REDWOODS COMMUNITY COLLEGE DISTRICT

Eureka, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2011 and 2010

Matson and Isom

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OTHER REPORTS SECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Redwoods Community College District (the District), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of June 30, 2011 and 2010, and the respective changes in financial position, and cash flows, where applicable, thereof 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 27, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITORS' REPORT
Continued

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

Matson and Isom

December 27, 2011

MANAGEMENTS' DISCUSSION AND ANALYSIS
(Required Supplementary Information)

INTRODUCTION

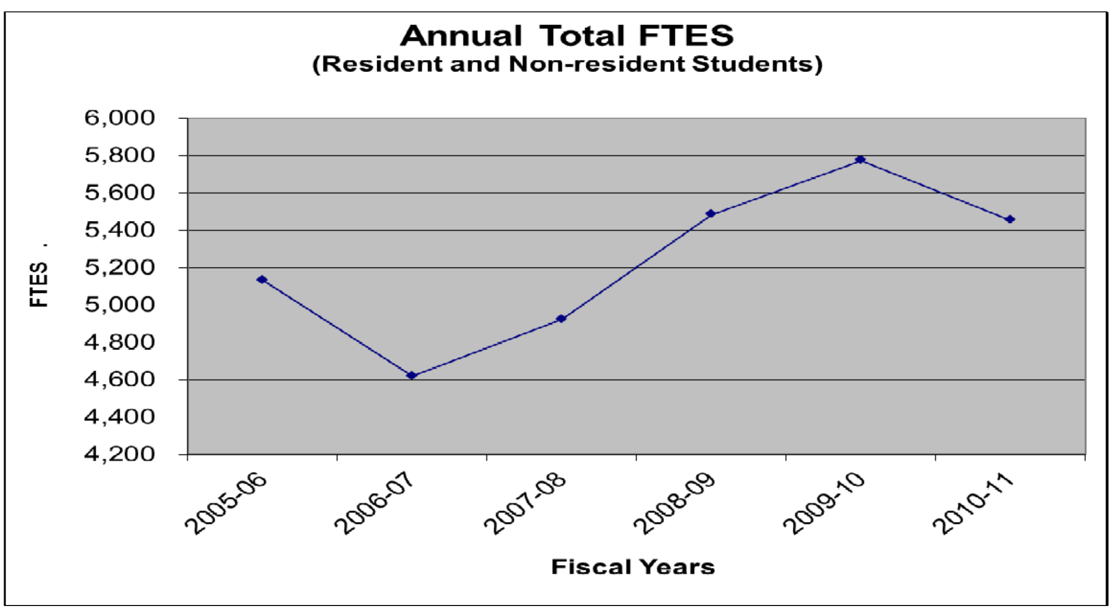
As required by accounting principles, the annual report consists of three basic financial statements that provide information on Redwoods Community College District (the District) as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement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

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

ATTENDANCE HIGHLIGHTS

Although the District's resident Full-Time Equivalent Students (FTES) for 2010-11 stood at 5,220, the Chancellor's Office capped the District's enrollments at 5,201 for State apportionment purposes.

Academic Year	*Resident*	*Non-resident*	*Total*		*Percentage Change*		
					Resident	*Non-Res*	*Total*
2005-06	4,914	218	5,132		-10.9%	-6.0%	-10.7%
2006-07	4,482	136	4,618		-8.8%	-37.6%	-10.0%
2007-08	4,744	179	4,923		5.8%	31.6%	6.6%
2008-09	5,273	210	5,483		11.2%	17.3%	11.4%
2009-10	5,542	231	5,773		5.1%	10.0%	5.3%
2010-11	5,220	233	5,453		-5.8%	0.9%	-5.5%



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.

June 30	2011	2010	Change	
ASSETS				
Current assets	$ 14,240,687	$ 13,431,282	$ 809,405	6%
Noncurrent restricted cash and cash equivalents	13,338,059	14,357,814	(1,019,755)	-7%
Capital assets and deferred costs - net	61,289,211	52,861,706	8,427,505	16%
Total Assets	$ 88,867,957	$ 80,650,802	$ 8,217,155	10%
LIABILITIES				
Current liabilities	$ 6,244,737	$ 5,479,290	$ 765,447	14%
Noncurrent liabilities	31,213,008	32,035,853	(822,845)	-3%
Total Liabilities	37,457,745	37,515,143	(57,398)	0%
NET ASSETS				
Investments in capital assets - net of related debt	44,901,366	36,559,093	8,342,273	23%
Restricted - expendable	282,334	353,274	(70,940)	-20%
Unrestricted	6,226,512	6,223,292	3,220	0%
Total Net Assets	51,410,212	43,135,659	8,274,553	19%
Total Liabilities and Net Assets	$ 88,867,957	$ 80,650,802	$ 8,217,155	10%

In current assets, accounts receivable increased by 26% over last year, from $8.6 million to $10.8 million. The two largest contributors to this increase are the State apportionment (deferments), both capital and noncapital for $2.3 million and student accounts receivables of $300 thousand. Note 3 compares two years of accounts receivable balances. The net capital assets will continue to increase as the District continues its building program.

The Chancellor's Office recommends that each college district maintain a contingency reserve in the General Fund of 5.00% of unrestricted expenditures. The District maintains its General Fund reserve level at or over this 5.00% level. As of June 30, 2011, the General Fund reserve level is over 7.00%.

The District has elected to record its actuarially determined annual liability for postemployment health benefits according to Governmental Accounting Standards Board (GASB) Statement No. 45. Through changes in board policy and collective bargaining contracts, newly hired employees will no longer participate in this program. For eligible plan participants, the District funds the current service liability, and may make annual contributions for its prior service liability. The District intends to continue to set funds aside to meet its unfunded accrued liability. The most recent actuarial study of retiree health liabilities was as of September 1, 2011. The unfunded liability is estimated to be $6.9 million. The funds set aside to pay future benefits stood at $3.6 million as of June, 30, 2011.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

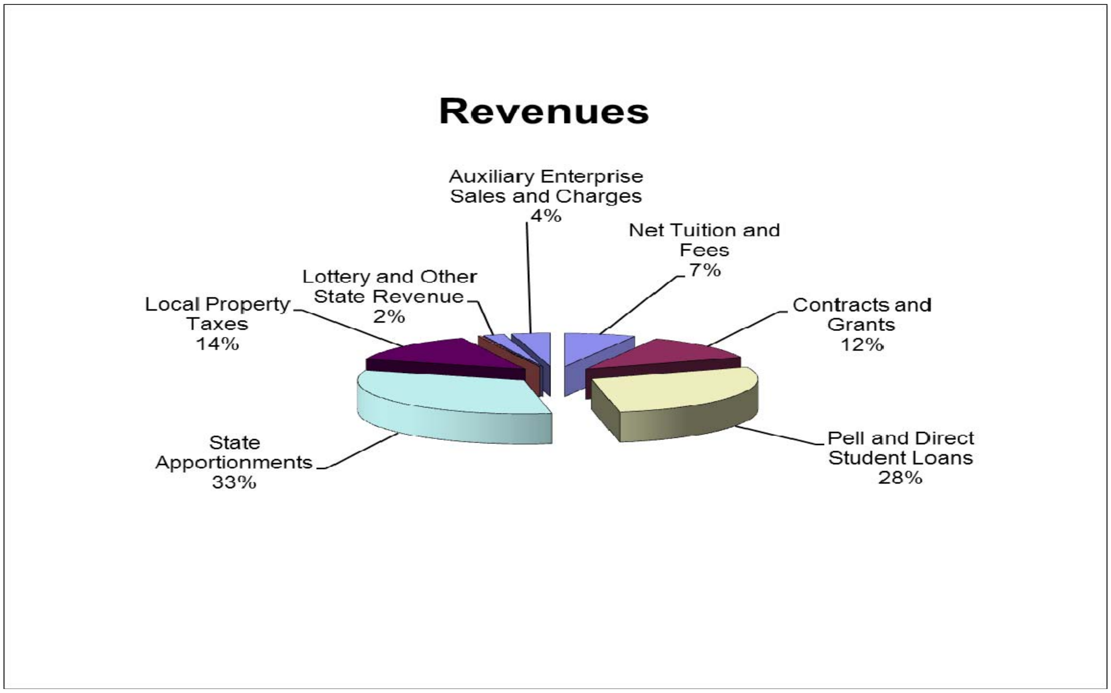
For the Years Ended June 30	2011	2010	Change	
OPERATING REVENUES AND EXPENSES				
OPERATING REVENUES				
Net tuition and fees	$ 4,021,010	$ 4,146,700	$ (125,690)	-3%
Grants and contracts - noncapital	23,270,744	18,481,293	4,789,451	26%
Auxiliary enterprise sales and charges	2,160,958	2,380,579	(219,621)	-9%
Total Operating Revenues	29,452,712	25,008,572	4,444,140	18%
OPERATING EXPENSES	59,327,336	56,669,859	2,657,477	5%
Operating Loss	(29,874,624)	(31,661,287)	1,786,663	-6%
NONOPERATING REVENUES (EXPENSES)				
State apportionments - noncapital	18,789,234	18,227,943	561,291	3%
Local property taxes	8,088,352	8,374,304	(285,952)	-3%
State taxes and other revenues	1,212,922	966,180	246,742	26%
Investment income	156,277	453,702	(297,425)	-66%
Interest expense - capital asset-related debt	(1,354,159)	(1,405,981)	51,822	-4%
Amortization of bond issuance costs	(38,449)	(38,449)	-	0%
Other nonoperating revenues	354,890	315,278	39,612	13%
Total Nonoperating Revenues (Expenses)	27,209,067	26,892,977	316,090	1%
Loss Before Other Revenues and Expenses	(2,665,557)	(4,768,310)	2,102,753	-44%
State apportionments and grants - capital	8,725,047	1,466,430	7,258,617	495%
Local property taxes - capital	2,215,063	2,281,660	(66,597)	-3%
Change in Net Assets	8,274,553	(1,020,220)	9,294,773	-911%
Net Assets - Beginning of Year	43,135,659	44,155,879	(1,020,220)	-2%
Net Assets - End of Year	$ 51,410,212	$ 43,135,659	$ 8,274,553	19%

The State's SB361 funding formula allocates apportionment funding to 72 community college districts through two calculations. For 2010-11 the District's total apportionment was $28.3 million. First, basic funding is provided to each District and approved center at a scheduled rate, with additional funding provided to rural districts. For 2010-11 the District received $4.7 million in basic funding, comprised of $3.3 million for the District, $830 thousand combined for the Mendocino and Del Norte centers and $554 thousand for rural district support.

Second, the Chancellor's Office caps each district's level of FTES (One FTES equals 30 credits per year). The SB361 formula calculates funding for the Chancellor's Office's FTES cap at a statewide rate of $4,564 per FTES in 2010-11, or $23.7 million for the District's 5,201 FTES cap.

Then the formula offsets the state's apportionment liability by all enrollment fees assessed, including enrollment fees paid by students in excess of the Chancellor's FTES cap and all non-residents, as well as all eligible property taxes received by the District. State funding is then provided for any apportionment needed after all offsets have been applied, which amounted to $18.8 million for the District in 2010-11.

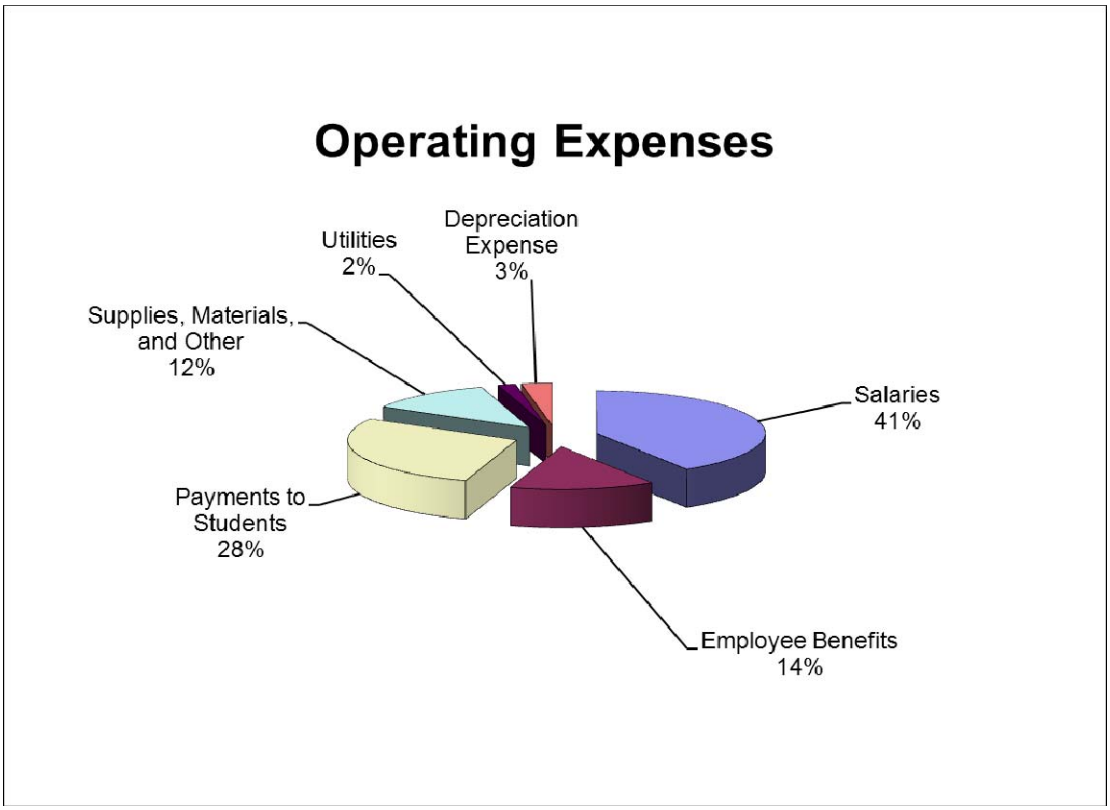
The increase in total operating revenues of $4.4 million shown on the statement above is primarily due to changes in the financial aid disbursement and reporting processes that occurred during 2010-11. $3.9 million of the increase was disbursements to District students through the Federal Financial Aid Direct Loan program in 2010-11, and reported as both operating revenue and operating expense in the District-wide statements. The remaining $500 thousand increase in operating revenue is the net effect of $900 thousand increase in Financial Aid Grants awarded to students, partially offset by a $345 thousand decrease in auxiliary revenues and net tuition and fees.



Operating Expenses (by Natural Classification)

For the Years Ended June 30	2011	2010	Change	
Salaries	$ 24,132,861	$ 25,224,356	$ (1,091,495)	-4%
Employee benefits	8,654,783	8,086,696	568,087	7%
Payments to students	16,691,112	11,958,039	4,733,073	40%
Supplies, materials, and other operating expenses and services	7,142,164	8,702,239	(1,560,075)	-18%
Utilities	989,936	1,159,858	(169,922)	-15%
Depreciation expense	1,716,480	1,538,671	177,809	12%
Total Operating Expense	$ 59,327,336	$ 56,669,859	$ 2,657,477	5%

District-Wide operating expenses increased over last year by approximately $2.6 million. Of this, payments made to students through the financial aid program increased by $800 thousand. The remainder of the $4.7 million increase in payments to students is due to procedural and reporting changes associated with the Federal Student Loan program. Salaries decreased by $1 million. Supplies, materials and other operating costs also decreased by $1.5 million. Employee benefit costs increased even though salaries decreased during the same period, due to increased charges for employee health and welfare plans, an increased number of retirees receiving benefits, and a change in the reporting requirements in the employee benefit fund.



STATEMENT OF CASH FLOWS

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

For the Years Ended June 30	**2011**	**2010**	**Change**	
Cash provided (used) by:				
Operating activites	$ (27,811,172)	$ (29,404,359)	$ 1,593,187	-5%
Noncapital financing activities	27,371,681	27,228,527	143,154	1%
Capital financing activites	(2,425,888)	(1,940,170)	(485,718)	25%
Investing activites	208,980	500,399	(291,419)	-58%
Net Change in Cash and Cash Equivalents	(2,656,399)	(3,615,603)	959,204	-27%
Cash and Cash Equivalents - Beginning of Year	17,951,612	21,567,215	(3,615,603)	-17%
Cash and Cash Equivalents - End of Year	$ 15,295,213	$ 17,951,612	$ (2,656,399)	-15%

The District's cash and cash equivalents balance decreased by $2.7 million to $15 million. The decrease in cash and cash equivalents is the result of the increase in bond capital construction payments and continued increases in student accounts receivable and state apportionment deferrals.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

While the District continues to remain fiscally sound, economic uncertainties at the state level have caused the District to carefully plan its SB361 apportionment forecast. During 2010-11 the District retrenched in preparation for impending state budget cuts.

While the State of California has provided enrollment growth funding in recent years, the District anticipates that the State will cap or cut community college enrollment allocations and funding for the near term. State funding did not provide for a COLA in 2008-09, 2009-10, and 2010-11, and this will likely continue. While the District has negotiated some concessions with its bargaining units, it is unlikely that such concessions will be agreed-to in perpetuity.

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

FINANCIAL SECTION

June 30	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 75,902	$ 1,931,361
Restricted cash and cash equivalents	1,881,252	1,662,437
Accounts receivable - net	10,864,890	8,607,044
Inventories	888,483	818,983
Prepaid expenses	68,338	167,061
Due from Foundation	461,822	244,396
Total Current Assets	14,240,687	13,431,282
NONCURRENT ASSETS		
Restricted cash and cash equivalents	13,338,059	14,357,814
Nondepreciable capital assets	16,492,798	6,699,858
Depreciable capital assets - net	44,152,015	45,505,079
Other postemployment benefit obligation	26,078	-
Deferred costs - net	618,320	656,769
Total Noncurrent Assets	74,627,270	67,219,520
Total Assets	$ 88,867,957	$ 80,650,802
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 1,767,720	$ 1,382,205
Accrued liabilities	1,193,136	1,088,906
Deferred revenue	2,406,641	2,215,222
Amounts held for others	94,040	47,957
Long-term debt - current portion	783,200	745,000
Total Current Liabilities	6,244,737	5,479,290
NONCURRENT LIABILITIES		
Long-term debt - noncurrent portion	30,527,501	31,346,802
Other long-term liabilities	685,507	689,051
Total Noncurrent Liabilities	31,213,008	32,035,853
Total Liabilities	37,457,745	37,515,143
NET ASSETS		
Investments in capital assets - net of related debt	44,901,366	36,559,093
Restricted - expendable	282,334	353,274
Unrestricted	6,226,512	6,223,292
Total Net Assets	51,410,212	43,135,659
Total Liabilities and Net Assets	$ 88,867,957	$ 80,650,802

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

For the Years Ended June 30	2011	2010
OPERATING REVENUES		
Tuition and fees	$ 6,181,567	$ 5,895,255
Less: Scholarship discounts and allowances	(2,160,557)	(1,748,555)
Net Tuition and Fees	4,021,010	4,146,700
Grants and contracts - noncapital:		
Federal	18,490,189	13,465,188
State	4,014,991	4,294,530
Local	765,564	721,575
Auxiliary enterprise sales and charges	2,160,958	2,380,579
Total Operating Revenues	29,452,712	25,008,572
OPERATING EXPENSES		
Salaries	24,132,861	25,224,356
Employee benefits	8,654,783	8,086,696
Payments to students	16,691,112	11,958,039
Supplies, materials, and other operating expenses and services	7,142,164	8,702,239
Utilities	989,936	1,159,858
Depreciation	1,716,480	1,538,671
Total Operating Expenses	59,327,336	56,669,859
Operating Loss	(29,874,624)	(31,661,287)
NONOPERATING REVENUES (EXPENSES)		
State apportionments - noncapital	18,789,234	18,227,943
Local property taxes - noncapital	8,088,352	8,374,304
State taxes and other revenues	1,212,922	966,180
Investment income	156,277	453,702
Interest expense - capital asset-related debt	(1,392,608)	(1,444,430)
Other nonoperating revenues	354,890	315,278
Total Nonoperating Revenues (Expenses)	27,209,067	26,892,977
Loss Before Other Revenues and Expenses	(2,665,557)	(4,768,310)
State apportionments and grants - capital	8,725,047	1,466,430
Local property taxes - capital	2,215,063	2,281,660
Change in Net Assets	8,274,553	(1,020,220)
Net Assets - Beginning of Year	43,135,659	44,155,879
Net Assets - End of Year	$ 51,410,212	$ 43,135,659

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

For the Years Ended June 30	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 3,868,597	$ 3,922,008
Federal grants and contracts	18,529,897	16,243,772
State grants and contracts	4,248,796	3,980,385
Local grants and contracts	959,245	770,447
Payments to/on behalf of employees	(24,049,757)	(25,796,211)
Payments for benefits	(8,654,783)	(8,086,696)
Payments for scholarships and grants	(16,691,112)	(11,958,039)
Payments to suppliers	(7,514,402)	(9,502,316)
Payments for utilities	(989,936)	(1,159,858)
Auxiliary enterprise sales and charges	2,407,859	2,209,690
Other receipts (payments)	74,424	(27,541)
Net Cash Used by Operating Activities	(27,811,172)	(29,404,359)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State apportionments - noncapital	18,149,959	17,946,800
Local property taxes - noncapital	8,088,352	8,374,304
State taxes and other revenues	1,133,370	907,423
Net Cash Provided by Noncapital Financing Activities	27,371,681	27,228,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(9,357,876)	(3,196,453)
Interest paid on capital debt	(1,410,260)	(1,462,457)
Principal paid on capital debt	(745,000)	(711,400)
State apportionments and grants - capital	6,872,185	1,148,480
Local property taxes	2,215,063	2,281,660
Net Cash Used by Capital and Related Financing Activities	(2,425,888)	(1,940,170)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	208,980	500,399
Net Cash Provided by Investing Activities	208,980	500,399
Net Change in Cash and Cash Equivalents	(2,656,399)	(3,615,603)
Cash and Cash Equivalents - Beginning of Year	17,951,612	21,567,215
Cash and Cash Equivalents - End of Year	$ 15,295,213	$ 17,951,612

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

For the Years Ended June 30		2011		2010
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating loss	$	(29,874,624)	$	(31,661,287)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense		1,716,480		1,538,671
Other receipts		354,890		315,278
Changes in:				
Accounts receivable - net		115,138		1,936,084
Inventories		(69,500)		462,459
Prepaid expenses		98,723		(113,047)
Due from Foundation		(217,426)		(244,396)
Other postemployment benefits in long-term assets		(32,387)		-
Accounts payable		(412,965)		(1,134,581)
Accrued liabilities		124,230		(550,358)
Deferred revenue		337,421		148,748
Amounts held for others		46,083		(65,525)
Compensated absences - included in long-term liabilities		2,765		(4,694)
Other postemployment benefits - included in long-term liabilities		-		(31,711)
Net Cash Used by Operating Activities	$	(27,811,172)	$	(29,404,359)
COMPONENTS OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents	$	75,902	$	1,931,361
Restricted cash and cash equivalents - current		1,881,252		1,662,437
Restricted cash and cash equivalents - noncurrent		13,338,059		14,357,814
Total Cash and Cash Equivalents	$	15,295,213	$	17,951,612

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

June 30	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,441,284	$ 1,449,898
Accounts receivable	124,255	785
Inventories	13,576	19,351
Prepaid sales taxes	700	18,116
Other assets	9,560	10,864
Total Current Assets	1,589,375	1,499,014
ENDOWMENT ASSETS		
Cash and cash equivalents	1,943,562	1,935,017
Investments	2,182,671	1,732,044
Beneficial interest in CRAT	228,485	199,688
Total Endowment Assets	4,354,718	3,866,749
Total Assets	$ 5,944,093	$ 5,365,763
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 16,564	$ 19,699
Other liabilities	2,314	(10,665)
Due to District	461,822	244,396
Depository liability	324,518	277,767
Total Current Liabilities	805,218	531,197
NET ASSETS		
Unrestricted	305,107	391,364
Temporarily restricted	1,061,971	742,222
Permanently restricted	3,771,797	3,700,980
Total Net Assets	5,138,875	4,834,566
Total Liabilities and Net Assets	$ 5,944,093	$ 5,365,763

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

For the Years Ended June 30	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions:		
Public support	$ 112	$ 17,813
Special events revenue	6,290	14,237
Total Contributions	6,402	32,050
Other revenues, gains, and support:		
Investment return	9,326	8,236
Miscellaneous revenues	875	37,328
Food services	1,075,411	1,136,599
Total Other Revenues, Gains, and Support	1,085,612	1,182,163
Net Assets Released From Restriction	443,334	477,549
Total Support and Revenues	1,535,348	1,691,762
EXPENSES		
Program services:		
Scholarships	294,320	210,377
Programs and grants	165,682	288,844
Food services	1,098,327	935,499
Total Program Services	1,558,329	1,434,720
Supporting services:		
Management and general	63,276	5,687
Total Expenses	1,621,605	1,440,407
Change in Unrestricted Net Assets	$ (86,257)	$ 251,355

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

For the Years Ended June 30	2011	2010
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions:		
Public support	$ 240,300	$ 88,320
Total Contributions	240,300	88,320
Special events:		
Gross revenue	64,728	68,799
Less: Expenses	(13,851)	(17,113)
Total Special Events	50,877	51,686
Other revenues, gains (losses), and other support:		
Investment return (loss)	471,906	234,665
Net Assets Released From Restriction	(443,334)	(477,549)
Change in Temporarily Restricted Net Assets	319,749	(102,878)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Endowment fund contributions	42,020	7,883
Change in value of CRAT	28,797	(586)
Change in Permanently Restricted Net Assets	70,817	7,297
Change in Net Assets	304,309	155,774
Net Assets - Beginning of Year	4,834,566	4,678,792
Net Assets - End of Year	$ 5,138,875	$ 4,834,566

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

For the Years Ended June 30	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 304,309	$ 155,774
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	(411,134)	(147,902)
(Increase) Decrease in value of CRT	(28,797)	586
Changes in:		
Accounts receivable	(123,470)	18,840
Inventories	5,775	1,629
Prepaid sales taxes	17,416	70,812
Other assets	1,304	9,179
Accounts payable	(3,135)	(13,693)
Other liabilities	12,979	(10,665)
Due to District	217,426	244,396
Depository liabilty	46,751	(8,394)
Net Cash Used by Operating Activities	39,424	320,562
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested investment return	(39,493)	(37,457)
Net Cash Provided by Investing Activities	(39,493)	(37,457)
Net Change in Cash and Cash Equivalents	(69)	283,105
Cash and Cash Equivalents - Beginning of Year	3,384,915	3,101,810
Cash and Cash Equivalents - End of Year	$ 3,384,846	$ 3,384,915
COMPONENTS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$ 1,441,284	$ 1,449,898
Cash and cash equivalents - endowments	1,943,562	1,935,017
Total Cash and Cash Equivalents	$ 3,384,846	$ 3,384,915

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Exceptions to the accrual basis of accounting are as follows:

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

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

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

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

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

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

Inventories 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.

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

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

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

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

Long-Term Liabilities and Deferred Costs Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred costs and amortized over the term of the related debt. Amortization of issuance costs was $38,449 and $38,449 for the years ended June 30, 2011 and 2010, respectively.

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.

Revenues are classified according to the following criteria:

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

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

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

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

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

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

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT – FOUNDATION

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

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

Unrestricted Net Assets: Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When the time restriction stipulation ends or when funds are expended for intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

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

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

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

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

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

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

Accounts Receivable The Foundation utilizes the allowance method of accounting for uncollectible accounts receivable. No allowance was necessary at June 30, 2011 and 2010, respectively.

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

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

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

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of California, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For purposes of establishing restricted balances, the Foundation uses the balances as of July 1, 1998, for all funds existing at that time, as the original value of the gift.

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

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

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

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

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

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

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

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

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

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

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

2. CASH AND INVESTMENTS

The cash and cash equivalents as of June 30, 2011 and 2010, are displayed on the statement of net assets as follows:

	2011	2010
CURRENT		
Cash and cash equivalents	$ 75,902	$ 1,931,361
Restricted cash and cash equivalents	1,881,252	1,662,437
NONCURRENT		
Restricted cash and cash equivalents	13,338,059	14,357,814
Total Cash and Cash Equivalents	$ 15,295,213	$ 17,951,612

At June 30, 2011 and 2010, the carrying amount of the District's cash is summarized as follows:

	2011	2010
Cash in County Treasury	$ 14,661,883	$ 16,969,880
Cash on hand and in banks	633,330	981,732
Total Deposits	$ 15,295,213	$ 17,951,612

As provided for by *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Humboldt County Treasurer for the purpose of increasing interest earned through County investment activities. The County Treasury's Pooled Money Investment account's weighted average maturities was 1.59 and 1.73 years at June 30, 2011 and 2010, respectively.

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

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

The *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% 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% of an entity's total deposits.

At June 30, 2011 and 2010, $224,151 and $623,249, 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, 2011 and 2010.

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

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

Concentration of Credit Risk

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

Custodial Credit Risk

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% 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% of an entity's total deposits. For investments, the District does not have a policy to address this risk.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011 and 2010:

	2011	2010
Tuition and fees - net	$ 2,482,338	$ 2,184,076
Less: Allowance for doubtful accounts	(879,817)	(887,347)
Tuition and Fees - Net	1,602,521	1,296,729
Federal grants and contracts	846,308	781,663
State grants and contracts	281,670	624,755
Local grants and contracts	(2,034)	2,678
State apportionment - noncapital	4,394,724	3,755,449
State taxes and other revenues	591,931	512,379
State apportionment and grants - capital	2,568,152	861,292
Interest receivable	26,100	78,803
Auxiliary	245,136	492,037
Other	310,382	201,259
Total	$ 10,864,890	$ 8,607,044

4. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2011 and 2010, is summarized as follows:

	Balance June 30, 2010	Additions	Deductions	Transfers	Balance June 30, 2011
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 1,807,500	$ -	$ -	$ -	$ 1,807,500
Construction in progress	4,892,358	9,825,807	-	(32,867)	14,685,298
Total Nondepreciable Capital Assets	$ 6,699,858	$ 9,825,807	$ -	$ (32,867)	$ 16,492,798
DEPRECIABLE CAPITAL ASSETS					
Site improvements	$ 7,053,223	$ -	$ -	$ -	$ 7,053,223
Buildings and improvements	60,025,176	-	-	32,867	60,058,043
Equipment	3,839,679	269,722	-	-	4,109,401
Vehicles	1,103,203	50,432	-	-	1,153,635
Library books and film	418,795	10,395	-	-	429,190
Total Depreciable Capital Assets	72,440,076	330,549	-	32,867	72,803,492
Less: Accumulated depreciation	(26,934,997)	(1,716,480)	-	-	(28,651,477)
Total Capital Assets - Net	$ 45,505,079	$ (1,385,931)	$ -	$ 32,867	$ 44,152,015

	Balance June 30, 2009	Additions	Deductions	Transfers	Balance June 30, 2010
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 1,807,500	$ -	$ -	$ -	$ 1,807,500
Construction in progress	4,365,768	2,372,457	-	(1,845,867)	4,892,358
Total Nondepreciable Capital Assets	$ 6,173,268	$ 2,372,457	$ -	$ (1,845,867)	$ 6,699,858
DEPRECIABLE CAPITAL ASSETS					
Site improvements	$ 5,207,356	$ -	$ -	$ 1,845,867	$ 7,053,223
Buildings and improvements	60,025,176	-	-	-	60,025,176
Equipment	3,960,634	301,946	(422,901)	-	3,839,679
Vehicles	1,061,615	109,428	(67,840)	-	1,103,203
Library books and film	404,095	14,700	-	-	418,795
Total Depreciable Capital Assets	70,658,876	426,074	(490,741)	1,845,867	72,440,076
Less: Accumulated depreciation	(25,887,067)	(1,538,671)	490,741	-	(26,934,997)
Total Capital Assets - Net	$ 44,771,809	$ (1,112,597)	$ -	$ 1,845,867	$ 45,505,079

5. ACCOUNTS PAYABLE

Accounts payable at June 30, 2011 and 2010, consist of the following:

	2011	2010
Amounts payable to vendors	$ 446,241	$ 859,206
Amounts payable to contractors	1,321,479	522,999
Total	$ 1,767,720	$ 1,382,205

6. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011 and 2010, consist of the following

	2011	2010
Accrued payroll and related liabilities	$ 525,580	$ 412,854
Accrued interest	566,083	586,083
Other	101,473	89,969
Total	$ 1,193,136	$ 1,088,906

7. DEFERRED REVENUE

Deferred revenue at June 30, 2011 and 2010, consist of the following:

	2011	2010
Tuition and fees	$ 1,253,099	$ 1,173,802
Federal grants and contracts	201,248	96,895
State grants and contracts	365,368	474,648
Local grants and contracts	291,920	102,951
State apportionment and grants - capital	175,741	321,743
Other	119,265	45,183
Total	$ 2,406,641	$ 2,215,222

8. SHORT-TERM DEBT

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

There was no short-term debt activity for the year ended June 30, 2011. Short-term debt activity for the year ended June 30, 2010, was as follows:

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

9. NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities for the years ended June 30, 2011 and 2010:

	Balance June 30, 2010	Accretion/ Additions	Reductions	Balance June 30, 2011
LONG-TERM DEBT				
General obligation bonds	$ 31,532,402	$ -	$ (706,101)	$ 30,826,301
Refunding lease obligation	559,400	-	(75,000)	484,400
Total Long-Term Debt	$ 32,091,802	$ -	$ (781,101)	$ 31,310,701
OTHER LONG-TERM LIABILITIES				
Compensated absences	$ 682,742	$ 656,808	$ (654,043)	$ 685,507
Total Other Long-Term Liabilities	$ 682,742	$ 656,808	$ (654,043)	$ 685,507

	Balance June 30, 2009	Accretion/ Additions	Reductions	Balance June 30, 2010
LONG-TERM DEBT				
General obligation bonds	$ 32,213,503	$ -	$ (681,101)	$ 31,532,402
Refunding lease obligation	625,800	-	(66,400)	559,400
Total Long-Term Debt	$ 32,839,303	$ -	$ (747,501)	$ 32,091,802
OTHER LONG-TERM LIABILITIES				
Compensated absences	$ 687,436	$ 676,581	$ (681,275)	$ 682,742
Other postemployment benefit obligation	38,020	759,785	(791,496)	6,309
Total Other Long-Term Liabilities	$ 725,456	$ 1,436,366	$ (1,472,771)	$ 689,051

Long-term debt consists of the following individual debt issues at June 30, 2011 and 2010.

	2011	2010
GENERAL OBLIGATION BONDS		
2004 General Obligation Bonds, Series 2005, issued in the original amount of $18,000,000. Final maturity August 1, 2029. Interest rates range from 3.375% to 8.000%.	$ 15,715,000	$ 16,245,000
Unamortized issuance premium on 2004 General Obligation Bonds, Series 2005	328,324	351,917
Total 2004 General Obligation Bonds, Series 2005	16,043,324	16,596,917
2004 General Obligation Bonds, Series 2007, issued in the original amount of $15,000,000. Final maturity August 1, 2031. Interest rates range from 4.000 to 6.000%.	14,510,000	14,650,000
Unamortized issuance premium on 2004 General Obligation Bonds, Series 2007	272,977	285,485
Total 2004 General Obligation Bonds, Series 2007	14,782,977	14,935,485
Total General Obligation Bonds	30,826,301	31,532,402
REFUNDING LEASE OBLIGATION		
1998 Refunding Lease issued in the original amount of $1,592,100. Final maturity in November 2016. Interest rate 5.300%	484,400	559,400
Total Long-Term Debt	31,310,701	32,091,802
Less: Current portion	(783,200)	(745,000)
Total Long-Term Debt - Noncurrent Portion	$ 30,527,501	$ 31,346,802

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

Year Ending June 30	Principal	Interest	Bonds Total	Bond Premium	Total
2012	$ 705,000	$ 1,333,399	$ 2,038,399	$ 36,374	$ 2,074,773
2013	740,000	1,293,399	2,033,399	36,735	2,070,134
2014	780,000	1,264,905	2,044,905	37,180	2,082,085
2015	1,160,000	1,229,611	2,389,611	37,813	2,427,424
2016	1,210,000	1,185,141	2,395,141	38,735	2,433,876
2017-2021	6,790,000	5,156,282	11,946,282	206,507	12,152,789
2022-2026	8,395,000	3,509,284	11,904,284	175,284	12,079,568
2027-2031	9,310,000	1,327,888	10,637,888	32,487	10,670,375
2032	1,135,000	28,381	1,163,381	186	1,163,567
Total	$ 30,225,000	$ 16,328,290	$ 46,553,290	$ 601,301	47,154,591
Less: Current interest					(16,328,290)
Net Principal					$ 30,826,301

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

Year Ending June 30	Principal	Interest	Total
2012	$ 78,200	$ 23,601	$ 101,801
2013	81,100	19,379	100,479
2014	83,900	15,007	98,907
2015	91,400	10,362	101,762
2016	93,600	5,459	99,059
2017	56,200	1,489	57,689
Total	$ 484,400	$ 75,297	$ 559,697

Other Postemployment Benefits (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* during the year ended June 30, 2009. The District's actuarially determined annual required contributions and other additions for the years ended June 30, 2011 and 2010 were $824,359 and $759,785, respectively, and contributions made by the District during the year were $856,746 and $791,496, respectively, which resulted in a net OPEB prepaid of $26,078 and obligation of $6,309, respectively. See note 13 for additional information regarding the OPEB prepaid and the postemployment benefit plan.

10. EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

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

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

Funding Policy

Active plan members are required to contribute 8.0% of their gross salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal years ended June 30, 2011 and 2010, was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statutes.

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 4.517% of covered members' gross salaries of the second preceding fiscal year. The contribution for the years ending June 30, 2011, 2010, and 2009 are estimated to have been $527,552, $517,717, and $526,752, respectively. The District's contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were $984,331, $1,019,308, and $963,999, and equaled 100% of the required contribution for each year.

California Public Employees' Retirement System (CalPERS)

Plan Description

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

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

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

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over $133.33 if the member participates in Social Security) and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal years ended June 30, 2011 and 2010, was 10.706% and 9.709%, respectively, of annual payroll. The contribution requirements of the plan members are established by State statutes. The District's contributions to CalSTRS for the fiscal years ended June 30, 2011, 2010, and 2009, were $902,347, $797,156, and $721,853, and equaled 100% of the required contribution for each year.

A State of California contribution on behalf of the District to CalPERS was not required for the years ended June 30, 2011, 2010, and 2009.

11. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

12. JOINT POWERS AUTHORITIES

The District participates in property, liability, and workers' compensation insurance programs organized through the Northern California Community Colleges Self Insurance Authority (NCCCSIA), the Statewide Association of Community Colleges (SWACC), and the Protected Insurance Program for Schools (PIPS). These 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 District member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. For the last three years, settled claims have not exceeded insurance coverage, nor has there been any reduction in insurance coverage.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

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

Plan Description

The Redwoods Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance coverage to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired before January 1, 2008, classified retirees hired before July 1, 2006, and administrative, managerial, and confidential employees hired before September 1, 2006. Group medical coverage is also provided for board members meeting certain eligibility requirements. Membership of the Plan consists of 62 retirees currently receiving benefits and 179 eligible active plan members.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the years ended June 30, 2011 and 2010, the District contributed $856,746 and $791,496, respectively, to the Plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

	2011	2010
Annual required contribution	$ 823,596	$ 757,884
Interest on net OPEB obligation	315	1,901
Adjustment to ARC	448	-
Annual OPEB Cost	824,359	759,785
Contributions	(856,746)	(791,496)
Change in Net OPEB Obligation	(32,387)	(31,711)
Net OPEB Obligation - Beginning of Year	6,309	38,020
Net OPEB Obligation (Prepaid) - End of Year	$ (26,078)	$ 6,309

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2011, 2010, and 2009 is as follows:

Year Ending	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation (Prepaid)
June 30, 2009	$ 757,884	$ 719,864	94.98%	$ 38,020
June 30, 2010	$ 757,884	$ 791,496	104.43%	$ 6,309
June 30, 2011	$ 823,596	$ 856,746	104.03%	$ (26,078)

Funded Status and Funding Progress

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

	September 1, 2011
Actuarial accrued liability (AAL)	$ 6,965,101
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability	$ 6,965,101
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active members)	$ 13,431,327
UAAL as a Percentage of Covered Payroll	46.00%

As of June 30, 2011 and 2010, the District had not set aside any amounts in an external trust fund.

Actuarial Methods and Assumptions

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

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

In the September 1, 2011, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5.0% discount rate, a 3.0% price inflation, a 3.0% wage inflation, and an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level% of payroll over a 25-year period.

14. COMMITMENTS AND CONTINGENCIES

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

The District periodically enters into construction commitments which are funded through State grants and/or Measure Q Bond funding. At June 30, 2011 and 2010, the District had unfinished contracts in the amount of $8,218,265 and $14,223,983, 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, 2011, the District's affected assets have a net book value of $2,259,895 and have been reported without adjustment.

The District is accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (ACCJC). The District has remained sanction-free since January 2010. In January 2010, the ACCJC removed the District from warning status, then the District submitted a follow-up report addressing a new recommendation on Standard IV (Leadership and Governance). In January 2011, the ACCJC replaced the Standard IV recommendation with a new recommendation regarding the improvement of institutional effectiveness. The District's resolution of the current recommendation will be evaluated during the upcoming comprehensive review.

15. INVESTMENTS – FOUNDATION

Investments at June 30, 2011 and 2010, consist of the following:

	2011	2010
Certificates of deposits	$ 75,050	$ 75,050
Shares of registered investment companies	2,107,621	1,656,994
Total Investments	$ 2,182,671	$ 1,732,044

A summary of return on investments consists of the following for the years ended June 30, 2011 and 2010, respectively:

	2011	2010
Interest and dividends	$ 70,098	$ 94,999
Investment Income (Loss)	70,098	94,999
Net unrealized gains (losses)	411,134	147,902
Total Investment Return (Loss)	$ 481,232	$ 242,901

16. CONCENTRATION OF CREDIT RISK – FOUNDATION

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

17. CONCENTRATION BENEFICIAL INTEREST IN CHARITABLE REMAINDER ANNUITY TRUST – FOUNDATION

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

The Foundation has elected the fair value option in conformity with FASB ASC 825-10 to report its interest in the charitable remainder trust. A noncurrent asset for the charitable remainder trusts has been recognized at the present value of the expected future cash flow discounted at a rate of 2.8% and 3.2% at June 30, 2011 and 2010, respectively. Changes in the value of the trust have been reported in the statement of activities as decreases in temporarily restricted net assets.

18. RESTRICTIONS ON NET ASSETS – FOUNDATION

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

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

19. SPECIAL EVENTS – FOUNDATION

The following is a summary of special events:

Year Ended June 30, 2011	Sports Auction	Other	Total
Gross revenue	$ 64,728	$ 6,290	$ 71,018
Expenses	(13,851)	-	(13,851)
Net Special Event	$ 50,877	$ 6,290	$ 57,167

Year Ended June 30, 2010	Sports Auction	Other	Total
Gross revenue	$ 68,799	$ 14,237	$ 83,036
Expenses	(17,113)	-	(17,113)
Net Special Event	$ 51,686	$ 14,237	$ 65,923

20. ENDOWMENTS – FOUNDATION

Endowment net asset composition by type of fund as of June 30, 2011 and 2010, is as follows:

June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Challenge Grant Funds	$ -	$ 375,042	$ 750,000	$ 1,125,042
Perpetual Funds	(10,957)	114,202	1,065,716	1,168,961
CalTrans Grant Fund	-	30,953	1,500,000	1,530,953
Grundell Endowment (CRT)	-	-	228,485	228,485
Other funds	(4,873)	78,554	227,596	301,277
Total Donor-Restricted Endowment Funds	$ (15,830)	$ 598,751	$ 3,771,797	$ 4,354,718
Endowment net assets - beginning of year	$ (85,834)	$ 251,603	$ 3,700,980	$ 3,866,749
Contributions	-	-	42,020	42,020
Investment income	-	44,551	-	44,551
Change in value CRT	-	-	28,797	28,797
Unrealized gain on investments	-	411,134	-	411,134
Amounts appropriated for expenditures	-	(38,533)	-	(38,533)
Reclassification	70,004	(70,004)	-	-
Endowment net Assets - End of Year	$ (15,830)	$ 598,751	$ 3,771,797	$ 4,354,718

June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Challenge Grant Funds	$ -	$ 177,877	$ 750,000	$ 927,877
Perpetual Funds	(77,254)	13,778	1,024,046	960,570
CalTrans Grant Fund	-	29,482	1,500,000	1,529,482
Grundell Endowment (CRT)	-	-	199,688	199,688
Other funds	(8,580)	30,466	227,246	249,132
Total Donor-Restricted Endowment Funds	$ (85,834)	$ 251,603	$ 3,700,980	$ 3,866,749
Endowment net assets - beginning of year	$ (130,245)	$ 131,244	$ 3,693,683	$ 3,694,682
Contributions	-	-	7,883	7,883
Investment income	-	79,672	-	79,672
Change in value CRT	-	-	(586)	(586)
Unrealized gain on investments	-	147,902	-	147,902
Amounts appropriated for expenditures	-	(62,804)	-	(62,804)
Reclassification	44,411	(44,411)	-	-
Endowment net Assets - End of Year	$ (85,834)	$ 251,603	$ 3,700,980	$ 3,866,749

From time to time, the fair value of assets associated with individual donor designated endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $70,004 and $85,834 at June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the Board of Directors.

21. FAIR VALUE MEASUREMENTS – FOUNDATION

Fair values of assets measured on a recurring basis at June 30, 2011, are as follows:

June 30, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposits	$ 75,050	$ 75,050	$ -	$ -
Shares of registered investment companies	2,107,621	2,107,621	-	-
Beneficial interest in CRAT	228,485	-	-	228,485
Total	$ 2,411,156	$ 2,182,671	$ -	$ 228,485

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

Beginning of year - July 1, 2010	$ 199,688
Change in present value	28,797
End of Year - June 30, 2011	$ 228,485

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

June 30, 2011	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposits	$ 75,050	$ 75,050	$ -	$ -
Shares of registered investment companies	1,656,994	1,656,994	-	-
Beneficial interest in CRAT	199,688	-	-	199,688
Total	$ 1,931,732	$ 1,732,044	$ -	$ 199,688

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

Beginning of year - July 1, 2009	$ 200,274
Change in present value	(586)
End of Year - June 30, 2010	$ 199,688

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

22. TRANSACTIONS WITH DISTRICT – FOUNDATION

The Foundation contracts with the District to provide employees for the food services operations. The amounts paid for these services were $260,963 and $241,999 for the years ended June 30, 2011 and 2010, respectively.

SUPPLEMENTARY INFORMATION

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

GOVERNING BOARD

Name	Office	Term Expires
Bruce Emad	President	December 2011
Dr. Colleen Mullery	Vice President	December 2011
Tom Ross	Clerk	December 2013
Rick Bennett	Member	December 2014
Sally Biggin	Member	December 2011
Tracy Coppini	Member	December 2013
Richard Dorn	Member	December 2011
George Truett	Member	December 2013
Barbara Rice	Member	December 2013
Rebecca Ashbach	Student Member (Non-Voting)	May 2012

DISTRICT ADMINISTRATION

Dr. Utpal K. Goswami
Interim Superintendent/President

Dr. Utpal K. Goswami
Vice President, Instruction

Dr. Keith Snow-Flamer
Vice President, Student Development

Mr. Lee Lindsey
Vice President, Administrative Services

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
June 30, 2011

The full-time equivalent resident students (FTES) eligible for 2010-11 State apportionment reported to the State of California as of June 30, 2011, are summarized below:

	Reported Data
SUMMER INTERSESSION (Summer 2010 only)	
Noncredit	-
Credit	203
SUMMER INTERSESSION (Summer 2011 - Prior to July 1, 2011)	
Noncredit	-
Credit	168
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	4,080
Daily Census Contact Hours	190
Actual Hours of Attendance Procedure Courses	
Noncredit	2
Credit	257
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	315
Daily Census Contact Hours	5
Noncredit Independent Study/Distance Education Courses	-
Total FTES	5,220

SUPPLEMENTARY INFORMATION (Subset of above information)	
In-Service Training Courses (FTES)	20
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	2
Credit	521

See the accompanying notes to the supplementary information.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
FEDERAL DIRECT AWARDS			
U.S. DEPARTMENT OF EDUCATION			
Financial Aid Cluster			
Federal Supplemental Education Opportunity Grants		84.007	$ 194,040
Federal Direct Student Loans		84.268	3,890,307
Federal Work-Study Program		84.033	183,345
Federal Pell Grant Program		84.063	11,225,214
Academic Competitiveness Grants		84.375	43,866
Total Financial Aid Cluster			15,536,772
TRIO Cluster			
Student Support Services		84.042	296,085
Upward Bound		84.047	425,972
Total TRIO Cluster			722,057
Passed Through Chancellor's Office			
Vocational Education - Tech Prep Education		84.243	69,708
Passed Through State Department of Education			
Vocational Education - Basic Grants to States		84.048	245,606
High Education Institutional Aid		84.031	56,633
Child Care Access Means Parents in School		84.116	40,864
Total Direct U.S. Department of Education			16,671,640
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Humboldt County Office of Education			
Child Nutrition Program		10.558	37,995
Forest Reserve		10.665	159,393
Total U.S. Department of Agriculture			197,388
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Chancellor's Office			
Temporary Assistance for Needy Families		93.558	13,331
Passed Through California Department of Education			
Child Care and Development Block Grant		93.575	13,089
Passed Through Foundation for California Community Colleges			
TANF - Child Development Careers		93.558	55,892
Total U.S. Department of Health and Human Services			82,312
U.S. DEPARTMENT OF INTERIOR			
Passed Through Various Tribes			
Bureau of Indian Affairs		15.124	99,288
Total U.S. Department of Interior			$ 99,288

See the accompanying notes to the supplementary information.

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed Through County of Mendocino			
Workforce Investment Act - Adult Program		17.258	$ 25,115
Passed Through State of California EDD			
Workforce Investment Act - Adult Program		17.258	236,806
Passed Through Rural Human Services			
Workforce Investment Act - Adult Program		17.258	898
Workforce Investment Act - Adult Program		17.258	150,822
Passed Through County of Humboldt			
Community Based Job Training Grants		17.269	806,343
Passed Through North Coast Veterans Resource Center			
Veterans' Employment-Related Assistance Program		17.258	29,042
Total U.S. Department of Labor			1,249,026
NATIONAL SCIENCE FOUNDATION			
Passed Through Humboldt County Office of Education			
Education and Human Resources		47.076	35,060
Total National Science Foundation			35,060
U.S. DEPARTMENT OF VETERAN'S AFFAIRS			
Veteran's Education		64.117	5,689
Total U.S. Department of Veteran's Affairs			5,689
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps		94.006	235,816
Total Corporation for National and Community Service			235,816
Total Expenditures of Federal Awards			$ 18,576,219

See the accompanying notes to the supplementary information.

	Cash Received	Accounts Receivable	Deferred Revenue	Program Revenues Total
State Preschool	$ 194,359	$ -	$ -	$ 194,359
CDE - Infant Toddler	164,991	2,684	-	167,675
Extended opportunity programs and services	674,026	-	-	674,026
Disabled students programs and services	609,475	19	49,335	658,829
Cooperative agency resource education	107,479	-	-	107,479
CalWORKs	168,115	-	(2,049)	166,066
Board Financial Assistance	259,198	(52,034)	85,722	292,886
Scheduled maintenace	146,002	-	-	146,002
Matriculation	164,210	4,276	-	168,486
Foster Parent	143,608	85,402	-	229,010
CalSOAP	279,559	114,962	-	394,521
Economic Development	118,930	53,566	13,927	186,423
CalGrant	539,390	-	(24,611)	514,779
Other categorical aid programs	77,485	(10,433)	47,398	114,450
Total State Programs	$ 3,646,827	$ 198,442	$ 169,722	$ 4,014,991

See the accompanying notes to the supplementary information.

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

June 30, 2011 and 2010

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
June 30, 2011, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	$ 2,495,779	$ 1,845,352	$ -	$ (5,657)	$ 4,335,474
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	(187,871)	-	-	-	(187,871)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	-	-	6	6
Net Adjustments and Reclassifications	(187,871)	-	-	6	(187,865)
June 30, 2011, District Accounting Records Fund Balance	$ 2,307,908	$ 1,845,352	$ -	$ (5,651)	$ 4,147,609

	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
June 30, 2011, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	$ 4,335,474	$ 28,191	$ 471,338	$ (219,326)	$ 4,615,677
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	(187,871)	-	-	238,700	50,829
Reclassification of amounts held for others	-	-	-	-	-
Rounding	6	1	-	2	9
Net Adjustments and Reclassifications	(187,865)	1	-	238,702	50,838
June 30, 2011, District Accounting Records Fund Balance	$ 4,147,609	$ 28,192	$ 471,338	$ 19,376	$ 4,666,515

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Employee Benefit Fund	Balance Forward
June 30, 2011, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	$ 4,615,677	$ 981,579	$ 13,386,665	$ 3,649,684	$ 22,633,605
Adjustment and reclassifications increasing (decreasing the fund balance:					
District posted adjustments	50,829	-	-	-	50,829
Reclassification of amounts held for others	-	-	-	-	-
Rounding	9	1	-	(1)	9
Net Adjustments and Reclassifications	50,838	1	-	(1)	50,838
June 30, 2011, District Accounting Records Fund Balance	$ 4,666,515	$ 981,580	$ 13,386,665	$ 3,649,683	$ 22,684,443

	Balance Brought Forward	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
June 30, 2011, Annual Financial and Budget Report (Form CCFS-311) Fund Balance	$ 22,633,605	$ 94,041	$ 5	$ 22,727,651
Adjustment and reclassifications increasing (decreasing the fund balance:				
District posted adjustments	50,829	-	-	50,829
Reclassification of amounts held for others	-	(94,041)	-	(94,041)
Rounding	9	-	-	9
Net Adjustments and Reclassifications	50,838	(94,041)	-	(43,203)
June 30, 2011, District Accounting Records Fund Balance	$ 22,684,443	$ -	$ 5	$ 22,684,448

See the accompanying notes to the supplementary information.

June 30, 2011	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Restricted cash and cash equivalents	-	1,737,884	-	13,115	1,750,999
Accounts receivable - net	7,751,361	107,468	-	11,602	7,870,431
Inventories	37,640	-	-	-	37,640
Prepaid expenses	68,338	-	-	-	68,338
Due from other funds	-	-	-	-	-
Due from Foundation	402,397	-	-	-	402,397
Total Current Assets	8,259,736	1,845,352	-	24,717	10,129,805
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets - net	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-
Total Assets	$ 8,259,736	$ 1,845,352	$ -	$ 24,717	$ 10,129,805
LIABILITIES					
Deficit cash balance	$ 2,888,602	$ -	$ -	$ 11,335	$ 2,899,937
Accounts payable	388,408	-	-	16,098	404,506
Accrued liabilities	575,398	-	-	2,935	578,333
Deferred revenue	2,099,420	-	-	-	2,099,420
Due from other funds	-	-	-	-	-
Amounts held for others	-	-	-	-	-
Total Liabilities	5,951,828	-	-	30,368	5,982,196
FUND EQUITY					
Retained earnings (deficit)	-	-	-	-	-
Fund balances:					
Reserved for debt service	-	1,845,352	-	-	1,845,352
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	-	-	-	(5,651)	(5,651)
Unreserved:					
Undesignated	2,307,908	-	-	-	2,307,908
Total Fund Equity	2,307,908	1,845,352	-	(5,651)	4,147,609
Total Liabilities and Fund Equity	$ 8,259,736	$ 1,845,352	$ -	$ 24,717	$ 10,129,805

See the accompanying notes to the supplementary information.

June 30, 2011	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ -	$ 36,072	-	$ 101,753	$ 137,825
Restricted cash and cash equivalents	1,750,999	-	-	-	1,750,999
Accounts receivable - net	7,870,431	-	236,527	9,027	8,115,985
Inventories	37,640	-	612,143	238,700	888,483
Prepaid expenses	68,338	-	-	-	68,338
Due from other funds	-	-	-	-	-
Due from Foundation	402,397	-	52,764	6,661	461,822
Total Current Assets	10,129,805	36,072	901,434	356,141	11,423,452
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	-	-
Capital assets - net	-	-	1,156	-	1,156
Total Noncurrent Assets	-	-	1,156	-	1,156
Total Assets	$ 10,129,805	$ 36,072	$ 902,590	$ 356,141	$ 11,424,608
LIABILITIES					
Deficit cash balance	$ 2,899,937	$ -	$ 409,143	$ 234,352	$ 3,543,432
Accounts payable	404,506	1,722	6,547	18,199	430,974
Accrued liabilities	578,333	-	15,562	30,568	624,463
Deferred revenue	2,099,420	6,158	-	53,646	2,159,224
Due from other funds	-	-	-	-	-
Amounts held for others	-	-	-	-	-
Total Liabilities	5,982,196	7,880	431,252	336,765	6,758,093
FUND EQUITY					
Retained earnings (deficit)	-	28,192	471,338	-	499,530
Fund balances:					
Reserved for debt service	1,845,352	-	-	-	1,845,352
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	(5,651)	-	-	-	(5,651)
Unreserved:					
Undesignated	2,307,908	-	-	19,376	2,327,284
Total Fund Equity	4,147,609	28,192	471,338	19,376	4,666,515
Total Liabilities and Fund Equity	$ 10,129,805	$ 36,072	$ 902,590	$ 356,141	$ 11,424,608

See the accompanying notes to the supplementary information.

June 30, 2011	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Balance Forward
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 137,825	$ 965,031	$ -	$ -	$ 1,102,856
Restricted cash and cash equivalents	1,750,999	-	-	-	1,750,999
Accounts receivable - net	8,115,985	32,978	2,639,753	-	10,788,716
Inventories	888,483	-	-	-	888,483
Prepaid expenses	68,338	-	-	-	68,338
Due from other funds	-	-	-	-	-
Due from Foundation	461,822	-	-	-	461,822
Total Current Assets	11,423,452	998,009	2,639,753	-	15,061,214
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	13,338,059	13,338,059
Capital assets - net	1,156	-	-	-	1,156
Total Noncurrent Assets	1,156	-	-	13,338,059	13,339,215
Total Assets	$ 11,424,608	$ 998,009	$ 2,639,753	$ 13,338,059	$ 28,400,429
LIABILITIES					
Deficit cash balance	$ 3,543,432	$ -	$ 1,093,927	$ -	$ 4,637,359
Accounts payable	430,974	2,460	1,087,002	234,477	1,754,913
Accrued liabilities	624,463	1,754	-	-	626,217
Deferred revenue	2,159,224	12,215	175,741	-	2,347,180
Due from other funds	-	-	-	-	-
Amounts held for others	-	-	-	-	-
Total Liabilities	6,758,093	16,429	2,356,670	234,477	9,365,669
FUND EQUITY					
Retained earnings (deficit)	499,530	-	-	-	499,530
Fund balances:					
Reserved for debt service	1,845,352	-	-	-	1,845,352
Reserved for capital projects		-	283,083	13,103,582	13,386,665
Reserved for special purposes	(5,651)	-	-	-	(5,651)
Unreserved:					
Undesignated	2,327,284	981,580	-	-	3,308,864
Total Fund Equity	4,666,515	981,580	283,083	13,103,582	19,034,760
Total Liabilities and Fund Equity	$ 11,424,608	$ 998,009	$ 2,639,753	$ 13,338,059	$ 28,400,429

See the accompanying notes to the supplementary information.

June 30, 2011	Balance Brought Forward	Employee Benefit Fund	Associated Students Fund	Student Financial Aid Trust Fund	Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 1,102,856	$ 3,649,683	$ -	$ -	$ 4,752,539
Restricted cash and cash equivalents	1,750,999	-	130,253	-	1,881,252
Accounts receivable - net	10,788,716	-	2	76,172	10,864,890
Inventories	888,483	-	-	-	888,483
Prepaid expenses	68,338	-	-	-	68,338
Due from other funds	-	-	-	-	-
Due from Foundation	461,822	-	-	-	461,822
Total Current Assets	15,061,214	3,649,683	130,255	76,172	18,917,324
NONCURRENT ASSETS					
Restricted cash and cash equivalents	13,338,059	-	-	-	13,338,059
Capital assets - net	1,156	-	-	-	1,156
Total Noncurrent Assets	13,339,215	-	-	-	13,339,215
Total Assets	$ 28,400,429	$ 3,649,683	$ 130,255	$ 76,172	$ 32,256,539
LIABILITIES					
Deficit cash balance	$ 4,637,359	$ -	$ -	$ 39,278	$ 4,676,637
Accounts payable	1,754,913	-	529	12,278	1,767,720
Accrued liabilities	626,217	-	836	-	627,053
Deferred revenue	2,347,180	-	34,850	24,611	2,406,641
Due from other funds	-	-	-	-	-
Amounts held for others	-	-	94,040	-	94,040
Total Liabilities	9,365,669	-	130,255	76,167	9,572,091
FUND EQUITY					
Retained earnings (deficit)	499,530	-	-	-	499,530
Fund balances:					
Reserved for debt service	1,845,352	-	-	-	1,845,352
Reserved for capital projects	13,386,665	-	-	-	13,386,665
Reserved for special purposes	(5,651)	3,649,683	-	5	3,644,037
Unreserved:					
Undesignated	3,308,864	-	-	-	3,308,864
Total Fund Equity	19,034,760	3,649,683	-	5	22,684,448
Total Liabilities and Fund Equity	$ 28,400,429	$ 3,649,683	$ 130,255	$ 76,172	$ 32,256,539

See the accompanying notes to the supplementary information.

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

June 30, 2011	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	$ 4,662,923	$ -	$ -	$ 64,081	$ 4,727,004
Less: Scholarship discount and allowance	(2,160,557)	-	-	-	(2,160,557)
Net Tuition and Fees	2,502,366	-	-	64,081	2,566,447
Grants and contracts - noncapital:					
Federal	2,668,761	-	-	148,838	2,817,599
State	2,995,085	-	-	345,125	3,340,210
Local	665,617	-	-	2,702	668,319
Auxiliary enterprise sales and charges	179,716	-	-	-	179,716
Total Operating Revenues	9,011,545	-	-	560,746	9,572,291
OPERATING EXPENDITURES/EXPENSES					
Salaries	23,188,196	-	-	378,812	23,567,008
Employee benefits	7,611,452	-	-	227,092	7,838,544
Payments to students	491,738	-	-	-	491,738
Supplies, materials, and other services	4,072,908	1,375	-	36,386	4,110,669
Capital outlay	583,321	-	-	14,109	597,430
Utilities	695,039	-	-	-	695,039
Depreciation	-	-	-	-	-
Total Operating Expenditures/Expenses	36,642,654	1,375	-	656,399	37,300,428
Operating Income (Loss)	(27,631,109)	(1,375)	-	(95,653)	(27,728,137)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	18,789,234	-	-	-	18,789,234
Local property taxes - noncapital	8,077,710	-	-	-	8,077,710
State taxes and other revenues	1,212,922	-	-	-	1,212,922
Investment income	29,913	7,495	-	-	37,408
Debt service - principal	-	(670,000)	(75,000)	-	(745,000)
Debt service - interest	-	(1,382,599)	(27,661)	-	(1,410,260)
Other nonoperating expenditures/expenses	174,438	-	-	-	174,438
Total Nonoperating Revenues (Expenditures)	28,284,217	(2,045,104)	(102,661)	-	26,136,452
Income (Loss) Before Other Revenues and Expenditures/Expenses	653,108	(2,046,479)	(102,661)	(95,653)	(1,591,685)
OTHER REVENUES AND EXPENDITURES					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	-	2,215,063	-	-	2,215,063
Excess of Revenues Over (Under) Expenditures/Expenses	653,108	168,584	(102,661)	(95,653)	623,378
OTHER FINANCING SOURCES (USES)					
Operating transfers in	7,200	-	102,661	137,848	247,709
Operating transfers out	(352,596)	-	-	-	(352,596)
Total Other Financing Sources (Uses)	(345,396)	-	102,661	137,848	(104,887)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	307,712	168,584	-	42,195	518,491
Fund Equity - Beginning of Year	2,000,196	1,676,768	-	(47,846)	3,629,118
Fund Equity - End of Year	$ 2,307,908	$ 1,845,352	$ -	$ (5,651)	$ 4,147,609

See the accompanying notes to the supplementary information.

June 30, 2011	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	$ 4,727,004	$ -	$ -	$ 293,911	$ 5,020,915
Less: Scholarship discount and allowance	(2,160,557)	-	-	-	(2,160,557)
Net Tuition and Fees	2,566,447	-	-	293,911	2,860,358
Grants and contracts - noncapital:					
Federal	2,817,599	-	-	-	2,817,599
State	3,340,210	-	-	-	3,340,210
Local	668,319	-	-	95,245	763,564
Auxiliary enterprise sales and charges	179,716	13,688	1,705,379	2,175	1,900,958
Total Operating Revenues	9,572,291	13,688	1,705,379	391,331	11,682,689
OPERATING EXPENDITURES/EXPENSES					
Salaries	23,567,008	24,071	181,242	171,848	23,944,169
Employee benefits	7,838,544	7,112	63,387	38,070	7,947,113
Payments to students	491,738	-	-	100	491,838
Supplies, materials, and other services	4,110,669	26,644	1,340,049	166,138	5,643,500
Capital outlay	597,430	-	745	5,226	603,401
Utilities	695,039	8,463	134,835	100	838,437
Depreciation	-	-	2,313	-	2,313
Total Operating Expenditures/Expenses	37,300,428	66,290	1,722,571	381,482	39,470,771
Operating Income (Loss)	(27,728,137)	(52,602)	(17,192)	9,849	(27,788,082)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	18,789,234	-	-	-	18,789,234
Local property taxes - noncapital	8,077,710	-	-	-	8,077,710
State taxes and other revenues	1,212,922	-	-	-	1,212,922
Investment income	37,408	446	-	144	37,998
Debt service - principal	(745,000)	-	-	-	(745,000)
Debt service - interest	(1,410,260)	-	-	-	(1,410,260)
Other nonoperating expenditures/expenses	174,438	-	439	91,773	266,650
Total Nonoperating Revenues (Expenditures)	26,136,452	446	439	91,917	26,229,254
Income (Loss) Before Other Revenues and Expenditures/Expenses	(1,591,685)	(52,156)	(16,753)	101,766	(1,558,828)
OTHER REVENUES AND EXPENDITURES					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	2,215,063	-	-	-	2,215,063
Excess of Revenues Over (Under) Expenditures/Expenses	623,378	(52,156)	(16,753)	101,766	656,235
OTHER FINANCING SOURCES (USES)					
Operating transfers in	247,709	37,087	-	-	284,796
Operating transfers out	(352,596)	-	-	(7,200)	(359,796)
Total Other Financing Sources (Uses)	(104,887)	37,087	-	(7,200)	(75,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	518,491	(15,069)	(16,753)	94,566	581,235
Fund Equity - Beginning of Year	3,629,118	43,261	488,091	(75,190)	4,085,280
Fund Equity - End of Year	$ 4,147,609	$ 28,192	$ 471,338	$ 19,376	$ 4,666,515

See the accompanying notes to the supplementary information.

June 30, 2011	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Trust Fund	Balance Forward
OPERATING REVENUES					
Tuition and fees	$ 5,020,915	$ 1,160,652	$ -	$ -	$ 6,181,567
Less: Scholarship discount and allowance	(2,160,557)	-	-	-	(2,160,557)
Net Tuition and Fees	2,860,358	1,160,652	-	-	4,021,010
Grants and contracts - noncapital:					
Federal	2,817,599	-	-	-	2,817,599
State	3,340,210	-	146,002	-	3,486,212
Local	763,564	-	2,000	-	765,564
Auxiliary enterprise sales and charges	1,900,958	260,000	-	-	2,160,958
Total Operating Revenues	11,682,689	1,420,652	148,002	-	13,251,343
OPERATING EXPENDITURES/EXPENSES					
Salaries	23,944,169	185,927	-	-	24,130,096
Employee benefits	7,947,113	70,711	-	-	8,017,824
Payments to students	491,838	-	-	-	491,838
Supplies, materials, and other services	5,643,500	592,948	99,128	172,696	6,508,272
Capital outlay	603,401	408,729	8,847,959	928,065	10,788,154
Utilities	838,437	151,499	-	-	989,936
Depreciation	2,313	-	-	-	2,313
Total Operating Expenditures/Expenses	39,470,771	1,409,814	8,947,087	1,100,761	50,928,433
Operating Income (Loss)	(27,788,082)	10,838	(8,799,085)	(1,100,761)	(37,677,090)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	18,789,234	-	-	-	18,789,234
Local property taxes - noncapital	8,077,710	-	10,642	-	8,088,352
State taxes and other revenues	1,212,922	-	-	-	1,212,922
Investment income	37,998	-	433	91,922	130,353
Debt service - principal	(745,000)	-		-	(745,000)
Debt service - interest	(1,410,260)	-	-	-	(1,410,260)
Other nonoperating expenditures/expenses	266,650	88,241	-	-	354,891
Total Nonoperating Revenues (Expenditures)	26,229,254	88,241	11,075	91,922	26,420,492
Income (Loss) Before Other Revenues and Expenditures/Expenses	(1,558,828)	99,079	(8,788,010)	(1,008,839)	(11,256,598)
OTHER REVENUES AND EXPENDITURES					
State apportionments - capital	-	-	8,725,047	-	8,725,047
Local property taxes - capital	2,215,063	-	-	-	2,215,063
Excess of Revenues Over (Under) Expenditures/Expenses	656,235	99,079	(62,963)	(1,008,839)	(316,488)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	284,796	25,000	-	-	309,796
Operating transfers out	(359,796)	-	-	-	(359,796)
Total Other Financing Sources (Uses)	(75,000)	25,000	-	-	(50,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	581,235	124,079	(62,963)	(1,008,839)	(366,488)
Fund Equity - Beginning of Year	4,085,280	857,501	346,046	14,112,421	19,401,248
Fund Equity - End of Year	$ 4,666,515	$ 981,580	$ 283,083	$ 13,103,582	$ 19,034,760

See the accompanying notes to the supplementary information.

June 30, 2011	Balance Brought Forward	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
OPERATING REVENUES					
Tuition and fees	$ 6,181,567	$ -	$ -	$ -	$ 6,181,567
Less: Scholarship discount and allowance	(2,160,557)	-	-	-	(2,160,557)
Net Tuition and Fees	4,021,010	-	-	-	4,021,010
Grants and contracts - noncapital:					
Federal	2,817,599	-	-	15,672,590	18,490,189
State	3,486,212	-	-	528,779	4,014,991
Local	765,564	-	-	-	765,564
Auxiliary enterprise sales and charges	2,160,958	-	-	-	2,160,958
Total Operating Revenues	13,251,343	-	-	16,201,369	29,452,712
OPERATING EXPENDITURES/EXPENSES					
Salaries	24,130,096	-	-	-	24,130,096
Employee benefits	8,017,824	939,562	-	-	8,957,386
Payments to students	491,838	-	-	16,199,274	16,691,112
Supplies, materials, and other services	6,508,272	-	-	2,095	6,510,367
Capital outlay	10,788,154	-	-	-	10,788,154
Utilities	989,936	-	-	-	989,936
Depreciation	2,313	-	-	-	2,313
Total Operating Expenditures/Expenses	50,928,433	939,562	-	16,201,369	68,069,364
Operating Income (Loss)	(37,677,090)	(939,562)	-	-	(38,616,652)
NONOPERATING REVENUES (EXPENDITURES)					
State apportionments - noncapital	18,789,234	-	-	-	18,789,234
Local property taxes - noncapital	8,088,352	-	-	-	8,088,352
State taxes and other revenues	1,212,922	-	-	-	1,212,922
Investment income	130,353	25,924	-	-	156,277
Debt service - principal	(745,000)	-	-	-	(745,000)
Debt service - interest	(1,410,260)	-	-	-	(1,410,260)
Other nonoperating expenditures/expenses	354,891	270,216	-	-	625,107
Total Nonoperating Revenues (Expenditures)	26,420,492	296,140	-	-	26,716,632
Income (Loss) Before Other Revenues and Expenditures/Expenses	(11,256,598)	(643,422)	-	-	(11,900,020)
OTHER REVENUES AND EXPENDITURES					
State apportionments - capital	8,725,047	-	-	-	8,725,047
Local property taxes - capital	2,215,063	-	-	-	2,215,063
Excess of Revenues Over (Under) Expenditures/Expenses	(316,488)	(643,422)	-	-	(959,910)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	309,796	50,000	-	-	359,796
Operating transfers out	(359,796)	-	-	-	(359,796)
Total Other Financing Sources (Uses)	(50,000)	50,000	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	(366,488)	(593,422)	-	-	(959,910)
Fund Equity - Beginning of Year	19,401,248	4,243,105	-	5	23,644,358
Fund Equity - End of Year	$ 19,034,760	$ 3,649,683	$ -	$ 5	$ 22,684,448

See the accompanying notes to the supplementary information.

Total Fund Equity - District Funds Included in the Reporting Entity		$ 22,684,448
Assets recorded within the statement of net assets not included in the District fund financial statements:		
Depreciable capitalized assets	$ 72,784,992	
Accumulated depreciation	(28,634,133)	
		44,150,859
Nondepreciable capital assets		16,492,798
Deferred costs - net		618,320
Other postemployment benefits obligation		26,078
Liabilities recorded within the statement of net assets not recorded in the District fund financial statements:		
Accrued interest		(566,083)
Long-term debt - current	(783,200)	
Long-term debt - noncurrent	(30,527,501)	
		(31,310,701)
Compensated absences		(685,507)
Net Assets Reported Within the Statement of Net Assets		$ 51,410,212

See the accompanying notes to the supplementary information.

Change in fund equity - District funds included in the reporting entity	$ (959,910)
Depreciation expense reported within the statements	(1,714,167)
Capital outlay expense not reported within the statements	10,156,356
Increase in compensated absences reported within the statements	(2,765)
Principal payments on debt not reported within the statements	745,000
Interest expense from change in accrued interest payable and amortization of bond premiums and bond issuance costs reported within statements	17,652
Increase in expense of other postemployment benefits reported within the statements	32,387
Change in Net Assets Reported Within the Statement of Revenues, Expenses, and Changes in Net Assets	$ 8,274,553

See the accompanying notes to the supplementary information.

1. PURPOSE OF SCHEDULES

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

The audit of the Redwoods Community College District (the District) for the year ended June 30, 2011, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 the schedule of expenditures of federal awards was prepared for the District.

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

Schedule of Workload Measures for State General Apportionment

The schedule of workload measures for State general apportionment annualized attendance as of June 30, 2011, represents the basis of apportionment of the District's annual source of funding.

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

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

2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying Combining Balance 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.

OTHER REPORTS SECTION

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

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

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Redwoods Community College District (the District) as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards prescribed by the California Department of Finance.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Matson and Isom

December 27, 2011

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

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

Compliance

We have audited the compliance of Redwoods Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. 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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

Internal Control Over Compliance

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

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

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

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

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December 27, 2011

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Redwoods Community College District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011.

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 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):

SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW
APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS
STATE GENERAL APPORTIONMENT REQUIRED DATA ELEMENTS
RESIDENCY DETERMINATION FOR CREDIT COURSES
STUDENTS ACTIVELY ENROLLED
CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE CREDIT COURSES
GANN LIMIT CALCULATION
ENROLLMENT FEE
CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS) - USE OF STATE AND FEDERAL TANF FUNDING
OPEN ENROLLMENT
STUDENT FEES - INSTRUCTIONAL MATERIALS FEES AND HEALTH FEES
ECONOMIC WORKFORCE DEVELOPMENT (EWD)
EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS)
DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)
COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)
PREFERENCE FOR VETERANS AND QUALIFIED SPOUSES FOR FEDERALLY FUNDED QUALIFIED TRAINING PROGRAMS
TO BE ARANGED HOURS (TBA)

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE REQUIREMENTS
Continued

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 findings 11-1 through 11-7 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, 2011.

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

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

Matson and Isom

December 27, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION

SECTION I
SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiency identified not considered to be a material weakness?	No
Type of auditors' report issued on compliance for major program	Unqualified
Audit findings disclosed relative to major federal award programs?	No
Identification of major programs	
CFDA Nos. 84.007, 84.268, 84.033, 84.063, 84.375	Student Financial Assistance Cluster
CFDA No. 17.269 and 17.258	Workforce Investment Act Cluster
Threshold for distinguishing types A and B programs	$300,000
Determined to be a low-risk auditee?	No

STATE AWARDS

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

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

None.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

STATE COMPLIANCE EXTENDED OPPORTUNITY PROGRAMS AND SERVICES
(11-1)

Significant Deficiency

Condition

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

Criteria

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

Effect

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

Recommendation

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

Response

The District management concurs with the auditors' finding. Management has discussed the audit finding with the EOPS counselors district-wide on December 1, 2011. We have revised the EOPS program procedures to reflect that students must complete a Student's Education Plan before they receive their financial book award.

STATE COMPLIANCE (Open Enrollment)

(11-2)

Significant Deficiency

Condition

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

Criteria

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

Effect

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

Recommendation

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

Response

The District management concurs with the auditors' finding. The District is asking the high school boards to open the campuses to the public when the courses are offered. Management will not offer schedule classes on high school campuses during the time the campus is closed to the general public, as defined by *California Education Code*, Section 76002.

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

(11-3)

Significant Deficiency

Condition

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

Criteria

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

Effect

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

Recommendation

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

Response

The District management concurs with the auditor's finding. Management, working with the Business Office, will review the 50% calculation with the Board of Trustees at the time of the final budget and periodically throughout the year.

STATE COMPLIANCE (Student Fees – Instructional Material Fees)
(11-4)

Significant Deficiency

Condition

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

Criteria

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

Effect

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

Recommendation

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

Response

The District management concurs with the auditors' finding. Management has updated all current Instructional Material Fee Request (IMF) forms and established Academic Affairs as management of these forms. All courses that are going through the five year review cycle and have an IMF must include an updated IMF form, even if there are no changes to the amount charged or the materials purchased. Once a year, the Academic Affairs and Curriculum Committee will update all IMF forms older than five years.

STATE COMPLIANCE (Concurrent Enrollment of K-12 Students)
(11-5)

Significant Deficiency

Condition

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

Criteria

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

Effect

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

Recommendation

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

Response

The District management concurs with the auditors' finding. The District has rewritten the Datatel programming to put a "hard" hold on all concurrent students so they cannot register for more than 11 units.

STATE COMPLIANCE (To Be Arranged Hours)

(11-6)

Reportable Condition

Condition

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

Criteria

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

Effect

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

Recommendation

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

Response

The District management concurs with the auditors' finding. The District will list all future course required hours in the course catalog.

None.

DEPARTMENT OF LABOR (Allowable Costs/Cost Principles – Time and Effort Reporting)

10-1

Condition

The District did not have a procedure in place to periodically complete time and effort reporting in compliance with federal cost circulars.

Criteria

OMB Circular A-21 requires that salaries allocated to federal programs be supported by after-the-fact time and effort reporting.

Effect

The District was not in compliance with requirements prescribed by the federal government when charging salaries to federal grant programs.

Recommendation

The District should develop a procedure to complete time and effort reporting in accordance with OMB Circular A-21.

Action Taken

Fully implemented.

DEPARTMENT OF EDUCATION (Activities Allowed or Unallowed – Grant Budget Salaries)

10-2

Condition

$64,823 of salaries and related benefits for two staff positions (IR Extra Help and Trainer) that were not included in the original budget were charged to the program without prior approval from the Department of Education. Lack of communication by District personnel with the Department of Education.

Criteria

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.” Pursuant to discussion with U.S. Department of Education, Title III Liaison, for purposes of this section “key personnel” include any staff position that has salaries allocated to the grant.

Effect

The cost of the additional salaries and benefits may be disallowed.

Recommendation

The District should implement procedures whereby the program director obtains approval from the Department of Education for proposed changes to the budgeted expenditures.

Action Taken

Subsequent to June 30, 2011, but before the issuance of this report, the District reached agreement with the Department of Education to return $90,000 which had not been used for an endowment in accordance with the grant document. Additionally, the District was not allowed to draw the remaining $56,633 available under the grant. Once the $90,000 is returned the Department of Education will issue a Program Determination Letter and the grant will be closed. Resolved.

DEPARTMENT OF EDUCATION (Activities Allowed or Unallowed – Grant Budget Endowment)
10-3

Condition

The District does not have an internal control structure in place that assures compliance with this requirement. The District does not plan for these expenditures in the annual budgeting process and they do not use "program" codes in their general ledger to identify these expenditures.

Criteria

The grant requires the District to incur nonfederal expenditures, budgeted for each of the five years of the grant, in furtherance of the grant objective.

Effect

Without a process to plan for and monitor expenditures while they occur it is possible that the District will not meet the nonfederal requirement in accordance with grant agreement budget.

Recommendation

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

Action Taken

Subsequent to June 30, 2011, but before the issuance of this report, the District reached agreement with the Department of Education to return $90,000 which had not been used for an endowment in accordance with the grant document. Additionally, the District was not allowed to draw the remaining $56,633 available under the grant. Once the $90,000 is returned the Department of Education will issue a Program Determination Letter and the grant will be closed. Resolved.

DEPARTMENT OF EDUCATION (Matching/Level of Effort/Earmarking – Grant Budgeted Non-Federal Amounts)
10-4

Condition

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

Criteria

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." Pursuant to discussion with U.S. Department of Education, Title III Liaison, the District's Grant contract included $90,000 for the purpose of establishing an endowment. The endowment required a nonfederal $1 for $1 match.

Effect

The expenditures of the $90,000 for uses other than the establishment of an endowment may be disallowed.

Recommendation

The District should implement procedures whereby the program director obtains approval from the Department of Education for proposed changes to the budgeted expenditures.

Action Taken

Subsequent to June 30, 2011, but before the issuance of this report, the District reached agreement with the Department of Education to return $90,000 which had not been used for an endowment in accordance with the grant document. Additionally, the District was not allowed to draw the remaining $56,633 available under the grant. Once the $90,000 is returned the Department of Education will issue a Program Determination Letter and the grant will be closed. Resolved.

DEPARTMENT OF LABOR (Allowable Costs/Cost Principles – Indirect Cost Allocation Plan)

10-5

Condition

The District does not have an indirect cost allocation agreement for the Workforce Investment Act – Dislocated Workers grant. The District personnel responsible for this grant were not aware of the applicable federal cost principles.

Criteria

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

Effect

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

Recommendation

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

Action Taken

Fully implemented.

OPEN ENROLLMENT
10-6

Criteria

The District is not allowed to limit enrollment for courses for which FTES are claimed for apportionment purposes.

Condition

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

Effect

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

Recommendation

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

Action Taken

Fully implemented.

OPEN ENROLLMENT

10-7

Criteria

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

Condition

Our procedures disclosed that the open enrollment policy was not included in the course schedules for the Del Norte and Mendocino Coast campuses. Policy not disclosed in accordance with requirements.

Effect

Noncompliance with disclosure requirement.

Recommendation

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

Action Taken

Fully implemented.