,920
Amounts payable to contractors	3,080,629
Total	\$ 3,826,549

6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30, 2012:

Accrued payroll and related liabilities	\$ 830,365
Accrued interest	545,083
Other	139,810
Total	\$ 1,515,258

7. DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2012:

Tuition and fees	\$ 1,567,845
Federal grants and contracts	18,450
State grants and contracts	294,107
Local grants and contracts	229,281
State apportionment and grants - capital	159,499
Other	101,178
Total	\$ 2,370,360

8. SHORT-TERM LIABILITIES

The District participated in the California Community College Financing Authority 2012 Tax and Revenue Anticipation Bond program, depositing the proceeds (to the extent of participation) in its general fund. Short-term debt is necessary for the District to maintain proper working cash levels. Short-term debt activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Drawn	Repaid	Balance June 30, 2012
Participation in California Community College Financing Authority 2012 Tax and Revenue Anticipation Bonds	\$ -	\$ 3,521,523	\$ (3,521,523)	\$ -

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Redwoods Community College District

9. NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Accretion/ Additions</u>	<u>Amortization/ Reductions</u>	<u>Balance June 30, 2012</u>
LONG-TERM DEBT				
General obligation bonds	\$ 30,826,301	\$ -	\$ (741,375)	\$ 30,084,926
Refunding lease obligation	484,400	-	(78,200)	406,200
Total Long-Term Debt	<u>\$ 31,310,701</u>	<u>\$ -</u>	<u>\$ (819,575)</u>	<u>\$ 30,491,126</u>
OTHER LONG-TERM LIABILITIES				
Compensated absences	\$ 685,507	\$ 651,883	\$ (584,193)	\$ 753,197
Total Other Long-Term Liabilities	<u>\$ 685,507</u>	<u>\$ 651,883</u>	<u>\$ (584,193)</u>	<u>\$ 753,197</u>

Long-term debt consisted of the following individual debt issues at June 30, 2012:

GENERAL OBLIGATION BONDS	
2004 General Obligation Bonds, Series 2005, issued in the original amount of \$18,000,000. Final maturity August 1, 2029. Interest rates range from 3.375% to 8.000%.	\$ 15,160,000
Unamortized issuance premium on 2004 General Obligation Bonds, Series 2005.	<u>304,731</u>
Total 2004 General Obligation Bonds, Series 2005	<u>15,464,731</u>
2004 General Obligation Bonds, Series 2007, issued in the original amount of \$15,000,000. Final maturity August 1, 2031. Interest rates range from 4.000 to 6.000%.	14,360,000
Unamortized issuance premium on 2004 General Obligation Bonds, Series 2007.	<u>260,195</u>
Total 2004 General Obligation Bonds, Series 2007	<u>14,620,195</u>
Total General Obligation Bonds	<u>30,084,926</u>
REFUNDING LEASE OBLIGATION	
1998 Refunding Lease issued in the original amount of \$1,592,100. Final maturity in November 2016. Interest rate 5.300%.	<u>406,200</u>
Total Long-Term Debt	30,491,126
Less: Current portion	<u>(821,100)</u>
Total Long-Term Debt - Noncurrent Portion	<u>\$ 29,670,026</u>

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

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

Year Ending June 30	Principal	Interest	Bonds Total	Bond Premium	Total
2013	\$ 740,000	\$ 1,293,399	\$ 2,033,399	\$ 36,735	\$ 2,070,134
2014	780,000	1,264,905	2,044,905	37,180	2,082,085
2015	1,160,000	1,229,611	2,389,611	37,813	2,427,424
2016	1,210,000	1,185,141	2,395,141	38,735	2,433,876
2017	1,255,000	1,138,183	2,393,183	39,477	2,432,660
2018-2022	7,065,000	4,869,736	11,934,736	211,482	12,146,218
2023-2027	8,785,000	3,112,498	11,897,498	141,068	12,038,566
2028-2032	8,525,000	901,412	9,426,412	22,436	9,448,848
Total	\$ 29,520,000	\$ 14,994,885	\$ 44,514,885	\$ 564,926	45,079,811
Less: Current interest					(14,994,885)
Net Principal					\$ 30,084,926

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 81,100	\$ 19,379	\$ 100,479
2014	83,900	15,007	98,907
2015	91,400	10,362	101,762
2016	93,600	5,459	99,059
2017	56,200	1,489	57,689
Total	\$ 406,200	\$ 51,696	\$ 457,896

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009. The District's actuarially determined annual required contributions and other additions for the year ended June 30, 2012, were \$822,292 and contributions made by the District during the year were \$921,751, which resulted in a net OPEB prepaid obligation of \$125,537. See note 13 for additional information regarding the OPEB prepaid and the postemployment benefit plan.

10. EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

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

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

Funding Policy

Active plan members are required to contribute 8.0% of their gross salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal year ended June 30, 2012, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes.

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 5.041% of covered members' gross salaries of the second preceding fiscal year. The contribution for the years ended June 30, 2012, 2011, and 2010, are estimated to have been \$622,285, \$527,552, and \$517,717, respectively. The District's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$922,055, \$984,331, and \$1,019,308, respectively, and equaled 100% of the required contribution for each year.

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

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

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over \$133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2012, was 10.923% of annual payroll. The contribution requirements of the plan members are established by State statutes. The District's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$885,987, \$902,347, and \$797,156, respectively, and equaled 100% of the required contribution for each year.

A State of California contribution on behalf of the District to CalPERS was not required for the years ended June 30, 2012, 2011, and 2010.

11. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

12. JOINT POWERS AUTHORITIES

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

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

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 as such, are not component units of the District for financial reporting purposes.

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

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

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

Plan Description

The Redwoods Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance coverage to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired before January 1, 2008, classified retirees hired before July 1, 2006, and administrative, managerial, and confidential employees hired before September 1, 2006. Group medical coverage is also provided for board members meeting certain eligibility requirements. Membership of the Plan consists of 70 retirees currently receiving benefits and 188 eligible active plan members.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the year ended June 30, 2012, the District contributed \$921,751 to the Plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	\$ 823,596
Interest on net OPEB obligation	(1,304)
Annual OPEB Cost	822,292
Contributions	(921,751)
Change in Net OPEB Obligation	(99,459)
Net OPEB Prepaid - Beginning of Year	(26,078)
Net OPEB Prepaid - End of Year	\$ (125,537)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation (Prepaid)
June 30, 2010	\$ 759,785	\$ 791,496	104.17%	\$ 6,309
June 30, 2011	\$ 824,359	\$ 856,746	103.93%	\$ (26,078)
June 30, 2012	\$ 822,292	\$ 921,751	112.10%	\$ (125,537)

Funded Status and Funding Progress

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

	September 1, 2011
Actuarial accrued liability (AAL)	\$ 6,965,101
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability	\$ 6,965,101
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active members)	\$ 12,254,397
UAAL as a Percentage of Covered Payroll	56.84%

As of June 30, 2012, the District had not set aside any amounts in an external trust fund.

Actuarial Methods and Assumptions

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

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

In the November 15, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.0% discount rate, a 3.0% price inflation, a 3.0% wage inflation, and an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percentage of payroll over a 25-year period.

14. COMMITMENTS AND CONTINGENCIES

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

The District periodically enters into construction commitments which are funded through State grants and/or Measure Q Bond funding. At June 30, 2012, the District had unfinished contracts in the amount of \$11,209,341.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Redwoods Community
College District*

The California Division of the State Architect has informed the District that since some of the District's buildings are located near active earthquake faults the best mitigation is avoidance. The District is constructing comparable new building space on the same site and is considering potential nonstudent uses of the existing affected buildings, if possible. At June 30, 2012, the District's affected assets have a net book value of \$2,259,895 and have been reported without adjustment.

The District is accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (ACCJC). In January 2010, the ACCJC removed the District from warning status, then the District submitted a follow-up report addressing a new recommendation on Standard IV (Leadership and Governance). In January 2011, the ACCJC replaced the Standard IV recommendation with a new recommendation regarding the improvement of institutional effectiveness. The District's resolution of the current recommendation will be evaluated during the upcoming comprehensive review. A comprehensive self-study was completed in October 2011, followed by a visit of Commission representatives. Based upon the visiting team's report and eight major recommendations (regarding Student Learning Outcomes, strategic planning, course syllabi, student records, employee evaluation, strategic hiring plan, professional development, and Board actions and communication), in February 2012, the District was placed on "show cause." Show cause is ordered when the Commission finds that an institution is in substantial noncompliance with its Eligibility Requirements, Accreditation Standards, or Commission policies, or when the institution has not responded to the conditions imposed by the Commission. The Commission noted that "College of the Redwoods has not demonstrated an ability to address evaluation team recommendations in a manner that is timely, complete, and sustained, and has not demonstrated consistent and reliable compliance with Accreditation Standards." The District was required to prepare a Show Cause Report by October 2012, as well as a Closure Plan. The Show Cause Report and Closure Plan were submitted to the ACCJC on October 15, 2012. ACCJC Commission Representatives will visit the college November 5th and 6th, 2012.

As a result of the Accreditation show cause finding, on April 6, 2012, the District's Board of Trustees adopted Resolution Number 656, "Resolution in Support of a Special Trustee." At its August 7, 2012, meeting, the Board of Trustees approved a contract for Mr. Tom Henry to act as State Special Trustee for the District to provide advice and make recommendations and in assisting with the development of a fiscal and educational recovery plan.

The District was placed on enrollment "stability" funding by the State Chancellor's Office during fiscal year 2012-2013 due to missing a student enrollment target during the 2011-12 fiscal year. Should the District's enrollment results for 2012-13 fall below the State Chancellor's Office enrollment target for a second year in a row, the State Chancellor's Office will reduce the District's apportionment funding beginning in fiscal year 2013-14. The District's Board of Trustees' approved a 2012-13 Final Budget at their September 10, 2012, meeting with an unrestricted general fund budget in a \$2,040,549 net deficit and a projected 2012-13 negative ending fund balance. To ensure the District's continued financial solvency, the Board of Trustees November 7, 2012, agenda includes an action item to authorize the President/Superintendent to transfer funds from the District's employee benefits fund to unrestricted general funds. With assistance from State Special Trustee Tom Henry, the District is developing a fiscal recovery plan to ensure the District's continued financial solvency by increasing revenues and reducing expenditures during 2012-13 to close the \$2 million budget gap. The fiscal recovery plan will be presented to the Board of Trustees at their December 4, 2012, meeting.

15. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance. This statement will improve financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so they derive from a single source. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, to provide reporting guidance for deferred outflows and inflows of resources. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2012, will have on the District's financial statements, if any.

**16. CONCENTRATION BENEFICIAL INTEREST IN CHARITABLE REMAINDER
ANNUITY TRUST – FOUNDATION**

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

The Foundation has elected the fair value option in conformity with FASB ASC 825-10 to report its interest in the charitable remainder trust. A noncurrent asset for the charitable remainder trusts has been recognized at the present value of the expected future cash flow discounted at a rate of 7% at June 30, 2012. Changes in the value of the trust have been reported in the statement of activities as decreases in temporarily restricted net assets.

SUPPLEMENTARY INFORMATION SECTION

ORGANIZATION STRUCTURE

June 30, 2012

*Redwoods Community
College District*

The District was established on January 14, 1964, and commenced operations in 1965.

GOVERNING BOARD

Name	Office	Term Expires
Dr. Colleen Mullery	President	December 2015
Tom Ross	Vice President	December 2013
Sally Biggin	Clerk	December 2015
Bruce Emad	Member	December 2015
Rick Bennett	Member	December 2014
Tracy Coppini	Member	December 2013
Richard Dorn	Member	December 2015
George Truett	Member	December 2013
Barbara Rice	Member	December 2013
Jerred Scheive	Student Member (Nonvoting)	May 2013

DISTRICT ADMINISTRATION

Mrs. Kathy Smith
President/Superintendent

Dr. Utpal K. Goswami
Vice President, Instruction

Dr. Keith Snow-Flamer
Vice President, Student Development

Mr. Lee Lindsey
Vice President, Administrative Services

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

*Redwoods Community
College District*

June 30, 2012

The full-time equivalent resident students (FTES) eligible for 2011-12 state apportionment reported to the State of California as of June 30, 2012, are summarized below:

	Reported Data
<hr/> <hr/>	
SUMMER INTERSESSION (Summer 2011 only)	
Noncredit	-
Credit	38.17
SUMMER INTERSESSION (Summer 2012 - Prior to July 1, 2012)	
Noncredit	-
Credit	24.53
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	3,802.66
Daily Census Contact Hours	61.73
Actual Hours of Attendance Procedure Courses	
Noncredit	2.30
Credit	230.70
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	363.02
Daily Census Contact Hours	12.05
Noncredit Independent Study/Distance Education Courses	-
Total FTES	4,535.16
<hr/> <hr/>	
SUPPLEMENTARY INFORMATION (Subset of above information)	
IN-SERVICE TRAINING COURSES (FTES)	3.27
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	-
Credit	415.42
<hr/> <hr/>	

See the accompanying notes to the supplementary information.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

June 30, 2012

*Redwoods Community
College District*

Page 1 of 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION		
Financial Aid Cluster		
Federal Supplemental Education Opportunity Grants	84.007	\$ 152,403
Federal Direct Student Loans	84.268	3,552,793
Federal Work-Study Program	84.033	220,179
Federal Pell Grant Program	84.063	9,857,979
Total Financial Aid Cluster		13,783,354
TRIO Cluster		
Student Support Services	84.042	297,401
Upward Bound	84.047	397,472
Total TRIO Cluster		694,873
Passed Through Chancellor's Office		
Vocational Education - Tech Prep Education	84.243	46,970
Passed Through State Department of Education		
Vocational Education - Basic Grants to States	84.048	226,936
Child Care Access Means Parents in School	84.116	32,014
Total U.S. Department of Education		14,784,147
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Humboldt County Office of Education		
Child Nutrition Program	10.558	34,786
Forest Reserve	10.665	117,520
Total U.S. Department of Agriculture		152,306
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed Through California Department of Education		
Child Care and Development Block Grant	93.575	12,756
Child Care and Development Block Grant	93.575	8,194
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	96.596	14,885
Child Care and Development Block Grant	93.575	16,780
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	96.596	30,481
Passed Through Foundation for California Community Colleges		
TANF - Child Development Careers	93.558	57,939
Total U.S. Department of Health and Human Services		141,035
U.S. DEPARTMENT OF INTERIOR		
Passed Through Various Tribes		
Bureau of Indian Affairs	15.124	90,734
Total U.S. Department of Interior		90,734
U.S. DEPARTMENT OF LABOR		
Passed Through County of Humboldt		
Community Based Job Training Grants	17.258	484,210
Passed Through North Coast Veterans Resource Center		
Veterans' Employment-Related Assistance Program	17.258	39,700
Total U.S. Department of Labor		523,910
Balance Forward		\$ 15,692,132

See the accompanying notes to the supplementary information.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

June 30, 2012

*Redwoods Community
College District*

Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
Balance Brought Forward		<u>\$ 15,692,132</u>
NATIONAL SCIENCE FOUNDATION		
Passed Through Humboldt County Office of Education Education and Human Resources	47.076	<u>53,221</u>
Total National Science Foundation		<u>53,221</u>
U.S. DEPARTMENT OF VETERAN'S AFFAIRS		
Veteran's Education	64.117	<u>14,078</u>
Total U.S. Department of Veteran's Affairs		<u>14,078</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
AmeriCorps	94.006	<u>160,716</u>
Total Corporation for National and Community Service		<u>160,716</u>
Total Expenditures of Federal Awards		<u>\$ 15,920,147</u>

See the accompanying notes to the supplementary information.

**SCHEDULE OF EXPENDITURES OF
STATE AWARDS**

June 30, 2012

*Redwoods Community
College District*

	Program Revenues			
	Cash Received	Accounts Receivable	Deferred Revenue	Total
Extended Opportunity Programs and Services	\$ 639,613	\$ 707	\$ -	\$ 640,320
Disabled Students Programs and Services	554,747	-	-	554,747
CalGrant	479,772	-	(26,448)	453,324
Board Financial Assistance	271,537	-	52,034	323,571
CalSOAP	245,247	43,840	(550)	288,537
Economic Development	240,297	63,841	(11,330)	292,808
CalWORKs	233,487	-	(57,939)	175,548
State Preschool	215,631	3,360	-	218,991
Matriculation	163,444	-	-	163,444
Foster Parent	151,192	102,329	-	253,521
Cooperative Agency Resource Education	108,363	-	-	108,363
Prop 20 Lottery	74,362	34,457	13,566	122,385
CDE - Infant Toddler	65,481	16,750	(3,840)	78,391
Other categorical aid programs	96,932	-	3,195	100,127
Total State Programs	\$ 3,540,105	\$ 265,284	\$ (31,312)	\$ 3,774,077

See the accompanying notes to the supplementary information.

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

June 30, 2012

*Redwoods Community
College District
Page 1 of 2*

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
June 30, 2012, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	\$ 1,297,863	\$ 1,899,129	\$ -	\$ 45,048	\$ 3,242,040
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	(8,637)	-	-	-	(8,637)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	(10)	-	(2)	(12)
Net Adjustments and Reclassifications	(8,637)	(10)	-	(2)	(8,649)
June 30, 2012, District Accounting Records Fund Balance	\$ 1,289,226	\$ 1,899,119	\$ -	\$ 45,046	\$ 3,233,391

	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
June 30, 2012, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	\$ 3,242,040	\$ 13,653	\$ 146,804	\$ 352,316	\$ 3,754,813
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	(8,637)	-	-	-	(8,637)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(12)	(1)	(2)	1	(14)
Net Adjustments and Reclassifications	(8,649)	(1)	(2)	1	(8,651)
June 30, 2012, District Accounting Records Fund Balance	\$ 3,233,391	\$ 13,652	\$ 146,802	\$ 352,317	\$ 3,746,162

See the accompanying notes to the supplementary information.

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

June 30, 2012

*Redwoods Community
College District
Page 2 of 2*

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Employee Benefit Fund	Balance Forward
June 30, 2012, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	\$ 3,754,813	\$ 862,888	\$ 7,963,496	\$ 3,029,881	\$ 15,611,078
Adjustment and reclassifications increasing (decreasing the fund balance:					
District posted adjustments	(8,637)	8,000	-	-	(637)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(14)	1	-	-	(13)
Net Adjustments and Reclassifications	(8,651)	8,001	-	-	(650)
June 30, 2012, District Accounting Records Fund Balance	\$ 3,746,162	\$ 870,889	\$ 7,963,496	\$ 3,029,881	\$ 15,610,428

	Balance Brought Forward	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
June 30, 2012, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	\$ 15,611,078	\$ 145,639	\$ 5	\$ 15,756,722
Adjustment and reclassifications increasing (decreasing the fund balance:				
District posted adjustments	(637)	-	-	(637)
Reclassification of amounts held for others	-	(145,639)	-	(145,639)
Rounding	(13)	-	-	(13)
Net Adjustments and Reclassifications	(650)	(145,639)	-	(146,289)
June 30, 2012, District Accounting Records Fund Balance	\$ 15,610,428	\$ -	\$ 5	\$ 15,610,433

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEETS – DISTRICT
FUNDS INCLUDED IN THE REPORTING
ENTITY**

*Redwoods Community
College District
Page 1 of 4*

June 30, 2012	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 24,602	\$ 24,602
Restricted cash and cash equivalents	-	1,899,119	-	-	1,899,119
Accounts receivable - net	8,009,596	-	-	27,656	8,037,252
Inventories	44,718	-	-	-	44,718
Prepaid expenses	11,140	-	-	-	11,140
Due from other funds	-	-	-	-	-
Due from Foundation	(28,558)	-	-	-	(28,558)
Total Current Assets	8,036,896	1,899,119	-	52,258	9,988,273
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets - net	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-
Total Assets	\$ 8,036,896	\$ 1,899,119	\$ -	\$ 52,258	\$ 9,988,273
LIABILITIES					
Deficit cash balance	\$ 3,318,285	\$ -	\$ -	\$ -	\$ 3,318,285
Accounts payable	480,594	-	-	3,629	484,223
Accrued liabilities	864,539	-	-	3,496	868,035
Deferred revenue	2,025,839	-	-	87	2,025,926
Due to other funds	-	-	-	-	-
Current portion of compensated absences	58,413	-	-	-	58,413
Amounts held for others	-	-	-	-	-
Total Liabilities	6,747,670	-	-	7,212	6,754,882
FUND EQUITY					
Retained earnings (deficit)	-	-	-	-	-
Fund balances:					
Reserved for debt service	-	1,899,119	-	-	1,899,119
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	-	-	-	45,046	45,046
Unreserved:					
Undesignated	1,289,226	-	-	-	1,289,226
Total Fund Equity	1,289,226	1,899,119	-	45,046	3,233,391
Total Liabilities and Fund Equity	\$ 8,036,896	\$ 1,899,119	\$ -	\$ 52,258	\$ 9,988,273

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEETS – DISTRICT
FUNDS INCLUDED IN THE REPORTING
ENTITY**

*Redwoods Community
College District
Page 2 of 4*

June 30, 2012	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 24,602	\$ 17,592	\$ -	\$ 79,297	\$ 121,491
Restricted cash and cash equivalents	1,899,119	-	-	-	1,899,119
Accounts receivable - net	8,037,252	-	377,115	6,988	8,421,355
Inventories	44,718	-	497,739	366,949	909,406
Prepaid expenses	11,140	-	-	-	11,140
Due from other funds	-	-	-	-	-
Due from Foundation	(28,558)	-	2,069	-	(26,489)
Total Current Assets	9,988,273	17,592	876,923	453,234	11,336,022
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets - net	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-
Total Assets	\$ 9,988,273	\$ 17,592	\$ 876,923	\$ 453,234	\$ 11,336,022
LIABILITIES					
Deficit cash balance	\$ 3,318,285	\$ -	\$ 491,783	\$ -	\$ 3,810,068
Accounts payable	484,223	3,940	226,508	20,718	735,389
Accrued liabilities	868,035	-	11,830	14,466	894,331
Deferred revenue	2,025,926	-	-	65,733	2,091,659
Due from other funds	-	-	-	-	-
Current portion of compensated absences	58,413	-	-	-	58,413
Amounts held for others	-	-	-	-	-
Total Liabilities	6,754,882	3,940	730,121	100,917	7,589,860
FUND EQUITY					
Retained earnings (deficit)	-	13,652	146,802	-	160,454
Fund balances:					
Reserved for debt service	1,899,119	-	-	-	1,899,119
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	45,046	-	-	-	45,046
Unreserved:					
Undesignated	1,289,226	-	-	352,317	1,641,543
Total Fund Equity	3,233,391	13,652	146,802	352,317	3,746,162
Total Liabilities and Fund Equity	\$ 9,988,273	\$ 17,592	\$ 876,923	\$ 453,234	\$ 11,336,022

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEETS – DISTRICT
FUNDS INCLUDED IN THE REPORTING
ENTITY**

*Redwoods Community
College District
Page 3 of 4*

June 30, 2012	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Balance Forward
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 121,491	\$ 912,880	\$ -	\$ -	\$ 1,034,371
Restricted cash and cash equivalents	1,899,119	-	-	-	1,899,119
Accounts receivable - net	8,421,355	26,130	8,017,663	20,200	16,485,348
Inventories	909,406	-	-	-	909,406
Prepaid expenses	11,140	-	-	-	11,140
Due from other funds	-	-	-	-	-
Due from Foundation	(26,489)	-	-	-	(26,489)
Total Current Assets	11,336,022	939,010	8,017,663	20,200	20,312,895
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	8,796,889	8,796,889
Capital assets - net	-	-	-	-	-
Total Noncurrent Assets	-	-	-	8,796,889	8,796,889
Total Assets	\$ 11,336,022	\$ 939,010	\$ 8,017,663	\$ 8,817,089	\$ 29,109,784
LIABILITIES					
Deficit cash balance	\$ 3,810,068	\$ -	\$ 5,627,554	\$ -	\$ 9,437,622
Accounts payable	735,389	12,761	2,008,206	1,072,423	3,828,779
Accrued liabilities	894,331	2,849	-	3,574	900,754
Deferred revenue	2,091,659	52,511	159,499	-	2,303,669
Due from other funds	-	-	-	-	-
Current portion of compensated absences	58,413	-	-	-	58,413
Amounts held for others	-	-	-	-	-
Total Liabilities	7,589,860	68,121	7,795,259	1,075,997	16,529,237
FUND EQUITY					
Retained earnings (deficit)	160,454	-	-	-	160,454
Fund balances:					
Reserved for debt service	1,899,119	-	-	-	1,899,119
Reserved for capital projects	-	-	222,404	7,741,092	7,963,496
Reserved for special purposes	45,046	-	-	-	45,046
Unreserved:					
Undesignated	1,641,543	870,889	-	-	2,512,432
Total Fund Equity	3,746,162	870,889	222,404	7,741,092	12,580,547
Total Liabilities and Fund Equity	\$ 11,336,022	\$ 939,010	\$ 8,017,663	\$ 8,817,089	\$ 29,109,784

See the accompanying notes to the supplementary information.

**COMBINING BALANCE SHEETS – DISTRICT
FUNDS INCLUDED
IN THE REPORTING ENTITY**

*Redwoods Community
College District
Page 4 of 4*

June 30, 2012	Balance Brought Forward	Employee Benefit Fund	Associated Students Fund	Student Financial Aid Trust Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,034,371	\$ 3,092,207	\$ -	\$ -	\$ 4,126,578
Restricted cash and cash equivalents	1,899,119	-	183,494	-	2,082,613
Accounts receivable - net	16,485,348	6,153	-	654,610	17,146,111
Inventories	909,406	-	-	-	909,406
Prepaid expenses	11,140	-	-	-	11,140
Due from other funds	-	-	-	-	-
Due from Foundation	(26,489)	-	-	-	(26,489)
Total Current Assets	20,312,895	3,098,360	183,494	654,610	24,249,359
NONCURRENT ASSETS					
Restricted cash and cash equivalents	8,796,889	-	-	-	8,796,889
Capital assets - net	-	-	-	-	-
Total Noncurrent Assets	8,796,889	-	-	-	8,796,889
Total Assets	\$ 29,109,784	\$ 3,098,360	\$ 183,494	\$ 654,610	\$ 33,046,248
LIABILITIES					
Deficit cash balance	\$ 9,437,622	\$ -	\$ -	\$ 627,057	\$ 10,064,679
Accounts payable	3,828,779	-	1,468	(3,698)	3,826,549
Accrued liabilities	900,754	68,479	942	-	970,175
Deferred revenue	2,303,669	-	35,445	31,246	2,370,360
Due from other funds	-	-	-	-	-
Current portion of compensated absences	58,413	-	-	-	58,413
Amounts held for others	-	-	145,639	-	145,639
Total Liabilities	16,529,237	68,479	183,494	654,605	17,435,815
FUND EQUITY					
Retained earnings (deficit)	160,454	-	-	-	160,454
Fund balances:					
Reserved for debt service	1,899,119	-	-	-	1,899,119
Reserved for capital projects	7,963,496	-	-	-	7,963,496
Reserved for special purposes	45,046	3,029,881	-	5	3,074,932
Unreserved:					
Undesignated	2,512,432	-	-	-	2,512,432
Total Fund Equity	12,580,547	3,029,881	-	5	15,610,433
Total Liabilities and Fund Equity	\$ 29,109,784	\$ 3,098,360	\$ 183,494	\$ 654,610	\$ 33,046,248

See the accompanying notes to the supplementary information.

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

June 30, 2012	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 5,273,041	\$ -	\$ -	\$ 1,502	\$ 5,274,543
Less: Scholarship discount and allowance	(2,771,690)	-	-	-	(2,771,690)
Net Tuition and Fees	2,501,351	-	-	1,502	2,502,853
Grants and contracts - noncapital:					
Federal	1,971,490	-	-	149,896	2,121,386
State	2,921,223	-	-	314,343	3,235,566
Local	273,815	-	-	700	274,515
Auxiliary enterprise sales and charges	83,331	-	-	-	83,331
Total Operating Revenues	7,751,210	-	-	466,441	8,217,651
OPERATING EXPENDITURES/EXPENSES					
Salaries	21,246,766	-	-	314,037	21,560,803
Employee benefits	7,452,440	-	-	192,325	7,644,765
Payments to students	388,126	-	-	-	388,126
Supplies, materials, and other services	4,270,618	1,375	80	39,988	4,312,061
Capital outlay	361,213	-	-	9,545	370,758
Utilities	842,700	-	-	-	842,700
Depreciation	-	-	-	-	-
Total Operating Expenditures/Expenses	34,561,863	1,375	80	555,895	35,119,213
Operating Income (Loss)	(26,810,653)	(1,375)	(80)	(89,454)	(26,901,562)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	16,916,196	-	-	-	16,916,196
Local property taxes - noncapital	8,051,801	-	-	-	8,051,801
State taxes and other revenues	1,118,385	-	-	-	1,118,385
Investment income	(3,772)	12,389	-	-	8,617
Debt service - principal	(2,192)	(705,000)	(78,200)	-	(785,392)
Debt service - interest	-	(1,333,399)	(23,591)	-	(1,356,990)
Other nonoperating expenditures/expenses	168,029	-	-	151	168,180
Total Nonoperating Revenues (Expenditures)	26,248,447	(2,026,010)	(101,791)	151	24,120,797
Income (Loss) Before Other Revenues and Expenditures/Expenses	(562,206)	(2,027,385)	(101,871)	(89,303)	(2,780,765)
OTHER REVENUES AND EXPENDITURES					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	-	2,081,152	-	-	2,081,152
Excess of Revenues Over (Under) Expenditures/Expenses	(562,206)	53,767	(101,871)	(89,303)	(699,613)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	30,000	-	101,871	140,000	271,871
Operating transfers out	(486,476)	-	-	-	(486,476)
Total Other Financing Sources (Uses)	(456,476)	-	101,871	140,000	(214,605)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(1,018,682)	53,767	-	50,697	(914,218)
Fund Equity - Beginning of Year	2,307,908	1,845,352	-	(5,651)	4,147,609
Fund Equity - End of Year	\$ 1,289,226	\$ 1,899,119	\$ -	\$ 45,046	\$ 3,233,391

See the accompanying notes to the supplementary information.

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

*Redwoods Community
College District*
Page 2 of 4

June 30, 2012	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 5,274,543	\$ -	\$ -	\$ 259,131	\$ 5,533,674
Less: Scholarship discount and allowance	(2,771,690)	-	-	-	(2,771,690)
Net Tuition and Fees	2,502,853	-	-	259,131	2,761,984
Grants and contracts - noncapital:					
Federal	2,121,386	-	-	-	2,121,386
State	3,235,566	-	-	-	3,235,566
Local	274,515	-	-	52,289	326,804
Auxiliary enterprise sales and charges	83,331	13,478	1,404,725	80	1,501,614
Total Operating Revenues	8,217,651	13,478	1,404,725	311,500	9,947,354
OPERATING EXPENDITURES/EXPENSES					
Salaries	21,560,803	18,524	183,033	177,114	21,939,474
Employee benefits	7,644,765	7,965	72,540	47,607	7,772,877
Payments to students	388,126	-	-	-	388,126
Supplies, materials, and other services	4,312,061	43,409	1,470,416	126,277	5,952,163
Capital outlay	370,758	15,980	-	1,911	388,649
Utilities	842,700	140	1,592	-	844,432
Depreciation	-	-	1,156	-	1,156
Total Operating Expenditures/Expenses	35,119,213	86,018	1,728,737	352,909	37,286,877
Operating Income (Loss)	(26,901,562)	(72,540)	(324,012)	(41,409)	(27,339,523)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	16,916,196	-	-	-	16,916,196
Local property taxes - noncapital	8,051,801	-	-	-	8,051,801
State taxes and other revenues	1,118,385	-	-	-	1,118,385
Investment income	8,617	-	-	667	9,284
Debt service - principal	(785,392)	-	-	-	(785,392)
Debt service - interest	(1,356,990)	-	-	-	(1,356,990)
Other nonoperating expenditures/expenses	168,180	-	(524)	858	168,514
Total Nonoperating Revenues (Expenditures)	24,120,797	-	(524)	1,525	24,121,798
Income (Loss) Before Other Revenues and Expenditures/Expenses	(2,780,765)	(72,540)	(324,536)	(39,884)	(3,217,725)
OTHER REVENUES AND EXPENDITURES					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	2,081,152	-	-	-	2,081,152
Excess of Revenues Over (Under) Expenditures/Expenses	(699,613)	(72,540)	(324,536)	(39,884)	(1,136,573)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	271,871	58,000	-	372,825	702,696
Operating transfers out	(486,476)	-	-	-	(486,476)
Total Other Financing Sources (Uses)	(214,605)	58,000	-	372,825	216,220
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(914,218)	(14,540)	(324,536)	332,941	(920,353)
Fund Equity - Beginning of Year	4,147,609	28,192	471,338	19,376	4,666,515
Fund Equity - End of Year	\$ 3,233,391	\$ 13,652	\$ 146,802	\$ 352,317	\$ 3,746,162

See the accompanying notes to the supplementary information.

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

*Redwoods Community
College District
Page 3 of 4*

June 30, 2012	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Trust Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	\$ 5,533,674	\$ 1,091,977	\$ -	\$ -	\$ 6,625,651
Less: Scholarship discount and allowance	(2,771,690)	-	-	-	(2,771,690)
Net Tuition and Fees	2,761,984	1,091,977	-	-	3,853,961
Grants and contracts - noncapital:					
Federal	2,121,386	-	-	-	2,121,386
State	3,235,566	-	17,625	-	3,253,191
Local	326,804	43,374	-	-	370,178
Auxiliary enterprise sales and charges	1,501,614	-	-	-	1,501,614
Total Operating Revenues	9,947,354	1,135,351	17,625	-	11,100,330
OPERATING EXPENDITURES/EXPENSES					
Salaries	21,939,474	143,409	-	322,194	22,405,077
Employee benefits	7,772,877	54,449	-	147,680	7,975,006
Payments to students	388,126	-	-	-	388,126
Supplies, materials, and other services	5,952,163	685,054	456,736	927,892	8,021,845
Capital outlay	388,649	59,614	19,160,913	4,083,852	23,693,028
Utilities	844,432	116,784	-	-	961,216
Depreciation	1,156	-	-	-	1,156
Total Operating Expenditures/Expenses	37,286,877	1,059,310	19,617,649	5,481,618	63,445,454
Operating Income (Loss)	(27,339,523)	76,041	(19,600,024)	(5,481,618)	(52,345,124)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	16,916,196	-	-	-	16,916,196
Local property taxes - noncapital	8,051,801	-	-	-	8,051,801
State taxes and other revenues	1,118,385	-	-	-	1,118,385
Investment income	9,284	-	2,106	119,128	130,518
Debt service - principal	(785,392)	-	-	-	(785,392)
Debt service - interest	(1,356,990)	-	-	-	(1,356,990)
Other nonoperating expenditures/expenses	168,514	147,746	33,000	-	349,260
Total Nonoperating Revenues (Expenditures)	24,121,798	147,746	35,106	119,128	24,423,778
Income (Loss) Before Other Revenues and Expenditures/Expenses	(3,217,725)	223,787	(19,564,918)	(5,362,490)	(27,921,346)
OTHER REVENUES AND EXPENDITURES					
State apportionments - capital	-	-	19,431,881	-	19,431,881
Local property taxes - capital	2,081,152	-	-	-	2,081,152
Excess of Revenues Over (Under) Expenditures/Expenses	(1,136,573)	223,787	(133,037)	(5,362,490)	(6,408,313)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	702,696	-	72,358	-	775,054
Operating transfers out	(486,476)	(334,478)	-	-	(820,954)
Total Other Financing Sources (Uses)	216,220	(334,478)	72,358	-	(45,900)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(920,353)	(110,691)	(60,679)	(5,362,490)	(6,454,213)
Fund Equity - Beginning of Year	4,666,515	981,580	283,083	13,103,582	19,034,760
Fund Equity - End of Year	\$ 3,746,162	\$ 870,889	\$ 222,404	\$ 7,741,092	\$ 12,580,547

See the accompanying notes to the supplementary information.

**COMBINING STATEMENTS OF REVENUES,
EXPENDITURES/EXPENSES, AND CHANGES IN
FUND EQUITY – DISTRICT FUNDS INCLUDED
IN THE REPORTING ENTITY**

June 30, 2012	Balance Brought Forward	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
OPERATING REVENUES					
Tuition and fees	\$ 6,625,651	\$ -	\$ -	\$ -	\$ 6,625,651
Less: Scholarship discount and allowance	(2,771,690)	-	-	-	(2,771,690)
Net Tuition and Fees	3,853,961	-	-	-	3,853,961
Grants and contracts - noncapital:					
Federal	2,121,386	-	-	13,798,246	15,919,632
State	3,253,191	-	-	465,324	3,718,515
Local	370,178	-	-	-	370,178
Auxiliary enterprise sales and charges	1,501,614	-	-	-	1,501,614
Total Operating Revenues	11,100,330	-	-	14,263,570	25,363,900
OPERATING EXPENDITURES/EXPENSES					
Salaries	22,405,077	-	-	-	22,405,077
Employee benefits	7,975,006	990,229	-	-	8,965,235
Payments to students	388,126	-	-	14,233,115	14,621,241
Supplies, materials, and other services	8,021,845	900	-	455	8,023,200
Capital outlay	23,693,028	-	-	-	23,693,028
Utilities	961,216	-	-	-	961,216
Depreciation	1,156	-	-	-	1,156
Total Operating Expenditures/Expenses	63,445,454	991,129	-	14,233,570	78,670,153
Operating Income (Loss)	(52,345,124)	(991,129)	-	30,000	(53,306,253)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	16,916,196	-	-	-	16,916,196
Local property taxes - noncapital	8,051,801	-	-	-	8,051,801
State taxes and other revenues	1,118,385	-	-	-	1,118,385
Investment income	130,518	38,906	-	-	169,424
Debt service - principal	(785,392)	-	-	-	(785,392)
Debt service - interest	(1,356,990)	-	-	-	(1,356,990)
Other nonoperating expenditures/expenses	349,260	256,521	-	-	605,781
Total Nonoperating Revenues (Expenditures)	24,423,778	295,427	-	-	24,719,205
Income (Loss) Before Other Revenues and Expenditures/Expenses	(27,921,346)	(695,702)	-	30,000	(28,587,048)
OTHER REVENUES AND EXPENDITURES					
State apportionments - capital	19,431,881	-	-	-	19,431,881
Local property taxes - capital	2,081,152	-	-	-	2,081,152
Excess of Revenues Over (Under) Expenditures/Expenses	(6,408,313)	(695,702)	-	30,000	(7,074,015)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	775,054	75,900	-	-	850,954
Operating transfers out	(820,954)	-	-	(30,000)	(850,954)
Total Other Financing Sources (Uses)	(45,900)	75,900	-	(30,000)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(6,454,213)	(619,802)	-	-	(7,074,015)
Fund Equity - Beginning of Year	19,034,760	3,649,683	-	5	22,684,448
Fund Equity - End of Year	\$ 12,580,547	\$ 3,029,881	\$ -	\$ 5	\$ 15,610,433

See the accompanying notes to the supplementary information.

**RECONCILIATION OF FUND EQUITY
TO NET ASSETS**

June 30, 2012

*Redwoods Community
College District*

Total Fund Equity - District Funds Included in the Reporting Entity		\$ 15,610,433
Assets recorded within the statement of net assets not included in the District fund financial statements:		
Depreciable capitalized assets	\$ 74,880,416	
Accumulated depreciation	<u>(30,490,256)</u>	44,390,160
Nondepreciable capital assets		39,326,756
Deferred costs - net		579,871
Other postemployment benefits obligation		125,537
Liabilities recorded within the statement of net assets not recorded in the District fund financial statements:		
Accrued interest		(545,083)
Long-term debt - current	(821,100)	
Long-term debt - noncurrent	<u>(29,670,026)</u>	(30,491,126)
Compensated absences		<u>(694,784)</u>
Net Assets Reported Within the Statement of Net Assets		\$ 68,301,764

See the accompanying notes to the supplementary information.

**RECONCILIATION OF CHANGE IN FUND EQUITY
TO CHANGE IN NET ASSETS**

*Redwoods Community
College District*

June 30, 2012

Change in fund equity - District funds included in the reporting entity	\$ (7,074,015)
Depreciation expense reported within the statements	(1,906,233)
Capital outlay expense not reported within the statements	24,979,492
Increase in compensated absences reported within the statements	(9,277)
Principal payments on debt not reported within the statements	783,200
Interest expense from change in accrued interest payable and amortization of bond premiums and bond issuance costs reported within the statements	18,926
Decrease in expense of other postemployment benefits reported within the statements	99,459
Change in Net Assets Reported Within the Statement of Revenues, Expenses, and Changes in Net Assets	\$ 16,891,552

See the accompanying notes to the supplementary information.

1. PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards and Schedule of State Financial Awards

The audit of the Redwoods Community College District (the District) for the year ended June 30, 2012, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133, the schedule of expenditures of federal awards was prepared for the District.

The schedules have been prepared on the accrual basis of accounting.

Schedule of Workload Measures for State General Apportionment

The schedule of workload measures for state general apportionment annualized attendance as of June 30, 2012, represents the basis of apportionment of the District's annual source of funding.

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

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

2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying combining balance sheets – District funds included in the reporting entity, combining statements of revenues, expenditures/expenses, and changes in fund equity – District funds included in the reporting entity are presented on the modified accrual basis of accounting with the exception of the Farm Operations Fund, Bookstore Fund, and Employee Benefit Trust Fund, which are presented on the accrual basis of accounting consistent with the presentation in the entity-wide financial statements.

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

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

**NOTES TO THE SUPPLEMENTARY
INFORMATION**

June 30, 2012

*Redwoods Community
College District*

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

OTHER REPORTS SECTION



MATSON
& ISOM

**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 the business-type activities and the discretely presented component unit of the Redwoods Community College District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 23, 2013. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-5.

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

Continued

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

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

Matson and Isom

January 23, 2013
Redding, California



MATSON
& ISOM

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

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

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Continued

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Matson and Isom

January 23, 2013
Redding, California



MATSON
& ISOM

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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

We have audited the Redwoods Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2011-12*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2012. The applicable state compliance requirements are identified in the table below. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit 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 *California Community Colleges Contracted District Audit Manual 2011-12*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2011-12*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW

APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS

STATE GENERAL APPORTIONMENT FUNDING SYSTEM

RESIDENCY DETERMINATION FOR CREDIT COURSES

STUDENTS ACTIVELY ENROLLED

CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES

GANN LIMIT CALCULATION

CALWORKS - USE OF STATE AND FEDERAL TANF FUNDING

OPEN ENROLLMENT

STUDENT FEES - INSTRUCTIONAL AND OTHER MATERIALS

STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEES

EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND

COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)

CURRICULUM AND INSTRUCTION

TO BE ARRANGED HOURS (TBA)

**INDEPENDENT AUDITORS' REPORT ON
STATE COMPLIANCE REQUIREMENTS**

Continued

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2012, except as described in the accompanying schedule of findings and questions costs as items 12-1 and 12-5.

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

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

Matson and Isom

January 23, 2013
Redding, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

**SECTION I
SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	None Reported
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 Nos. 84.007, 84.268, 84.033, 84.063, and 84.375	Student Financial Assistance Cluster
CFDA Nos. 84.042 and 84.047	TRIO Cluster
Threshold for distinguishing types A and B programs	\$300,000
Determined to be a low-risk auditee?	No

STATE AWARDS

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	Yes
Type of auditors' report issued on compliance for state programs	Qualified

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

**SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT**

None.

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (Concurrent Enrollment)

(12-1)

Significant Deficiency

Condition

A “Special Part-time” student was allowed to register for greater than 11 units thereby changing their status to “Special Full-time” student. The District did not obtain authorization from the governing board of the high school district that the student was enrolled in. Additionally, the District did not charge the student enrollment fees.

Criteria

Pursuant to *California Education Code*, Section 48800.5(a)59402, the governing board of the high school district that the student was enrolled in must authorize the attendance of the student at a community college as a “Special Full-time” student and the student should no longer attend the high school. Additionally, pursuant to *California Education Code*, Section 76300(f), enrollment fees may be waived for “Special Part-time” but not “Special Full-time” students.

Effect

The District and the high school district each claimed the student for funding from the state.

Recommendation

We recommend the District review their procedures as it relates to Special Part-time students to ensure there is a control in place that will not allow the student to register in greater than 11 units per semester.

Response

The District management concurs with the auditors’ finding. The Registrar is working with Ellucian to design an automated process to prevent this from occurring. In the meantime, on a weekly basis, the Registrar and the Admissions & Records Office Coordinator each run a customized Ellucian report, designed by our Information Technology department staff, which pulls all students with Concurrent status for the current term enrolled in 8 or more units. The list is reviewed and it is verified that anyone listed in more than 11 units has the appropriate authorization on file.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (Full-Time Equivalent Students)

(12-2)

Significant Deficiency

Condition

The District used an incorrect number of weekly contact hours to calculate the number of full-time equivalent students for one of the 25 courses tested during our testing of State General Apportionment. The weekly contact hours were keyed into the scheduling software incorrectly due to a typing/clerical error.

Criteria

Per Attachment 2 of the CCFS-320 Apportionment Attendance Report, "Student hours of attendance must be reported based upon the actual day and time scheduling of each course section." Per the Student Attendance Accounting Manual, calculation of FTES from weekly student contact hours is performed by multiplying the census week "weekly student contact hours" by the term length multiplier and divide by 525.

Effect

The District understated FTES by .06.

Recommendation

We recommend the District implement a procedure to ensure that adequate review over data entry for course scheduling is performed.

Response

The District management concurs with the auditors' finding. The scheduling coordinator routinely runs data check queries before and during each term to identify discrepancies or irregularities.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (DSPS)

(12-3)

Significant Deficiency

Condition

Six of the 25 files tested for DSPS eligibility did not contain a student education plan or the student education plan was not updated for the current fiscal year.

Criteria

Per the Chancellor's Office Implementing Guidelines for Title 5 Regulations, an up-to-date student education plan for the current year, signed by the student and the DSPS professional staff person, should be available in the file of each student receiving services paid through the DSPS office.

Effect

The District did not maintain information required by the program to substantiate students participating in the program are eligible.

Recommendation

We recommend the District implement a procedure to ensure that a student is not entered into the system and counted as being served until a completed student education plan is signed by the student and in the student file.

Response

The District management concurs with the auditors' finding. The files that did not have a print copy of the SEP were largely students in the TRIO Program. Those students complete an SEP through TRIO and therefore they are not always in the DSPS files. The DSPS Director will make arrangements with the TRIO Director to forward SEP's of TRIO/DSPS students to DSPS for placement in files. In another instance the SEP was stored electronically and therefore not in the file. The DSPS Director will work with Student Support Services to streamline the process of including print copies of electronically stored SEP's.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (To Be Arranged Hours)

(12-4)

Significant Deficiency

Condition

The number of hours of instruction for To Be Arranged Hours (TBA) courses were not listed in the course catalog (or addenda) and were not defined in the class schedule for the TBA courses selected for testing.

Criteria

The California Community Colleges Chancellor's Office instructs districts that a clear description of the course, including the number of TBA hours required must be published in the official general catalog and schedule of classes and/or addenda. The number of hours of instruction for TBA courses were not listed in the course catalog (or addenda), or in the course outline for the TBA courses selected for testing.

Effect

The courses may not be well publicized which may affect the students' selection of courses.

Recommendation

We recommend that the District update their catalog and class schedules to include the number of TBA hours required for all TBA courses.

Response

The District management concurs with the auditors' finding. The academic year 2012-13 catalog and schedule of classes includes the TBA hours required. At the time that the finding was identified as part of the 2010-11 audit, the catalog and schedules were already in circulation therefore the District was not able to address this until the 2012-13 academic year.

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (CARE)

(12-5)

Significant Deficiency

Condition

The District's CARE advisory committee only held one meeting during the 2011/12 academic year.

Criteria

Per the CARE Program Guidelines (Revised August 1, 2010), each CARE program shall have an advisory committee and/or interagency group meetings. The advisory committee and/or interagency group meetings shall meet at least twice during each academic year.

Effect

The District is not in compliance with CARE Program Guidelines.

Recommendation

We recommend that the District hold at least two CARE advisory committee meetings each academic year.

Response

The District management concurs with the auditors' finding. The Director of Special Programs will schedule two advisory committee meetings: End of March and the end of June.

None.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE EXTENDED OPPORTUNITY PROGRAMS AND SERVICES

(11-1)

Significant Deficiency

Condition

For two of the students we selected for eligibility testing, the District was unable to provide us with the student's Education Plan.

Criteria

Pursuant to *California Education Code*, Section 69642 (b) Extended Opportunity Programs and Services (EOPS) means a program of assistance designed to aid students with socioeconomic handicaps to permit them to enroll in and participate in the educational activities of the college, and to progress toward completing their educational goals and objectives, including, but not limited to, graduation from college.

Effect

An Education Plan is an integral part of achieving the programs objective.

Recommendation

We recommended that the District review their procedures and develop control procedures to ensure all students admitted into the EOPS program have an Education Plan prepared.

Current Status

We noted during our testing of the current year that the District was able to provide us with the student's Education plan.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (Open Enrollment)

(11-2)

Significant Deficiency

Condition

The District claimed FTES for nine courses held on high school campuses during the hours the high school campus was closed to the general public.

Criteria

Pursuant to *California Education Code*, Section 76002, if a course is held on a high school campus, it will not meet the open enrollment requirements if the class is held during the time the campus is closed to the general public, as defined by the governing board of the school district.

Effect

The District claimed 19.54 FTES for apportionment that were generated by courses that did not meet the open enrollment requirements.

Recommendation

We recommended the District develop a procedure that would capture courses held on high school campuses during hours the high school campus is closed to the general public so the FTES generated by these courses are not claimed for apportionment.

Current Status

We noted during our testing of the current year that the District did not claim FTES for courses held on a high school campus during the hours the campus was closed.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (Salary of Classroom Instructors: 50% Law)

(11-3)

Significant Deficiency

Condition

The District did not meet the 50% state compliance requirement.

Criteria

California Education Code, Section 84362, requires that a minimum of 50% of Current Expense of Education be expended for Salaries of Classroom Instructors.

Effect

The District is out of compliance with the 50% Law.

Recommendation

We recommended the District should attempt to ensure that a minimum of 50% of the District's "Current Expenses of Education" be expended for "Salaries of Classroom Instructors" (SCI) during the budgetary process each year.

Current Status

We noted during our testing of the current year that the District met the 50% state compliance requirement.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (Student Fees – Instructional Material Fees)

(11-4)

Significant Deficiency

Condition

With the exception of one course, the District was unable to provide us with a copy of the Material Fee Request Form which is the document used by the District to substantiate the fee amount.

Criteria

Pursuant to *California Code of Regulations (CCR)*, Title 5, Section 59402, districts are permitted to require students to purchase instructional materials, but must demonstrate that the District supplies the materials at a cost that is no more than the District's actual cost.

Effect

The District is not able to produce evidence that material fees charged are in compliance with the applicable CCR section.

Recommendation

We recommended the District review their procedures as it relates to Material Fees charged and develop controls to ensure supporting documentation exists that will substantiate that in all cases the District does not charge students more than the cost of the materials provided.

Current Status

We noted during our testing of the current year that the District was able to provide us with required documentation to substantiate instructional materials fees.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (Concurrent Enrollment of K-12 Students)

(11-5)

Significant Deficiency

Condition

A “Special Part-time” student was allowed to register for greater than 11 units there by changing their status to “Special Full-time” student. The District did not obtain authorization from the governing board of the high school district that the student was enrolled in. Additionally, the District did not charge the student enrollment fees.

Criteria

Pursuant to *California Education Code*, Section 48800.5(a)59402, the governing board of the high school district that the student was enrolled in must authorize the attendance of the student at a community college as a “Special Full-time” student and the student should no longer attend the high school. Additionally, pursuant to *California Education Code*, Section 76300(f), enrollment fees may be waived for “Special Part-time” but not “Special Full-time” students.

Effect

The District and the high school district each claimed the student for funding from the state.

Recommendation

We recommended the District review their procedures as it relates to Special Part-time students to ensure there is a control in place that will not allow the student to register in greater than 11 units per semester.

Current Status

See current year finding 12-1.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2012

*Redwoods Community
College District*

STATE COMPLIANCE (To Be Arranged Hours)

(11-6)

Reportable Condition

Condition

The number of hours of instruction for To be Arranged Hours (TBA) courses were not listed in the course catalog (or addenda) for the TBA courses selected for testing.

Criteria

The California Community Colleges Chancellor's Office instructs districts that a clear description of the course, including the number of TBA hours required, must be published in the official general catalog and schedule of classes and/or addenda.

Effect

The courses may not be well publicized which may affect the students selection of courses.

Recommendation

We recommended that the District update their catalog to include the number of TBA hours required for all TBA courses.

Current Status

See current year finding 12-4.