REDWOODS COMMUNITY COLLEGE DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED JUNE 30, 2009 AND 2008

REDWOODS COMMUNITY COLLEGE DISTRICT

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FOR THE FISCAL YEARS ENDED
JUNE 30, 2009 AND 2008

REDWOODS COMMUNITY COLLEGE DISTRICT

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INTRODUCTION

AUDIT OBJECTIVES

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

> To determine the fairness of presentation of the District's financial statements in accordance with accounting principles generally accepted in the United States of America.
>
> To evaluate the adequacy of the systems and provisions affecting compliance with applicable federal and California laws and regulations, with which noncompliance would have a material effect on the District's financial statements and allowability of program expenditures for federal and California financial assistance programs.
>
> To evaluate the adequacy of the internal control structure sufficient to meet the requirements of auditing standards generally accepted in the United States of America for the purpose of formulating an opinion on the basic financial statements taken as a whole and sufficient to ensure compliance with federal and state regulations.
>
> To determine whether financial and financially related reports to state and federal agencies are presented fairly.
>
> To recommend appropriate actions to correct any noted areas where internal control compliance with applicable federal and state regulations could be improved.

NYSTROM & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Redwoods Community
College District
Eureka, California

We have audited the accompanying financial statements of the business-type activities of the Redwoods Community College District (District) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the basic financial statements of the District's primary government and blended component unit as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

Management has not included the College of the Redwoods Foundation (Foundation) in the District's financial statements. Accounting principles generally accepted in the United States of America require the College of the Redwoods Foundation's assets, liabilities, revenues, and expenses, and changing its net assets and cash flows to be discretely presented within the District's financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the District's reporting entity is not reasonably determinable.

In our opinion, because of the omission of the Foundation, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District's reporting entity, as of June 30, 2009 and 2008, or the changes in financial position or cash flows thereof for the years then ended.

In addition, in our opinion, except for the effects of not including (discretely presented) financial information for the Foundation, as described above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the primary government and blended component unit of the District as of June 30, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, 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.

The Management's Discussion and Analysis (MD&A) on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The remaining supplementary information as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of State Financial Awards, which is presented for purpose of additional analysis as required by the California Community College Chancellor's Office, are not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nystrom & Company LLP

December 30, 2009

INTRODUCTION

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

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

FINANCIAL AND ATTENDANCE HIGHLIGHTS

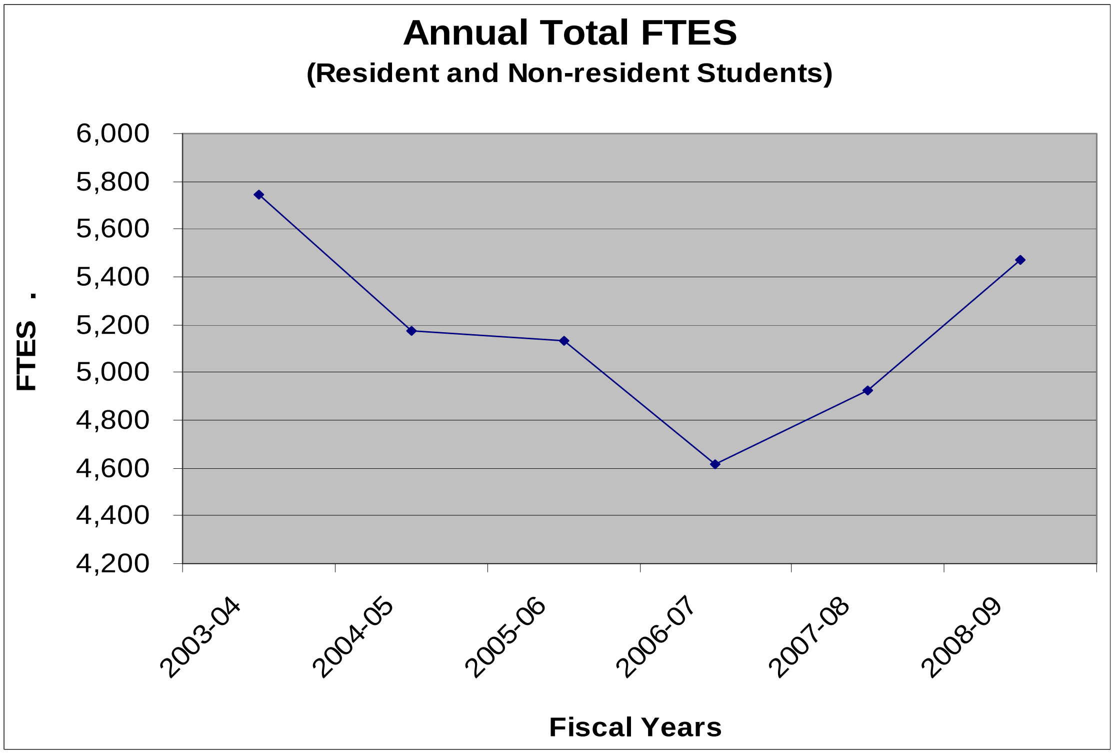
Under the provisions of SB 361, the state allocates funding to each of 72 Community College Districts based on annual apportionments provisions in the state budget act. This funding formula provides base funding for each college, approved education centers, and qualifying rural districts. Additional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

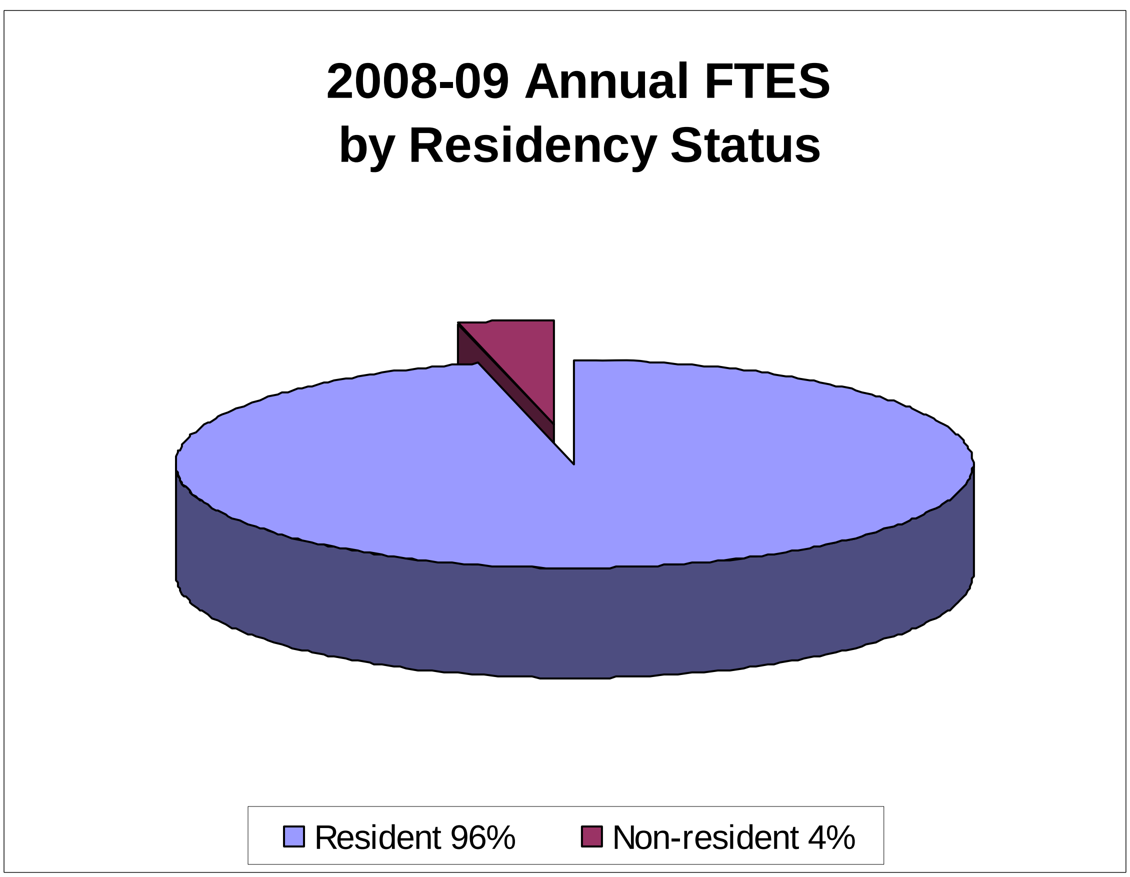
The District's FTES eligible for state funding increased by 5.8% in 2007-08 to 4,744 and increased by 11.2% in 2008-09 to 5,273. The District fully restored the FTES and funding during 2008-09, exceeding the level earned in 2005-06 of 4,928.

Overall, unrestricted District revenues increased in 2008-09 from the prior year. Categorically funded program revenues from non-capital grants and entitlements increased in 2008-09. Federal and local sources increased, and state sources declined due to reduced entitlements available and lower District participation rates.

Credit/Non-credit Resident and Non-resident Students

Academic Year	*Resident*	*Non-resident*	*Total*	Percentage Change Resident	Percentage Change Non-Res	Percentage Change Total
2003-04	5,515	232	5,747	-2.4%	-12.8%	-2.9%
2004-05	4,974	198	5,172	-9.8%	-14.7%	-10.0%
2005-06	4,914	216	5,130	-1.2%	9.1%	-0.8%
2006-07	4,482	135	4,617	-9.9%	-31.8%	-10.7%
2007-08	4,744	179	4,923	5.8%	32.6%	6.6%
2008-09	5,273	210	5,483	11.2%	17.3%	11.4%


Annual Total FTES
(Resident and Non-resident Students)
6,000
5,800
5,600
5,400
5,200
5,000
4,800
4,600
4,400
4,200
FTES
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
Fiscal Years


2008-09 Annual FTES
by Residency Status
Resident 96%
Non-resident 4%

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.

	2009	2008	Change	
ASSETS				
Current assets	$ 16,747,170	$ 14,124,927	$ 2,622,243	19%
Restricted cash and cash equivalents	16,116,206	19,194,979	(3,078,773)	-16%
Capital assets and deferred costs, net	52,663,313	49,457,868	3,205,445	6%
Total Assets	85,526,689	82,777,774	2,748,915	3%
LIABILITIES				
Current liabilities	7,494,433	5,894,853	1,599,580	27%
Long-term liabilities	32,853,359	33,536,261	(682,902)	-2%
Total Liabilities	40,347,792	39,431,114	916,678	2%
NET ASSETS				
Investments in capital assets, net of related debt	36,721,936	36,500,218	221,718	1%
Restricted - expendable	208,830	302,272	(93,442)	-31%
Unrestricted	8,248,131	6,544,170	1,703,961	26%
Total net assets	45,178,897	43,346,660	1,832,237	4%
Total liabilities and net assets	$ 85,526,689	$ 82,777,774	$ 2,748,915	3%

The voters of the District approved a $40,320,000 bond measure on the November 2004 ballot under the provisions of Proposition 39. The first series of bonds were issued May 19, 2005, providing $18,000,000 for equipment and facilities needs of the District. The second series of bonds were issued July 10, 2007, providing an additional $15,000,000. It is expected that bonds representing the remaining authorized amount of $7,320,000 will be issued in 2010. Restricted cash and cash equivalents as of June 30, 2008 and 2009 consisted mainly of unspent proceeds from the 2005 and 2007 series bond issues.

Net capital assets are the historical value of land, buildings, and equipment less accumulated depreciation. The notes to the financial statements contain a breakdown of capital assets. In addition to routine replacements and new acquisitions of capital assets, the District used general obligation bond funds for modernization projects on the facilities at Del Norte and Mendocino Coast Education Centers and the Health/Technology building at the Eureka campus. During the state construction plan review processes, seismic concerns have surfaced causing a shift in District planning for remaining facilities on the Eureka campus. New plans are being developed to utilize state construction funds to augment District bond funds to build new classrooms and administrative space. A new master planning process is being conducted and will be used to determine the allocation of the remaining uncommitted bonds funds.

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

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 makes annual contributions for its prior service liability. The District intends to continue to set funds aside until its unfunded accrued liability is fully funded. As last determined in September of 2008, the unfunded liability was $6,480,061. The funds set aside to pay future benefits total $4,773,211 as of June, 30, 2009.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

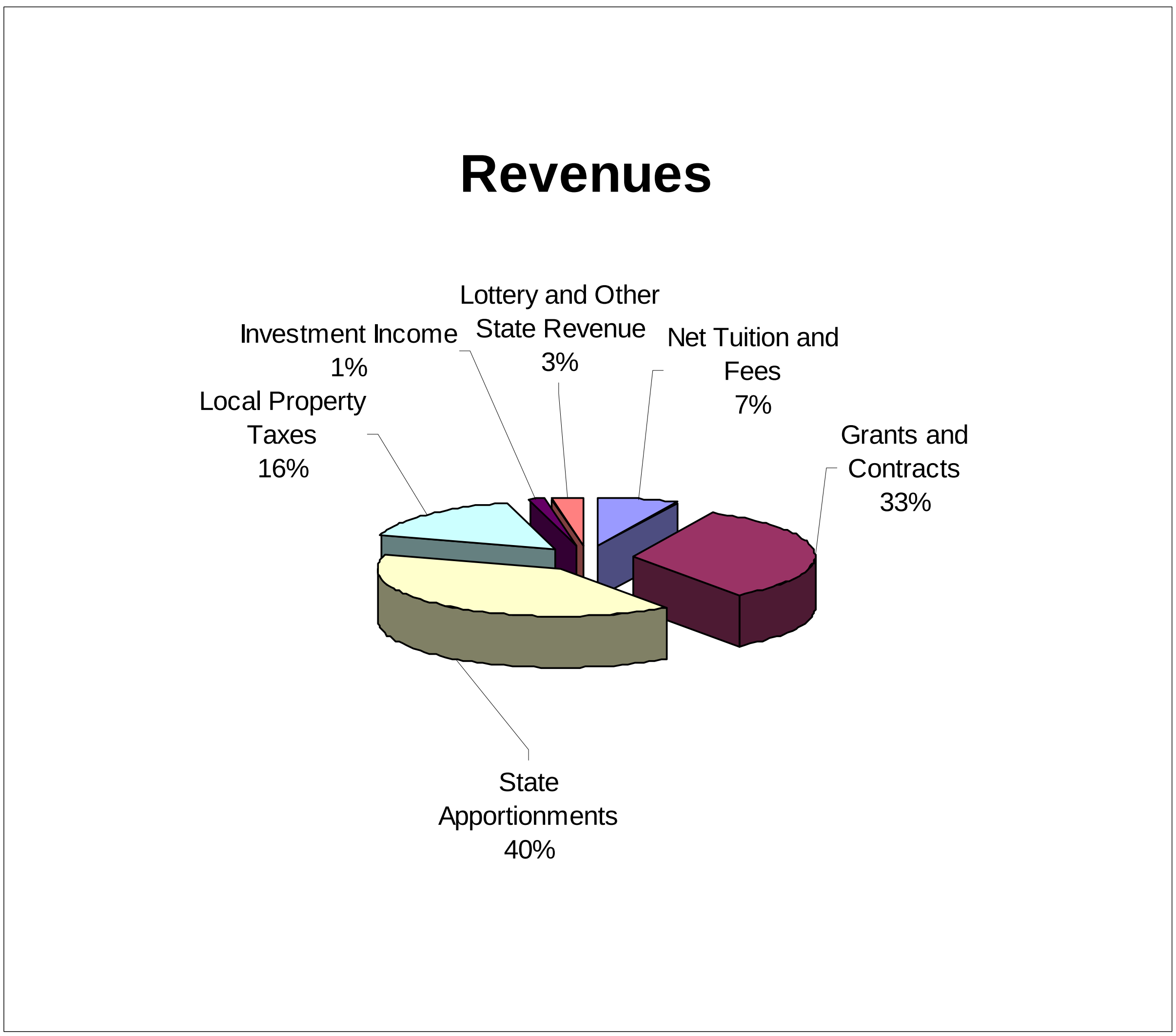
The statement of revenues, expenses, and changes in net assets presents the operating finances of the District, as well as the non-operating revenues and expenses. State general apportionment funds, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting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

Grants and contracts - non-capital	16,096,703	14,100,600	1,996,103	14%
Auxiliary enterprise sales and charges	2,418,005	90,958	2,327,047	2558%
Total operating revenues	22,092,030	17,395,198	4,696,832	27%
Operating expenses	52,161,491	45,608,893	6,552,598	14%
Operating Loss	(30,069,461)	(28,213,695)	(1,855,766)	7%
NON-OPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	19,420,245	17,241,164	2,179,081	13%
Local property taxes	7,956,694	7,534,679	422,015	6%
State taxes and other revenues	1,129,776	1,154,377	(24,601)	-2%
Investment income	649,146	1,364,285	(715,139)	-52%
Interest expense - capital asset-related debt	(1,456,107)	(1,490,481)	34,374	-2%
Amortization of bond issuance costs	(38,449)	(39,573)	1,124	0%
Other non-operating revenues	1,413,902	1,238,962	174,940	14%
Non-operating revenues	29,075,207	27,003,413	2,071,794	8%
INCOME BEFORE OTHER REVENUES AND EXPENSES	(994,254)	(1,210,282)	216,028	-18%
State apportionments and grants, capital	488,883	288,208	200,675	70%
Local Property taxes, capital	2,337,608	2,037,345	300,263	15%
INCREASE IN NET ASSETS	1,832,237	1,115,271	716,966	64%
NET ASSETS, BEGINNING OF YEAR	43,346,660	35,346,026	8,000,634	23%
PRIOR PERIOD ADJUSTMENT	0	6,885,363	(6,885,363)	-100%
NET ASSETS, BEGINNING OF YEAR RESTATED	43,346,660	42,231,389	1,115,271	
NET ASSETS, END OF YEAR	$ 45,178,897	$ 43,346,660	$ 1,832,237	4%

State imposed enrollment fees and local property taxes levied under a state-wide rate are a component part of the state's general apportionment to community colleges and act to offset funding allocated based on the state's funding formula under SB 361. The state funded portion of the District's entitlement increased as the proportion of property taxes declined slightly. The enrollment fee rate for 2007-08 and for 2008-09 was $20.

The overall increase in Operating Revenue is approximately $4.7 million and this can be accounted for with the Grants and contracts increasing from increased student state aid, a Non-capital increase of approximately $2.0 million and Auxiliary enterprise sales significant increase at $2.3 million due to the management and oversight of the Bookstore being transferred from the Foundation to the District .

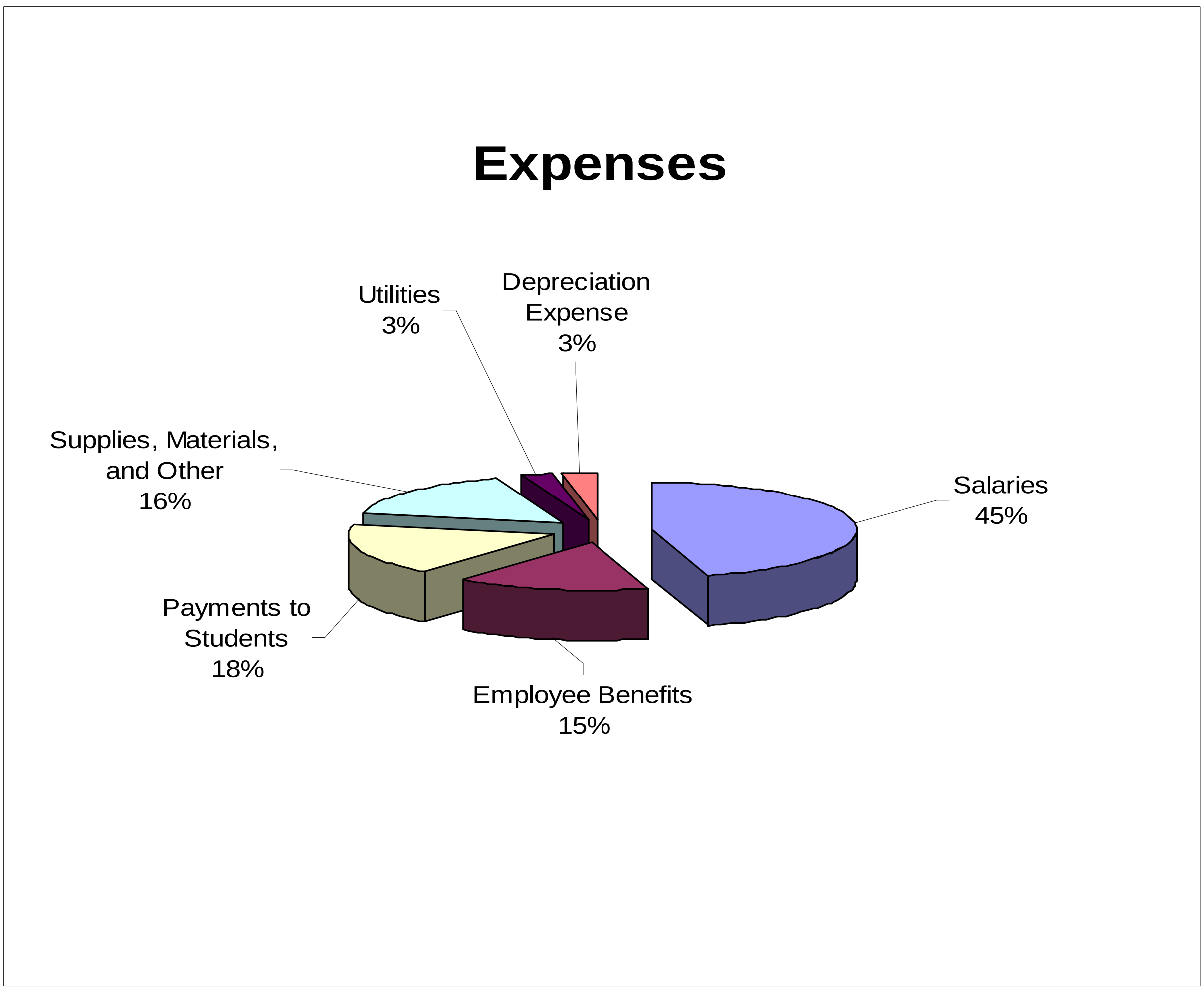
The overall increase in Non-Operating Revenue is approximately $2.1 million and this is primarily due to the State apportionment increase as a result of FTES growth.



Operating Expenses (by Natural Classification)

	2009	2008	Change	
Salaries	$ 23,811,752	$ 22,282,207	$ 1,529,545	7%
Employee benefits	7,979,454	7,222,141	757,313	10%
Payments to students	9,267,246	7,627,505	1,639,741	21%
Supplies, materials, and other operating expenses and services	8,294,347	5,728,777	2,565,570	45%
Utilities	1,308,312	1,373,945	(65,633)	-5%
Depreciation expense	1,500,380	1,374,318	126,062	9%
Total operating expense	$ 52,161,491	$ 45,608,893	$ 6,552,598	14%

The employee health care benefit costs continue to increase at double digit rates due to higher salary rates and increased health premiums. The overall operating expenses increase is approximately $6.6 million primarily and this can be accounted for with salaries increasing $1.5 million, payments to students increasing 1.6 million due primarily to increased financial aid for significantly increased enrollments, and supplies and materials increasing $2.6 million.



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.

	2009	2008	Change	
Cash provided by (used) by:				
Operating activities	$ (29,810,414)	$ (25,365,696)	$ (4,444,718)	18%
Non-capital financing activities	26,638,467	25,666,972	971,495	4%
Capital financing activities	(3,811,573)	5,863,767	(9,675,340)	-165%
Investing activities	856,399	1,237,111	(380,712)	-31%
Net Increase in cash and cash equivalents	(6,127,121)	7,402,154	(13,529,275)	-183%
Cash - beginning of year	27,694,336	20,292,182	7,402,154	36%
Cash - end of year	$ 21,567,215	$ 27,694,336	$ (6,127,121)	-22%

The decrease in cash in 2008-09 was primarily due to the accounts receivable increase resulting from significant state apportionment deferrals and 2007-08 had a significant increase in cash receipts from general obligation bond transactions described above. The District did not need to borrow funds for operations in 2008-09. Short-term cash flow requirements in the General Fund were met by unrestricted cash available in other funds.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The economic position of the District is closely tied to the State of California economic environment. The 2008-09 state budget was reduced mid year and there was no COLA provided. The Legislative Analyst's Office is projecting future annual state budget shortfalls due to the structural imbalance of tax revenues and projected expenditures. The state funding under current law was not sufficient to provide a COLA for Community Colleges in 2008-09 and 2009-10 and this may continue longer.

The District is currently working under an extension of a three-year agreement with its classified staff bargaining unit covering fiscal years 2006-07 through 2008-09 and a three-year agreement with the faculty unit covering 2007-08 through 2009-10.

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

The District continues to monitor enrollment and operating costs of the District to ensure ongoing financial stability and retain the reserve levels required by Board Policy and the State System's Office.

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REDWOODS COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

	June 30, 2009	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,856,909	$ 6,293,173
Restricted cash and cash equivalents	1,594,100	2,206,184
Accounts receivable, net	9,960,705	4,758,364
Inventory	1,281,442	530,428
Prepaid expenses	54,014	308,634
Due from Foundation	-	28,144
Total current assets	16,747,170	14,124,927
Noncurrent assets:		
Restricted cash and cash equivalents	16,116,206	19,194,979
Nondepreciable capital assets	7,710,777	6,025,747
Depreciable capital assets, net	44,257,318	42,698,454
Deferred costs, net	695,218	733,667
Total noncurrent assets	68,779,519	68,652,847
Total assets	$ 85,526,689	$ 82,777,774
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,914,708	$ 1,503,483
Accrued liabilities	1,659,639	1,604,715
Deferred revenue	2,095,204	1,918,922
Amounts held for others	113,482	99,833
Long-term debt, current portion	711,400	767,900
Total current liabilities	7,494,433	5,894,853
Noncurrent liabilities:		
Long-term debt, noncurrent portion	32,127,903	32,877,971
Other long-term liabilities	725,456	658,290
Total noncurrent liabilities	32,853,359	33,536,261
Total liabilities	40,347,792	39,431,114
NET ASSETS		
Invested in capital assets, net of related debt	36,721,936	36,500,218
Restricted - expendable	208,830	302,272
Unrestricted	8,248,131	6,544,170
Total net assets	45,178,897	43,346,660
Total liabilities and net assets	$ 85,526,689	$ 82,777,774

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

REDWOODS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

	Years Ended June 30, 2009	2008
OPERATING REVENUES		
Tuition and fees	$ 4,938,655	$ 4,382,448
Less: scholarship discount and allowance	1,361,333	1,178,808
Net tuition and fees	3,577,322	3,203,640
Grants and contracts, non-capital:		
Federal	9,921,952	8,004,447
State	5,797,370	5,466,577
Local	377,381	629,576
Auxiliary enterprise sales and charges	2,418,005	90,958
Total operating revenues	22,092,030	17,395,198
OPERATING EXPENSES		
Salaries	23,811,752	22,282,207
Employee benefits	7,979,454	7,222,141
Payments to students	9,267,246	7,627,505
Supplies, materials, and other operating expenses and services	8,294,347	5,728,777
Utilities	1,308,312	1,373,945
Depreciation expense	1,500,380	1,374,318
Total operating expenses	52,161,491	45,608,893
OPERATING LOSS	(30,069,461)	(28,213,695)
NON-OPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	19,420,245	17,241,164
Local property taxes, non-capital	7,956,694	7,534,679
State taxes and other revenues	1,129,776	1,154,377
Investment income	649,146	1,364,285
Interest expense - capital asset-related debt	(1,494,556)	(1,530,054)
Other non-operating revenues	1,413,902	1,238,962
Total non-operating revenues (expenses)	29,075,207	27,003,413

(Continued on following page)

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

REDWOODS COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

	Years Ended June 30, 2009	2008
LOSS BEFORE OTHER REVENUES AND EXPENSES	(994,254)	(1,210,282)
State apportionments and grants, capital	488,883	288,208
Local property taxes, capital	2,337,608	2,037,345
INCREASE IN NET ASSETS	1,832,237	1,115,271
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	43,346,660	35,346,026
PRIOR PERIOD ADJUSTMENT	-	6,885,363
NET ASSETS, BEGINNING OF YEAR, RESTATED	43,346,660	42,231,389
NET ASSETS, END OF YEAR	$ 45,178,897	$ 43,346,660

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

REDWOODS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

	Years Ended June 30, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$ 3,437,491	$ 3,080,417
Federal grants and contracts	7,110,825	8,160,470
State grants and contracts	5,538,824	5,595,765
Local grants and contracts	484,061	680,470
Payments to/on behalf of employees	(23,636,558)	(21,790,171)
Payments for benefits	(7,452,702)	(6,717,603)
Payments for scholarships and grants	(9,267,246)	(7,627,505)
Payments to suppliers	(7,485,271)	(6,404,441)
Payments for utilities	(1,308,312)	(1,373,945)
Auxiliary enterprise sales and charges	2,424,554	90,958
Other receipts	343,920	939,889
Net cash used by operating activities	(29,810,414)	(25,365,696)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State apportionments, non-capital	17,508,228	16,751,379
Local property taxes, non-capital	7,956,694	7,592,824
State taxes and other revenues	1,173,545	1,322,769
Net cash provided by non-capital financing activities	26,638,467	25,666,972
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(4,418,215)	(9,377,804)
Interest paid on capital debt	(1,516,316)	(1,250,864)
Principal paid on capital debt	(767,900)	(524,000)
State apportionments and grants, capital	553,250	-
Local property taxes, capital	2,337,608	2,012,761
Proceeds from debt issuance	-	15,329,893
Payment of bond issuance costs	-	(326,219)
Net cash provided (used) by capital and related financing activities	(3,811,573)	5,863,767
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	856,399	1,237,111
Net cash provided by investing activities	856,399	1,237,111
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,127,121)	7,402,154
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	27,694,336	20,292,182
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 21,567,215	$ 27,694,336

(Continued on following page)

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

REDWOODS COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

	Years Ended June 30, 2009	Years Ended June 30, 2008
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents	$ 3,856,909	$ 6,293,173
Restricted cash and cash equivalents, current	1,594,100	2,206,184
Restricted cash and cash equivalents, noncurrent	16,116,206	19,194,979
Total cash and cash equivalents	$ 21,567,215	$ 27,694,336
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	$ (30,069,461)	$ (28,213,695)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	1,500,380	1,374,318
Other receipts	335,730	706,280
On-behalf payments	526,752	504,538
(Increase) decrease in:		
Accounts receivable, net	(2,927,543)	(68,265)
Inventory	(341,702)	(374,795)
Prepaid expenses	254,620	(220,165)
Increase (decrease) in:		
Accounts payable	927,721	(111,790)
Accrued liabilities	76,465	553,185
Deferred revenue	(174,191)	511,364
Amounts held for others	13,649	3,392
Compensated absences - included in long-term liabilities	29,146	(30,063)
Other postemployment benefits - included in long-term liabilities	38,020	-
Net cash used by operating activities	$ (29,810,414)	$ (25,365,696)

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

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

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

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

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

Discrete Presentation – Funds of separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending, are discretely presented with the financial activities of the District. For financial presentation purposes, the Foundation's financial activities are required to be discretely presented, however, the Foundation's information has not been included in these financial statements.

As of the date of these financial statements, District management believes the Foundation will complete an audit of the years ended June 30, 2009 and 2008 during the first quarter of 2010. Once the Foundation's audit is complete the District will issue financial statements of the entire reporting entity.

BASIS OF PRESENTATION AND ACCOUNTING

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

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION AND ACCOUNTING (Continued)

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

Exceptions to the accrual basis of accounting are as follows:

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

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

CASH AND CASH EQUIVALENTS

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

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

RESTRICTED CASH AND CASH EQUIVALENTS

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTS RECEIVABLE

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

INVENTORY

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

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

CAPITAL ASSETS

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

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED REVENUE

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

AMOUNTS HELD FOR OTHERS

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

COMPENSATED ABSENCES

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

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

LONG-TERM LIABILITIES AND DEFERRED COSTS

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred costs and amortized over the term of the related debt. Amortization of issuance costs was $38,449 and $39,573 for the years ended June 30, 2009 and 2008, respectively.

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSETS

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

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

- *Restricted net assets-expendable* – Restricted expendable net assets represent resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

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

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

CLASSIFICATION OF REVENUES

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CLASSIFICATION OF REVENUES (Continued)

Revenues are classified according to the following criteria:

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

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

SCHOLARSHIP DISCOUNTS AND ALLOWANCES

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

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

STATE APPORTIONMENTS

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

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

PROPERTY TAXES

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

BUDGET AND BUDGETARY ACCOUNTING

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

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

ON-BEHALF PAYMENTS

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

(Continued on following page)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts to conform with current year presentation.

CHANGES IN ACCOUNTING PRINCIPLES – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This Statement requires local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities in the entity-wide financial statements of net assets and activities. This Statement established standards for the measurement, recognition, and display of OPEB expenses and related liabilities, note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local government employers.

This Statement provided for prospective implementation – that is that employers set the beginning OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provision of the Statement for the fiscal year ended June 30, 2009.

As part of this implementation, management removed the prior liability recorded for OPEB, which was not recorded under the standards established by GASB Statement No. 45. This liability was removed by restating net assets for all years presented in these financial statements and is more fully described in Note 15.

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS

The cash and cash equivalents as of June 30, 2009 and 2008, are displayed on the statement of net assets as follows:

	June 30, 2009	June 30, 2008
Cash and cash equivalents	$ 3,856,909	$ 6,293,173
Restricted cash and cash equivalents – current	1,594,100	2,206,184
Restricted cash and cash equivalents – non-current	16,116,206	19,194,979
Total cash and cash equivalents	$ 21,567,215	$ 27,694,336

Deposits – At June 30, 2009 and 2008, the carrying amount of the District's deposits are summarized as follows:

	June 30, 2009	June 30, 2008
Cash in County Treasury	$ 20,982,404	$ 27,151,784
Cash on hand and in banks	584,811	222,140
Cash with fiscal agent	-	320,412
Total deposits	$ 21,567,215	$ 27,694,336

As provided for by *Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Humboldt County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities was 2.27 and 2.45 years at June 30, 2009 and 2008, respectively.

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

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

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS
(Continued)

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

At June 30, 2009 and 2008, $24,169 and $733,720, respectively, of the District bank balances are uninsured. However, all cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

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

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

The District has no investments as of June 30, 2009 and 2008.

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

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

(Continued on following page)

NOTE 2 CASH AND INVESTMENTS
(Continued)

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. At June 30, 2009, the District did not have an investment policy that sets forth limitations as to the concentration of investments in a single issuer. However, the District complies with California Government Codes related to the concentration of investments and there are no investments with any one issuer greater than 5 percent of total investments.

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

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 and 2008, consist of the following:

	June 30,	
	2009	2008
Tuition and fees	$ 1,609,960	$ 1,246,320
Less allowance for doubtful accounts	752,756	610,949
Tuition and fees, net	857,204	635,371
Federal grants and contracts	3,467,741	681,110
State grants and contracts	486,571	522,863
Local grants and contract	34,180	77,719
State apportionment, noncapital	3,474,306	1,562,289
State taxes and other revenues	453,622	497,391
State apportionment, capital	572,072	285,966
Interest receivable	125,500	332,753
Other	489,509	162,902
Total	$ 9,960,705	$ 4,758,364

(Continued on following page)

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable assets:					
Land	$ 1,807,500	$ -	$ -	$ -	$ 1,807,500
Construction in progress	4,218,247	3,478,555	-	(1,793,525)	5,903,277
Total nondepreciable capital assets	$ 6,025,747	$ 3,478,555	$ -	$ (1,793,525)	$ 7,710,777
Depreciable capital assets:					
Site improvements	$ 5,207,356	$ -	$ -	$ -	$ 5,207,356
Buildings and improvements	57,027,329	689,831	-	1,793,525	59,510,685
Equipment	3,498,021	501,668	(39,055)	-	3,960,634
Vehicles	1,029,112	32,503	-	-	1,061,615
Library books and film	351,972	52,123	-	-	404,095
Total depreciable capital assets	67,113,790	1,276,125	(39,055)	1,793,525	70,144,385
Less accumulated depreciation:	(24,415,336)	(1,510,786)	39,055	-	(25,887,067)
Total depreciable capital assets, net	$ 42,698,454	$ (234,661)	$ -	$ 1,793,525	$ 44,257,318

Capital asset activity for the year ended June 30, 2008, is summarized as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Nondepreciable assets:					
Land	$ 1,807,500	$ -	$ -	$ -	$ 1,807,500
Construction in progress	4,456,439	2,762,343	-	(3,000,535)	4,218,247
Total nondepreciable capital assets	$ 6,263,939	$ 2,762,343	$ -	$ (3,000,535)	$ 6,025,747
Depreciable capital assets:					
Site improvements	$ 5,207,356	$ -	$ -	$ -	$ 5,207,356
Buildings and improvements	48,117,285	5,909,509	-	3,000,535	57,027,329
Equipment	3,332,837	165,184	-	-	3,498,021
Vehicles	997,817	31,295	-	-	1,029,112
Library books and film	314,140	37,832	-	-	351,972
Total depreciable capital assets	57,969,435	6,143,820	-	3,000,535	67,113,790
Less accumulated depreciation:	(23,041,018)	(1,374,318)	-	-	(24,415,336)
Total depreciable capital assets, net	$ 34,928,417,	$ 4,769,502	$ -	$ 3,000,535	$ 42,698,454

(Continued on following page)

NOTE 5 ACCOUNTS PAYABLE

Accounts payable at June 30, 2009 and 2008, consist of the following:

	June 30, 2009	June 30, 2008
Amounts payable to vendors	$ 1,993,787	$ 900,527
Amounts payable to contractors	920,921	602,956
Total	$ 2,914,708	$ 1,503,483

NOTE 6 ACCRUED LIABILITIES

Accrued liabilities at June 30, 2009 and 2008, consist of the following:

	June 30, 2009	June 30, 2008
Accrued payroll and related liabilities	$ 948,304	$ 840,276
Accrued interest	606,458	627,999
Other	104,877	136,440
Total	$ 1,659,639	$ 1,604,715

NOTE 7 DEFERRED REVENUE

Deferred revenue at June 30, 2009 and 2008, consist of the following:

	June 30, 2009	June 30, 2008
Tuition and fees	$ 984,937	$ 900,557
Federal grants and contracts	4,389	28,885
State grants and contracts	650,609	945,447
Local grants and contracts	85,581	22,440
State apportionment and grants, capital	350,473	-
Other	19,215	21,593
Total	$ 2,095,204	$ 1,918,922

(Continued on following page)

NOTE 8 NONCURRENT LIABILITIES

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

	Beginning Balance	Accretion/ Additions	Amortization/ Reductions	Ending Balance
Long-term debt:				
General obligation bonds	$ 32,952,171	$ -	$ 738,668	$ 32,213,503
Refunding lease obligation	693,700	-	67,900	625,800
Total	$ 33,645,871	$ -	$ 806,568	$ 32,839,303
Other long-term liabilities:				
Compensated absences	$ 658,290	$ 29,146	$ -	$ 687,436
Other postemployment benefits obligation	-	38,020	-	38,020
Total	$ 658,290	$ 67,166	$ -	$ 725,456

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2008:

	Beginning Balance	Accretion/ Additions	Amortization/ Reductions	Ending Balance
Long-term debt:				
General obligation bonds	$ 18,127,694	$ 15,329,893	$ 505,416	$ 32,952,171
Refunding lease obligation	752,700	-	59,000	693,700
Total	$ 18,880,394	$ 15,329,893	$ 564,416	$ 33,645,871
Other long-term liabilities:				
Compensated absences	$ 688,353	$ -	$ 30,063	$ 658,290
Total	$ 688,353	$ -	$ 30,063	$ 658,290

(Continued on following page)

NOTE 8 NONCURRENT LIABILITIES
(Continued)

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

	June 30, 2009	June 30, 2008
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 3.375% to 8.00%.	$ 16,755,000	$ 17,240,000
Unamortized issuance premium on 2004 General Obligation Bonds Series 2005	375,510	399,102
Total 2004 General Obligation Bonds Series 2005	17,130,510	17,639,102
2004 General Obligation Bonds Series 2007, issued in the original amount of $15,000,000. Final maturity August 1, 2031. Interest rates 4.00% to 6.00%.	14,785,000	15,000,000
Unamortized issuance premium on 2004 General Obligation Bonds Series 2007	297,993	313,069
Total 2004 General Obligation Bonds Series 2007	15,082,993	15,313,069
Total general obligation bonds	32,213,503	32,952,171
Refunding Lease Obligation		
1998 Refunding Lease issued in the original amount of $1,592,100. Final maturity November, 2016. Interest rate 5.3%.	625,800	693,700
Total long-term debt	32,839,303	33,645,871
Less current portion	711,400	767,900
Total long-term debt, noncurrent portion	$ 32,127,903	$ 32,877,971

(Continued on following page)

NOTE 8 NONCURRENT LIABILITIES
(Continued)

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

Year Ended June 30,	Principal	Interest	Premium	Total
2010	$ 645,000	$ 1,431,049	$ 36,100	$ 2,112,149
2011	670,000	1,382,599	36,095	2,088,694
2012	705,000	1,333,399	36,374	2,074,773
2013	740,000	1,293,399	36,735	2,070,134
2014	780,000	1,264,905	37,180	2,082,085
2015 – 2019	6,280,000	5,676,844	197,555	12,154,399
2020 – 2024	7,690,000	4,233,736	212,508	12,136,244
2025 – 2029	9,615,000	2,251,050	73,621	11,939,671
2030 – 2032	4,415,000	274,950	7,335	4,697,285
Total	$ 31,540,000	$ 19,141,931	$ 673,503	51,355,434
Less interest				19,141,931
Net principal				$ 32,213,503

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

Year Ended June 30,	Principal	Interest	Total
2010	$ 66,400	$ 31,408	$ 97,808
2011	75,000	27,661	102,661
2012	78,200	23,601	101,801
2013	81,100	19,379	100,479
2014	83,900	15,007	98,907
2015 – 2017	241,200	17,309	258,509
Total	$ 625,800	$ 134,365	$ 760,165

(Continued on following page)

NOTE 8 NONCURRENT LIABILITIES (Continued)

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 for the year ended June 30, 2009, was $757,884, and contributions made by the District during the year were $719,864, which resulted in a net OPEB obligation of $38,020. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 9 PENSION PLANS

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

A. Plan Descriptions and Provisions

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

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

(Continued on following page)

NOTE 9 PENSION PLANS
(Continued)

A. Plan Descriptions and Provisions (Continued)

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

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

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

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

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

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

(Continued on following page)

NOTE 9 PENSION PLANS
(Continued)

A. Plan Descriptions and Provisions (Continued)

2. *California Pubic Employees' Retirement System (CalPERS)* (Continued)

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 2.0 percent of final compensation for each year of service credit.

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

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

B. Funding Policy

STRS: Active plan members are required to contribute 8.0% of their gross salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal year ended June 30, 2009 and 2008, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes.

(Continued on following page)

NOTE 9 PENSION PLANS
(Continued)

B. Funding Policy (Continued)

CalPERS: Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over $133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2009 and 2008, was 9.428% and 9.306%, respectively, of annual payroll. The contribution requirements of the plan members are established by State statutes.

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

	Year Ended June 30,		
	2007	2008	2009
STRS	$ 962,078	$ 946,659	$ 963,999
PERS	669,881	666,249	721,853
Total	$ 1,631,959	$ 1,612,908	$ 1,685,852

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

C. On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 4.517% of covered members' gross salaries. The contribution for the years ending June 30, 2009, 2008 and 2007 are estimated to have been $526,752, $504,538 and $516,872, respectively. The payment amounts have been reflected in the basic financial statements as a component of employee benefits expense and other non-operating revenues.

A State of California contribution on behalf of the District to CalPERS was not required for the years ended June 30, 2009, 2008 and 2007.

(Continued on following page)

NOTE 10 STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

NOTE 11 RISK MANAGEMENT

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

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

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

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

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

(Continued on following page)

NOTE 12 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION

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

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

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

(Continued on following page)

NOTE 12 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION
(Continued)

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

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	$	757,884
Contributions made		(719,864)
Increase in net OPEB obligation		38,020
Net OPEB obligation, beginning of the year		-
Net OPEB obligation, end of year	$	38,020

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

Annual OPEB cost	$	757,884
Percentage of annual OPEB costs contributed		97.98%
Net OPEB obligation	$	38,020

D. Funded Status Information

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

Actuarial valuation date		September 1, 2008
Actuarial accrued liability (AAL)	$	6,480,061
Actuarial value of plan assets	$	-
Unfunded AAL (UAAL)	$	6,480,061
Funded ratio		0.0%

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

(Continued on following page)

NOTE 12 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATION
(Continued)

E. Actuarial Methods and Assumptions

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

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

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

NOTE 13 COMMITMENTS AND CONTINGENCIES

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

(Continued on following page)

NOTE 13 COMMITMENTS AND CONTINGENCIES (Continued)

The District periodically enters into construction commitments which are funded through State grants and/or Measure Q Bond funding. At June 30, 2009 and 2008, the District had unfinished contracts in the amount of $413,872 and $632,973, respectively.

The California Division of the State Architect has informed the District that since some of the District's buildings are located near active earthquake faults the best mitigation is avoidance. The District plans to construct comparable new building space on the same site and find other non-student uses of the existing affected buildings, if possible. At June 30, 2009, the District's affected assets have a net book value of $2,509,521 and have been reported without adjustment.

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

NOTE 14 RELATED PARTY TRANSACTIONS

On July 1, 2008, the College of the Redwoods Foundation, a component unit of the District, gifted the net assets and operation of the bookstore to the District. The gift consisted of the following assets and liabilities and is included in other non-operating revenues.

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

(Continued on following page)

NOTE 15 PRIOR PERIOD ADJUSTMENT

A. CHANGE IN ACCOUNTING PRINCIPLE

As described more fully in Note 1, the District adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*. As part of this implementation, management removed the prior liability recorded for OPEB, which was not recorded under the standards established by GASB Statement No. 45. The removal of this liability had no impact on net income for the years ended June 30, 2009 or 2008. The adjustment to June 30, 2008 net assets is presented as follows:

Net assets, beginning of year, as previously reported	$ 35,346,026
Change in accounting principle	6,885,363
Net assets, beginning of year, as restated	$ 42,231,389

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REDWOODS COMMUNITY COLLEGE DISTRICT

ORGANIZATION

JUNE 30, 2009

GOVERNING BOARD

Name	Office	Term Expires
George Truett	President	2009
Bruce Emad	Vice President	2011
Colleen Mullery	Clerk	2011
Rick Bennett	Member	2010
Sally Biggin	Member	2011
Tracy Coppini	Member	2009
Richard Dorn	Member	2011
Tom Ross	Member	2009
Will Smith	Member	2009
Roxanne Estela	Student Member (Non-voting)	2009

ADMINISTRATION

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

REDWOODS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
Department of Agriculture:		
Passed through Butte County Office of Education		
Child Nutrition Program	10.558	$ 34,421
Forest Reserve	10.665	187,764
Total Department of Agriculture		222,185
Department of Interior:		
Passed through various tribes		
Bureau of Indian Affairs	15.124	70,250
Redwood National Park	15.226	679
Total Department of Interior		70,929
Department of Labor:		
Passed through County of Mendocino		
Workforce Investment Act - Adult Program	17.258	21,298
Passed through Rural Human Services		
Workforce Investment Act - Adult Program	17.258	51,468
Workforce Investment Act - Adult Program	17.258	11,760
Passed through State of California EDD		
Workforce Investment Act - Adult Program	17.258	10,209
Passed through County of Humboldt		
Community Based Job Training Grants	17.269	48,821
Total Department of Labor		143,556
Department of Veteran's Affairs:		
Veteran's Education	64.117	1,211
Total Department of Veteran's Affairs		1,211

(Continued on following page)

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

REDWOODS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
Department of Education:		
Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	136,740
Federal Family Education Loans	84.032	-
Federal Work-Study Program	84.033	189,251
Federal Pell Grant Program	84.063	7,347,383
Academic Competitiveness Grants	84.375	12,250
Total Financial Aid Cluster		7,685,624
TRIO Cluster:		
Student Support Services	84.042	306,090
Upward Bound	84.047	399,803
Total TRIO Cluster		705,893
Higher Education Institutional Aid	84.031	470,795
Adult Education - State Grant Program	84.002	450
Passed through California Community Colleges Chancellor's Office		
Vocational Education - Tech Prep Education	84.243	81,405
Passed through State Department of Education		
Vocational Education - Basic Grants to States	84.048	237,697
Total Department of Education		9,181,864
Department of Health and Human Services:		
Passed through California Community Colleges Chancellor's Office		
Temporary Assistance for Needy Families	93.558	74,444
Passed through California Department of Education		
Child Care and Development Block Grant	93.575	19,604
Passed through Foundation for California Community Colleges		
TANF - Child Development Careers	93.558	13,721
Passed through North Coast Children Center		
Head Start	93.600	22,800
Total Department of Health and Human Services		130,569
Corporation for National and Community Service:		
Americorps	94.006	171,638
Total Corporation for National and Community Service		171,638
Total Federal Expenditures		$ 9,921,952

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

REDWOODS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

YEAR ENDED JUNE 30, 2009

Program Name	Program Revenues: Cash Received	Program Revenues: Increase (Decrease) Accounts Receivable	Program Revenues: (Increase) Decrease in Deferred Revenue	Program Revenues: Total	Total Program Expenditures
Basic Skills	$ 100,000		$ 14,374	$ 114,374	$ 114,374
CalWORKs	309,933	$ (10,920)		299,013	299,013
EOPS	1,062,389		(45,260)	1,017,129	1,017,129
CARE	187,890		32,682	220,572	220,572
DSPS	1,105,980			1,105,980	1,105,980
Matriculation	338,003			338,003	338,003
TTIP	36,036		(610)	35,426	35,426
BFAP	247,860		(17,273)	230,587	230,587
Block	250,000		(18,350)	231,650	231,650
Staff Diversity	10,440		(2,155)	8,285	8,285
Foster Care	295,636	(64,948)		230,688	230,688
CalSOAP	345,422	7,942		353,364	353,364
State Preschool	129,092	10,703		139,795	139,795
Infant Toddler	186,529	11,520		198,049	198,049
College Financing Corporation	162,400		(65,798)	96,602	96,602
Transfer and Articulation	4,000			4,000	4,000
Economic Development	461,702	74,822	97,227	633,751	633,751
California Conservation Corp	14,000			14,000	14,000
Cal Grant	544,999	(53,528)		491,471	491,471
Other categorical aid programs	34,631			34,631	34,631
State grants, non-capital	5,826,942	(24,409)	(5,163)	5,797,370	5,797,370
State grants, capital	-	488,883	-	488,883	488,883
Total State programs	$ 5,826,942	$ 464,474	$ (5,163)	$ 6,286,253	$ 6,286,253

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

REDWOODS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR
STATE GENERAL APPORTIONMENT

ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2009

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2008 Only)			
1. Noncredit	-		-
2. Credit	35.10		35.10
B. Summer Intersession (Summer 2009 Prior to July 1, 2009)			
1. Noncredit	-		-
2. Credit	294.71		294.71
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	4,122.51		4,122.51
(b) Daily Census Contact Hours	120.37		120.37
2. Actual Hours of Attendance Procedures Courses			
(a) Noncredit	1.25		1.25
(b) Credit	355.70		355.70
3. Independent Study/Work Experience Education Courses			
(a) Weekly Census Procedure Courses	302.54		302.54
(b) Daily Census Procedure Courses	40.32		40.32
(c) Noncredit Independent Study/Distance Education Courses	-		-
D. Total FTES	5,272.50		5,272.50
Supplemental Information (Subset of above information)			
E. In-Service Training Courses (FTES)	16.68		16.68
H. Basic Skills Courses and Immigrant Education			
1. Noncredit	1.23		1.23
2. Credit	505.25		505.25

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

REDWOODS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT (CCFS-311)
WITH DISTRICT ACCOUNTING RECORDS

YEAR ENDED JUNE 30, 2009

	General Funds	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund
June 30, 2009 Annual Financial and Budget Report (CCFS-311) Fund Balance	$ 3,867,268	$ 1,592,812	$ -	$ 9,119
Adjustment and reclassifications increasing (decreasing) the fund balance:				
District identified adjustments	-	-	-	-
Rounding	(1)	1	-	-
Net adjustments and reclassifications	(1)	1	-	-
June 30, 2009 District Accounting Records Fund Balance	$ 3,867,267	$ 1,592,813	$ -	$ 9,119

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

Farm Operations Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bookstore Fund	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
$ 21,657	$ 408,196	$ 15,557,452	$ 475,116	$4,760,955	$ 113,482	$ 5	$ 26,806,062
-	-	-	-	-	(113,482)	-	(113,482)
1	-	1	-	-	-	-	2
1	-	1	-	-	(113,482)	-	(113,480)
$ 21,658	$ 408,196	$ 15,557,453	$ 475,116	$ 4,760,955	$ -	$ 5	$ 26,692,582

REDWOODS COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

JUNE 30, 2009

	General Funds	Bond Interest and Redemption Fund	Other Debt Service Fund
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,001,166	$ -	$ -
Restricted cash and cash equivalents	-	1,480,216	-
Accounts receivable, net	6,144,344	112,597	-
Inventory	31,060	-	-
Prepaid expenses	54,014		
Due from other funds	14,920	-	-
Total current assets	8,245,504	1,592,813	-
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	-
Capital assets, net of depreciation	-	-	-
Total noncurrent assets	-	-	-
Total assets	$ 8,245,504	$ 1,592,813	$ -
LIABILITIES			
Deficit cash balance	$ -	$ -	$ -
Accounts payable	1,695,816	-	-
Accrued liabilities	1,036,943	-	-
Deferred revenue	1,645,478	-	-
Due to other funds	-	-	-
Amounts held for others	-	-	-
Total liabilities	4,378,237	-	-
FUND EQUITY:			
Retained earnings (deficit)	-	-	-
Fund balances:			
Reserved for debt service	-	1,592,813	-
Reserved for capital projects	-	-	-
Reserved for special purposes	9,160	-	-
Unreserved:			
Undesignated	3,858,107	-	-
Total fund equity	3,867,267	1,592,813	-
Total liabilities and fund equity	$ 8,245,504	$ 1,592,813	$ -

(Continued on following page)

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

Child Development Fund	Farm Operations Fund	Bookstore Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Employee Benefit Fund
$ -	$ 42,127	$ -	$ 124,401	$ -	$ -	$ 4,757,211
-	-	-	-	-	-	-
28,322	-	321,148	6,945	653,834	100,000	16,000
-	-	845,045	405,337	-	-	-
	-	-	-	-	-	-
-	-	-	-	-	-	-
28,322	42,127	1,166,193	536,683	653,834	100,000	4,773,211
-	-	-	-	-	16,116,206	-
-	-	5,781	-			-
-	-	5,781	-	-	16,116,206	-
$ 28,322	$ 42,127	$ 1,171,974	$ 536,683	$ 653,834	$ 16,216,206	$ 4,773,211
$ 10,371	$ -	$ 453,766	$ -	$ 41,193	$ -	$ -
8,585	1,434	241,473	32,233	9,828	911,093	-
247	-	(13,301)	17,036	-	-	12,256
-	19,035	-	79,218	350,473	-	-
-	-	14,920	-	-	-	-
-	-	-	-	-	-	-
19,203	20,469	696,858	128,487	401,494	911,093	12,256
-	21,658	475,116	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	252,340	15,305,113	-
9,119	-	-	-	-	-	4,760,955
-	-	-	408,196	-	-	-
9,119	21,658	475,116	408,196	252,340	15,305,113	4,760,955
$ 28,322	$ 42,127	$ 1,171,974	$ 536,683	$ 653,834	$ 16,216,206	$ 4,773,211

REDWOODS COMMUNITY COLLEGE DISTRICT

COMBINING BALANCE SHEET - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

JUNE 30, 2009

	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ -	$ -	$ 6,924,905
Restricted cash and cash equivalents	113,884	-	1,594,100
Accounts receivable, net	600	2,576,915	9,960,705
Inventory	-	-	1,281,442
Prepaid expenses	-	-	54,014
Due from other funds	-	-	14,920
Total current assets	114,484	2,576,915	19,830,086
Noncurrent assets:			
Restricted cash and cash equivalents	-	-	16,116,206
Capital assets, net of depreciation	-	-	5,781
Total noncurrent assets	-	-	16,121,987
Total assets	$ 114,484	$ 2,576,915	$ 35,952,073
LIABILITIES			
Deficit cash balance	$ -	$ 2,562,666	$ 3,067,996
Accounts payable	1,002	13,244	2,914,708
Accrued liabilities	-	-	1,053,181
Deferred revenue	-	1,000	2,095,204
Due to other funds	-	-	14,920
Amounts held for others	113,482	-	113,482
Total liabilities	114,484	2,576,910	9,259,491
FUND EQUITY:			
Retained earnings (deficit)	-	-	496,774
Fund balances:			
Reserved for debt service	-	-	1,592,813
Reserved for capital projects	-	-	15,557,453
Reserved for special purposes	-	5	4,779,239
Unreserved:			
Undesignated	-	-	4,266,303
Total fund equity	-	5	26,692,582
Total liabilities and fund equity	$ 114,484	$ 2,576,915	$ 35,952,073

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

REDWOODS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2009

	General	Bond Interest and Redemption Fund	Other Debt Service Fund
OPERATING REVENUES			
Tuition and fees	$ 3,892,992	$ -	$ -
Less: scholarship discount and allowance	1,361,333	-	-
Net tuition and fees	2,531,659	-	-
Grants and contracts, non-capital:			
Federal	2,120,571	-	-
State	4,920,921	-	-
Local	636,602	-	-
Auxiliary enterprise sales and charges	77,526	-	-
Total operating revenues	10,287,279	-	-
OPERATING EXPENDITURES/EXPENSES			
Salaries	23,098,526	-	-
Employee benefits	6,691,047	-	-
Payments to students	1,053,053	-	-
Supplies, materials, and other operating expenditures/expenses and services	4,441,912	1,374	-
Capital outlay	881,461	-	-
Utilities	1,107,552	-	-
Depreciation	-	-	-
Total operating expenditures/expenses	37,273,551	1,374	-
OPERATING INCOME (LOSS)	(26,986,272)	(1,374)	-
NON-OPERATING REVENUES (EXPENDITURES)			
State apportionments, non-capital	19,420,245	-	-
Local property taxes, non-capital	7,956,694	-	-
State taxes and other revenues	1,129,776	-	-
Investment income	33,506	37,724	-
Debt service - principal retirement	-	(700,000)	(67,900)
Debt service - interest and fiscal charges	-	(1,481,349)	(34,967)
Other non-operating revenues	242,380	-	-
Total non-operating revenues (expenditures)	28,782,601	(2,143,625)	(102,867)

(Continued on following page)

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

Child Development Fund	Farm Operations Fund	Bookstore Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Employee Benefit Fund
$ 56,100	$ -	$ -	$ 989,563	$ -	$ -	$ -
-	-	-	-	-	-	-
56,100	-	-	989,563	-	-	-
76,825	-	-	-	-	-	-
370,978	-	-	-	-	-	-
-	-	-	-	-	-	-
-	26,226	2,044,253	270,000	-	-	-
503,903	26,226	2,044,253	1,259,563	-	-	-
393,746	60,724	-	229,610	-	-	-
219,947	24,313	-	100,828	-	-	759,788
-	-	-	-	-	-	-
30,219	25,840	2,109,787	597,193	16,026	-	-
10,066	1,903	7,336	285,625	586,453	4,279,056	-
-	7,091	1,121	192,548	-	-	-
-	-	2,313	-	-	-	-
653,978	119,871	2,120,557	1,405,804	602,479	4,279,056	759,788
(150,075)	(93,645)	(76,304)	(146,241)	(602,479)	(4,279,056)	(759,788)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	85	501,040	76,791
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	15,265	551,420	118,398	(40,313)	-	381,241
-	15,265	551,420	118,398	(40,228)	501,040	458,032

REDWOODS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2009

	General	Bond Interest and Redemption Fund	Other Debt Service Fund
Income (loss) before other revenues and expenditures	1,796,329	(2,144,999)	(102,867)
OTHER REVENUES AND EXPENDITURES			
State apportionments and grants, capital	-	-	-
Local property taxes, capital	-	2,132,720	-
Excess of revenues over (under) expenditures	1,796,329	(12,279)	(102,867)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,204,675	-	102,867
Operating transfers out	(661,356)	-	-
Total other financing sources (uses)	543,319	-	102,867
Excess of revenues and other financing sources over (under) expenditures and other financing uses	2,339,648	(12,279)	-
FUND EQUITY, BEGINNING OF YEAR	1,527,619	1,605,092	-
FUND EQUITY, END OF YEAR	$ 3,867,267	$ 1,592,813	$ -

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

Child Development Fund	Farm Operations Fund	Bookstore Fund	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Employee Benefit Fund
(150,075)	(78,380)	475,116	(27,843)	(642,707)	(3,778,016)	(301,756)
-	-	-	-	488,883	-	-
-	-	-	-	204,888	-	-
(150,075)	(78,380)	475,116	(27,843)	51,064	(3,778,016)	(301,756)
166,753	83,914	-	84,921	59,000	-	163,901
-	-	-	-	(1,204,675)	-	-
166,753	83,914	-	84,921	(1,145,675)	-	163,901
16,678	5,534	475,116	57,078	(1,094,611)	(3,778,016)	(137,855)
(7,559)	16,124	-	351,118	1,346,951	19,083,129	4,898,810
$ 9,119	$ 21,658	$ 475,116	$ 408,196	$ 252,340	$ 15,305,113	$ 4,760,955

REDWOODS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2009

	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
OPERATING REVENUES			
Tuition and fees	$ -	$ -	$ 4,938,655
Less: scholarship discount and allowance	-	-	1,361,333
Net tuition and fees	-	-	3,577,322
Grants and contracts, non-capital:			
Federal	-	7,724,556	9,921,952
State	-	505,471	5,797,370
Local	-	-	636,602
Auxiliary enterprise sales and charges	-	-	2,418,005
Total operating revenues	-	8,230,027	22,351,251
OPERATING EXPENDITURES/EXPENSES			
Salaries	-	-	23,782,606
Employee benefits	-	-	7,795,923
Payments to students	-	8,214,193	9,267,246
Supplies, materials, and other operating expenditures/expenses and services	-	15,497	7,237,848
Capital outlay	-	-	6,051,900
Utilities	-	-	1,308,312
Depreciation	-	-	2,313
Total operating expenditures/expenses	-	8,229,690	55,446,148
OPERATING INCOME (LOSS)	-	337	(33,094,897)
NON-OPERATING REVENUES (EXPENDITURES)			
State apportionments, non-capital	-	-	19,420,245
Local property taxes, non-capital	-	-	7,956,694
State taxes and other revenues	-	-	1,129,776
Investment income	-	-	649,146
Debt service - principal retirement	-	-	(767,900)
Debt service - interest and fiscal charges	-	-	(1,516,316)
Other non-operating revenues	-	-	1,268,391
Total non-operating revenues (expenditures)	-	-	28,140,036

(Continued on following page)

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

REDWOODS COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN FUND EQUITY - DISTRICT FUNDS
INCLUDED IN THE REPORTING ENTITY

YEAR ENDED JUNE 30, 2009

	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
Income (loss) before other revenues and expenditures	-	337	(4,954,861)
OTHER REVENUES AND EXPENDITURES			
State apportionments and grants, capital	-	-	488,883
Local property taxes, capital	-	-	2,337,608
Excess of revenues over (under) expenditures	-	337	(2,128,370)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	1,866,031
Operating transfers out	-	-	(1,866,031)
Total other financing sources (uses)	-	-	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	337	(2,128,370)
FUND EQUITY, BEGINNING OF YEAR	-	(332)	28,820,952
FUND EQUITY, END OF YEAR	$ -	$ 5	$ 26,692,582

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

REDWOODS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF FUND EQUITY TO NET ASSETS

JUNE 30, 2009

Total Fund Equity - District Funds Included in the Reporting Entity		$ 26,692,582
Assets recorded within the GASB 35 Statement of Net Assets not included in the District fund financial statements:		
Deferred costs, net		695,218
Non-depreciable capital assets		7,710,777
Depreciable capital assets	$ 70,125,885	
Accumulated depreciation	(25,874,348)	44,251,537
Liabilities recorded within the GASB 35 Statement of Net Assets not recorded in the District fund financial statements:		
Accrued interest payable		(606,458)
Long-term debt:		
Current	(711,400)	
Non-current	(32,127,903)	(32,839,303)
Other long-term liabilities		(725,456)
Net assets reported within the GASB 35 Statement of Net Assets		$ 45,178,897

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

REDWOODS COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF CHANGE IN FUND EQUITY TO INCREASE IN NET ASSETS

YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Equity - District Funds Included in the Reporting Entity	$ (2,128,370)
Depreciation expense reported within the GASB 35 Statements	(1,498,067)
Capital outlay expense not reported within the GASB 35 Statements	4,736,180
Increase in compensated absences reported within the GASB 35 Statements	(29,146)
Principal payments on debt not reported within the GASB 35 Statements	767,900
Interest expense from change in accrued interest payable and amortization of bond premiums and bond issuance costs reported within the GASB 35 Statements	21,760
Other post-employment benefits expense reported within the GASB 35 Statements	(38,020)
Net increase in net assets reported within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Assets	$ 1,832,237

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

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The audit of the Redwoods Community College District for the year ended June 30, 2009 was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with A-133 the Schedule of Expenditures of Federal Awards was prepared for the Redwoods Community College District.

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

Schedule of Workload Measures for State General Apportionment

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2009, represents the basis of apportionment of the Redwoods Community College District's annual source of funding.

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

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

NOTE 2 FEDERAL FAMILY EDUCATIONAL LOAN PROGRAM

The District granted $3,318,900 in loans under the Federal Family Education Loan Program for the year ended June 30, 2009.

(Continued on following page)

NOTE 3 COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying Combining Balance Sheet – District Funds Included in the Reporting Entity, Combining Statement 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.

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

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NYSTROM & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

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

Board of Trustees
Redwoods Community
College District
Eureka, California

We have audited the financial statements of the business-type activities of the Redwoods Community College District (District) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the financial statements of the District's primary government and blended component unit and have issued our report thereon dated December 30, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards prescribed by the State Department of Finance.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Nystrom & Company LLP

December 30, 2009

NYSTROM & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

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

Board of Trustees
Redwoods Community
College District
Eureka, California

Compliance

We have audited the compliance of Redwoods Community College District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in item 2009-1 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding changes to the program that are applicable to its Higher Education Institutional Aid program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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, express no opinion on them.

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

Nystrom & Company LLP

December 30, 2009

NYSTROM & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

REDDING, CALIFORNIA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Redwoods Community
College District
Eureka, California

We have audited the accompanying financial statements of the business-type activities of the Redwoods Community College District (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 30, 2009.

Our audit was conducted 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the standards prescribed by the California State Department of Finance and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

ANNUAL COMPLIANCE FOCUS

General Directives Testing Structure

1. State General Apportionment Required Data Elements

Administration Testing Structure

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

5. Apportionments – Apportionment for Instructional Service Agreements/Contracts

6. Apportionments – Enrollment Fee

7. Apportionments – Students Actively Enrolled

8. Open Enrollment

9. Student Fee – Instructional Materials and Health Fees

Student Services Testing Structure

1. Matriculation – Uses of Matriculation Funds

2. CalWORKs – Use of State and Federal TANF Funding

Facilities

1. Scheduled Maintenance Program

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our audit was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, except for the findings 2009-2 and 2009-3, described in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2009.

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, express no opinion on them.

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

Nystrom & Company LLP

December 30, 2009

REDWOODS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an adverse opinion on the "reporting entity" opinion unit's financial statements and an unqualified opinion on the primary government and blended component unit financial statements of the Redwoods Community College District.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Redwoods Community College District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The independent auditors' report on compliance for the major federal award programs for the Redwoods Community College District expresses an unqualified opinion on the student financial aid cluster and the TRIO cluster and a qualified opinion on the Higher Education Institutional Aid.

6. There is one audit finding relative to the major federal award programs for the Redwoods Community College District.

7. The programs tested as major programs include: 1) Federal Supplemental Educational Opportunity Grants Program (CFDA 84.007); Federal Family Education Loan Program (CFDA 84.032); Federal Work-Study Program (CFDA 84.033); Federal Pell Grant Program (CFDA 84.063) and Academic Competitiveness Grant (CFDA 84.375A), which together comprise the student financial aid "cluster" program as defined in the Compliance Supplement; 2) TRIO – Student Support Services (CFDA 84.042) and TRIO – Upward Bound Program (CFDA 84.047), which collectively comprise the TRIO "cluster" program as defined in the Compliance Supplement; and 3) Higher Education Institutional Aid (CFDA 84.031).

8. The threshold for distinguishing Type A and B programs was $300,000.

9. The Redwoods Community College District did not qualify as a low-risk auditee.

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

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

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

	Questioned Costs
DEPARTMENT OF EDUCATION	
Higher Education Institutional Aid – CFDA No. 84.031A; Grant No. P031A050006	
2009-1 – Salaries	$ 91,258

Criteria or Specific Requirement: Code of Federal Regulations CFR 74.25(b) states “recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.”

Statement of Condition: Salaries and related benefits for three individuals who were not included in the original budget were added to the program without prior approval from the Department of Education.

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

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

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

District Response: The District management concurs with the auditor’s findings. Management has implemented procedures whereby the Program Director obtains approval from the Department of Education for proposed changes to budgeted expenditures.

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

D. FINDINGS – STATE COMPLIANCE AUDIT

2009-2 – Open Enrollment

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

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

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

Effect of Condition: Without proper advertisement, students may not be aware of the course. In addition, FTES were overstated by 1.21.

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

District Response: The District management concurs with the auditor's findings. Management will implement procedures to ensure that all courses are adequately advertised.

REDWOODS COMMUNITY COLLEGE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

D. FINDINGS – STATE COMPLIANCE AUDIT
(Continued)

2009-3 – Concurrent Enrollment

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

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

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

Effect of Condition: FTES were overstated by 0.75.

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

District Response: The District management concurs with the auditor's findings. In preparing and completing the CCFS-320 report, the District will implement procedures to verify that no more than ten percent of the apportionment claimed for any individual physical education course is comprised of concurrently enrolled students.

REDWOODS COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2009

NONE