



MATSON  
& ISOM

REDWOODS COMMUNITY  
COLLEGE DISTRICT

**Eureka, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Redwoods Community College District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

Continued

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed as supplementary information in the table of contents and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of 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* in considering the District's internal control over financial reporting and compliance.

*Matson and Isom*

December 30, 2014  
Redding, California

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

**MANAGEMENT’S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Redwoods Community  
College District*

**INTRODUCTION**

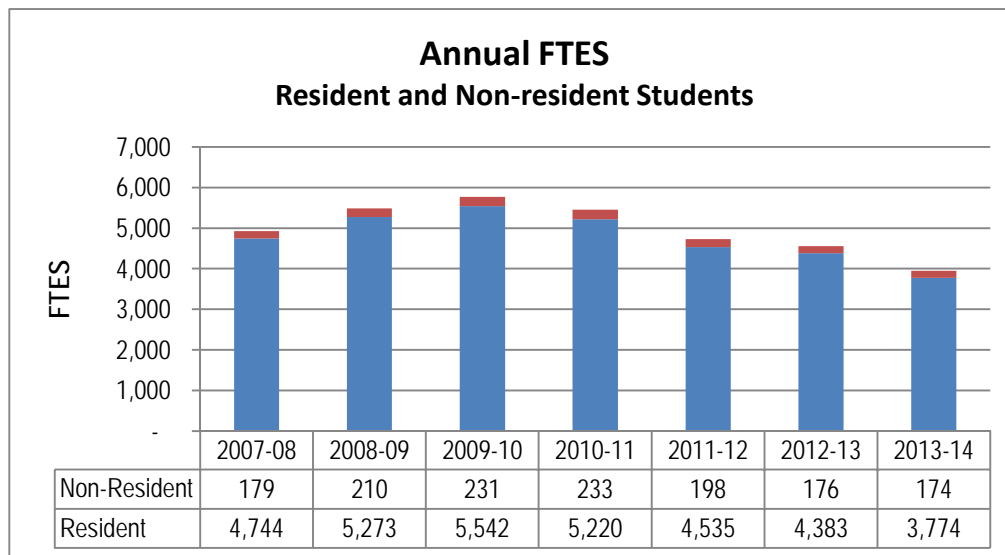
As required by accounting principles, the annual report consists of three basic financial statements that provide information on Redwoods Community College District (the District) as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement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

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

**ATTENDANCE HIGHLIGHTS**

The District’s resident Full-Time Equivalent Students (FTES) for Fiscal Year 2013-14 stood at 3,774. The Chancellor’s Office set the District’s resident funded FTES cap at 4,383 for Fiscal Year 2013-14. The Chancellor’s Office provided stability funding in Fiscal Year 2013-14 for the 609 FTES shortfall.

<i>Credit/Non-credit Resident and Non-resident Students</i>						
<i>Academic Year</i>	<i>Resident</i>	<i>Non-Resident</i>	<i>Total</i>	<i>Percentage Change</i>		
				<i>Resident</i>	<i>Non-Resident</i>	<i>Total</i>
2007-08	4,744	179	4,923	5.8%	31.6%	6.6%
2008-09	5,273	210	5,483	11.2%	17.3%	11.4%
2009-10	5,542	231	5,773	5.1%	10.0%	5.3%
2010-11	5,220	233	5,453	-5.8%	0.9%	-5.5%
2011-12	4,535	198	4,733	-13.1%	-15.0%	-13.2%
2012-13	4,383	176	4,559	-3.4%	-11.1%	-3.7%
2013-14	3,774	174	3,948	-13.9%	-1.1%	-13.4%



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Redwoods Community  
College District*

**STATEMENT OF NET POSITION**

The statement of net position 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 position, the difference between assets and liabilities, is an indicator of the financial health of a district.

June 30	2014	2013	Change	
<b>ASSETS</b>				
Current assets	\$ 15,324,629	\$ 15,870,929	\$ (546,300)	-3%
Noncurrent restricted cash and cash equivalents	10,833,279	5,740,337	5,092,942	89%
Capital assets and deferred costs - net	98,336,175	97,884,257	451,918	0%
<b>Total Assets</b>	<b>\$ 124,494,083</b>	<b>\$ 119,495,523</b>	<b>\$ 4,998,560</b>	<b>4%</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 9,370,141	\$ 10,780,886	\$ (1,410,745)	-13%
Noncurrent liabilities	36,050,068	29,401,911	6,648,157	23%
<b>Total Liabilities</b>	<b>45,420,209</b>	<b>40,182,797</b>	<b>5,237,412</b>	<b>13%</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred gain on refunding	1,254,618	-	1,254,618	100%
<b>NET POSITION</b>				
Investments in capital assets - net of related debt	75,092,228	74,959,834	132,394	0%
Restricted - expendable	73,651	141,475	(67,824)	-48%
Unrestricted	2,683,377	4,211,417	(1,528,040)	-36%
<b>Total Net Position</b>	<b>77,849,256</b>	<b>79,312,726</b>	<b>(1,463,470)</b>	<b>-2%</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 124,524,083</b>	<b>\$ 119,495,523</b>	<b>\$ 5,028,560</b>	<b>4%</b>

The increase in Total Assets is primarily due to the increase in noncurrent restricted cash and cash equivalents caused by the receipt of the bond proceeds for the issuance of the final \$7.32 million in Measure Q bonds. This increase is offset by continuing construction costs incurred for Measure Q projects.

Current liabilities decreased by \$1.4 million in comparison to the prior year primarily due to the decrease in size of the mid-year tax and revenue anticipation note outstanding at June 30, 2014. During the prior year the District issued the tax and revenue anticipation note in the amount of \$4 million. Due to an improved cash flow situation during the fiscal year ending June 30, 2014, the District issued a note in the amount of \$2.9 million.

The increase in noncurrent liabilities is primarily due to the issuance of the final \$7.32 million of Measure Q bonds. The addition of the deferred gain on refunding is related to the issuance of the \$25.14 million in general obligation refunding bonds which occurred during the fiscal year ending June 30, 2014. The gain represents the difference in the carrying value of the refunded debt and its reacquisition price.

The Chancellor's Office recommends that each District maintain a contingency reserve in the Unrestricted General Fund of not less than 5% of unrestricted expenditures. As of June 30, 2014, the District's Unrestricted General Fund reserve level or fund equity was 7.89%.



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Redwoods Community  
College District*

The District has elected to record its actuarially determined annual liability for postemployment health benefits according to GASB 45. Through changes in board policy and collective bargaining contracts, newly hired employees will no longer participate in this program. For eligible plan participants, the District funds the current service liability, and may make annual contributions for its prior service liability. The District intends to continue to set funds aside to meet its unfunded accrued liability. The most recent actuarial study of retiree health liabilities was as of October 16, 2013. The unfunded liability is estimated to be \$6.4 million. The funds set aside to pay future benefits stood at \$1.9 million at June 30, 2014.

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

The statement of revenues, expenses, and changes in net position 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.

Years Ended June 30	2014	2013	Change	
<b>OPERATING REVENUES AND EXPENSES</b>				
<b>OPERATING REVENUES</b>				
Net tuition and fees	\$ 3,151,123	\$ 3,274,845	\$ (123,722)	-4%
Grants and contracts - noncapital	5,346,825	4,924,474	422,351	9%
Auxiliary enterprise sales and charges	345,410	323,057	22,353	7%
<b>Total Operating Revenues</b>	<b>8,843,358</b>	<b>8,522,376</b>	<b>320,982</b>	<b>4%</b>
<b>OPERATING EXPENSES</b>				
	<b>35,628,753</b>	<b>35,847,565</b>	<b>(218,812)</b>	<b>-1%</b>
<b>Operating Loss</b>	<b>(26,785,395)</b>	<b>(27,325,189)</b>	<b>539,794</b>	<b>-2%</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State apportionments - noncapital	11,445,879	14,106,462	(2,660,583)	-19%
Education protection account revenues	3,837,036	4,399,472	(562,436)	-13%
Local property taxes	8,589,918	9,361,617	(771,699)	-8%
State taxes and other revenues	1,140,142	1,050,538	89,604	9%
Investment income - noncapital	50,272	-	50,272	100%
Financial aid revenues	9,087,370	10,419,326	(1,331,956)	-13%
Financial aid expenses	(9,087,371)	(10,402,906)	1,315,535	-13%
Transfers	-	(748,311)	748,311	0%
Other nonoperating revenues (expenses)	469,809	97,816	371,993	380%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>25,533,055</b>	<b>28,284,014</b>	<b>(2,750,959)</b>	<b>-10%</b>
<b>Loss Before Other Revenues and Expenses</b>	<b>(1,252,340)</b>	<b>958,825</b>	<b>(2,211,165)</b>	<b>-231%</b>
State apportionments and grants - capital	345,217	11,612,947	(11,267,730)	-97%
Local property taxes - capital	1,917,112	2,035,995	(118,883)	-6%
Investment income - capital	44,223	40,590	3,633	0%
Interest expense - capital asset-related debt	(1,741,891)	(981,631)	(760,260)	77%
Cost of issuance expense	(621,759)	-	(621,759)	100%
<b>Change in Net Position</b>	<b>(1,309,438)</b>	<b>13,666,726</b>	<b>(14,354,405)</b>	<b>-105%</b>
<b>Net Position - Beginning of Year</b>	<b>79,312,726</b>	<b>70,045,472</b>	<b>9,267,254</b>	<b>13%</b>
<b>Net Position - End of Year</b>	<b>\$ 78,003,288</b>	<b>\$ 83,712,198</b>	<b>\$ (5,708,910)</b>	<b>-7%</b>

**MANAGEMENT’S DISCUSSION  
AND ANALYSIS**

June 30, 2014

*Redwoods Community  
College District*

Operating revenues decreased by approximately \$320 thousand in Fiscal Year 2014. This is due to an increase in state categorical funding including the restoration of both instructional equipment and scheduled maintenance funding along with an increase in student success program funding. Operating expenses have decreased which is discussed in more detail in the Operating Expenses portion of this report.

The transfer of \$748,311 in the prior year represented the transfer of bookstore and residence hall operations from the District to the Foundation. There are no transfers in the current fiscal year. The 502% increase in other nonoperating revenues is attributable to rental income and reimbursement by Follett for District staff working at the Bookstore. The 97% decrease in State apportionments and grants, capital is due to the completion of the new academic building and the student services, administration and theater state bond construction projects. This line item will increase once we begin receiving state reimbursements for the utility infrastructure project.

The State’s SB361 funding formula allocates apportionment funding to 72 community college districts through two calculations. For Fiscal Year 2013-14, the District’s total apportionment was \$25.1 million. First, basic funding is provided to each District and approved center at a scheduled rate, with additional funding provided to rural districts. For Fiscal Year 2013-14, the District received \$4.7 million in basic funding, comprised of \$3.3 million for the District, \$830 thousand for the Mendocino and Del Norte centers and \$554 thousand for rural district support.

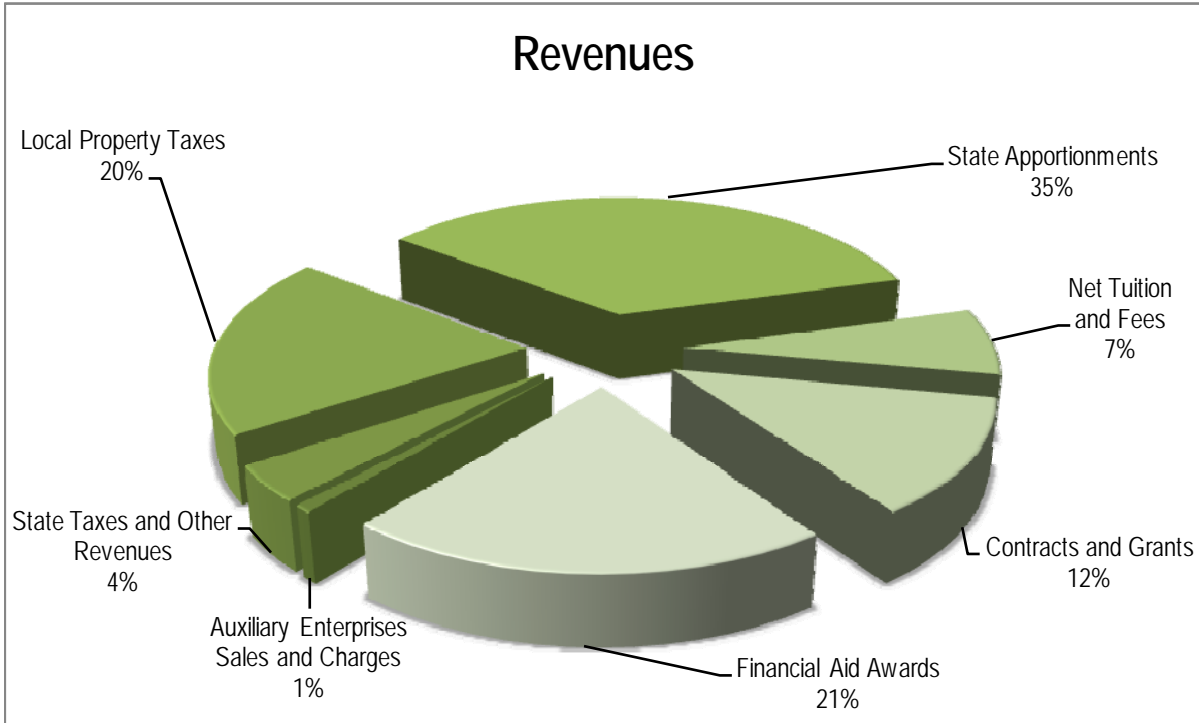
Second, the Chancellor’s Office caps each district’s level of funded full-time equivalent students or FTES (One FTES equals 30 credits per year). The SB361 formula calculates funding for the Chancellor’s Office’s FTES cap at a statewide rate of \$4,564 per credit FTES in Fiscal Year 2013-14, or \$ 20 million for the District’s 4,383 FTES cap.

Then the formula offsets the state’s apportionment liability by all enrollment fees assessed, including enrollment fees paid by students in excess of the Chancellor’s FTES cap and all non-residents, as well as all eligible property taxes received by the District. The District’s enrollment revenue was \$1.2 million and property taxes were \$8.8 million. Finally, in years when the Chancellor’s Office experiences a statewide funding shortfall, the Chancellor reduces all of the FTES-based apportionment funding on a pro-rata basis across all but the smallest community college districts, referred to as a *deficit coefficient*. As a result of a funding shortfall in Fiscal Year 2013-14, the Chancellor’s deficit coefficient reduced the District’s funding by \$275 thousand to balance the statewide apportionment funding model. State funding is then provided for any apportionment needed after all offsets and deficit coefficients have been applied, which amounted to \$10.9 million for the District in Fiscal Year 2013-14.

The 2013-14 apportionment also includes an adjustment to the 2012-13 Chancellor’s deficit coefficient. Because the Chancellor’s Office must wait until every taxing district has reported its final tax receipts for the year, the 2012-13 Chancellor’s deficit coefficient has been revised on

2012-13 Chancellor's Office Deficit Coefficient	
<i>July 1, 2012 - Beginning of Fiscal Year</i>	
February 20, 2013	\$ (1,648,607)
<i>June 30, 2013 - End of 2012-13 Fiscal Year</i>	
August 13, 2013	\$ (945,470)
<i>October 2013 - Closing of the Books for 2012-13</i>	
<i>June 30, 2014 - End of 2013-14 Fiscal Year</i>	
November 21, 2014 - Final	\$ (4,322)

multiple occasions, with the most recent revision dated November 2014. This was fully 17 months after the end of the 2012-13 fiscal year. Because the books have been closed for 2012-13, the impact of the revised deficit coefficient must be recognized on the 2013-14 books. To illustrate the volatility in the Chancellor’s Office deficit coefficient number, this chart recaps the deficit coefficient at various dates.

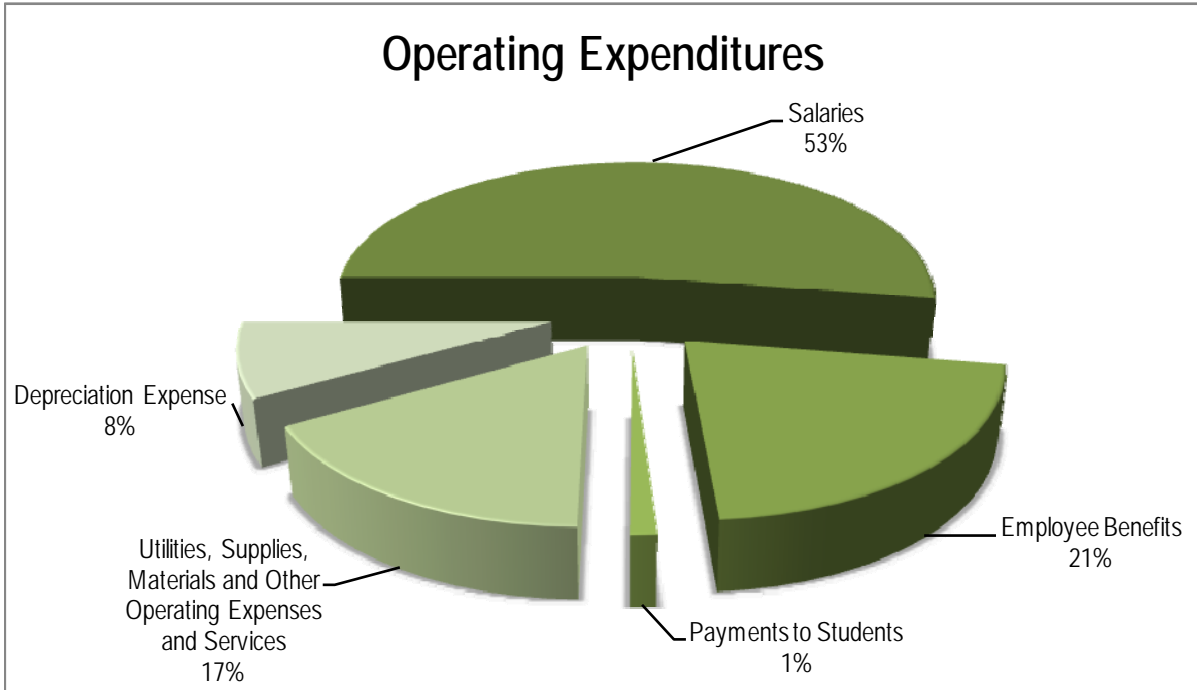


**Operating Expenses (by Natural Classification)**

Years Ended June 30	<b>2014</b>	<b>2013</b>	<b>Change</b>	
Salaries	\$ 18,675,046	\$ 20,044,039	\$ (1,368,993)	-7%
Employee benefits	7,634,604	7,394,990	239,614	3%
Payments to students	411,158	361,012	50,146	14%
Utilities, supplies, materials, and other operating expenses and services	5,945,093	5,724,290	220,803	4%
Depreciation expense	2,962,852	2,323,234	639,618	28%
<b>Total Operating Expense</b>	<b>\$ 35,628,753</b>	<b>\$ 35,847,565</b>	<b>\$ (218,812)</b>	<b>-1%</b>

The decrease in salaries expense is the result of a combination of savings realized from vacant positions and the ongoing impacts of the reduction in force and reorganization implemented during the fiscal year ended June 30, 2013. The increase in payments to students consists of increases in student aid provided by state categorical programs such as EOPS and the federal Upward Bound grant program.

Other operating expenses increased modestly. The increase was divided between increased supplies and services costs and higher utility billings. This indicates District staff continues to carefully manage supply budgets.



**STATEMENT OF CASH FLOWS**

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

<u>Years Ended June 30</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	
Cash provided (used) by:				
Operating activities	\$ (24,181,278)	\$ (20,250,892)	\$ (3,930,386)	19%
Noncapital financing activities	24,037,078	25,770,551	(1,733,473)	-7%
Capital financing activities	5,018,091	5,028,932	(10,841)	0%
Investing activities	50,272	46,113	4,159	9%
<b>Net Change in Cash and Cash Equivalents</b>	<b>4,924,163</b>	<b>10,594,704</b>	<b>(5,670,541)</b>	<b>-54%</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>15,536,105</b>	<b>4,941,401</b>	<b>10,594,704</b>	<b>214%</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 20,460,268</b>	<b>\$ 15,536,105</b>	<b>\$ 4,924,163</b>	<b>32%</b>

The District's cash and cash equivalents balance increased by \$4.9 million to \$20.4 million. The increase in cash and cash equivalents is the result of the receipt of the proceeds from the issuance of the final \$7.32 million in Measure Q bonds. Additional factors that contributed to the increase include a reduction of the state apportionment deferrals, and the participation of the District in the California Community College League Mid-Year Tax and Revenue Anticipation Note program. The District issued a note in the amount of \$2.9 million to ensure adequate cash would be available at June 30, 2014.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The District's Fiscal Year 2013-14 ending unrestricted fund equity rose to 7.89%. District reorganizations and one-time concessions from bargaining unit employees, unrepresented employees and the Board of Trustees helped to balance the Fiscal Year 2013-14 budget. However, the largest contributors to the increased fund balance were one-time temporary savings, both from vacant positions as well as continued favorable services and supplies spending patterns across the District. The District's accreditation status remains positive, and the State Special Trustee departed after the District demonstrated positive fiscal improvements. The District continues to remain fiscally sound through careful budget planning. However, without increased student enrollments, it is exceedingly difficult to find a multiyear budget solution that both fosters fiscal solvency and avoids continued expenditure budget reductions.

The College's student enrollment numbers have continued to decline significantly each year since 2009-10. Resident enrollments have contracted by -1,758 FTES or -31.9% from a high of 5,542 FTES in 2009-10 to a low of 3,774 in 2013-14. The single most important mission critical priority for long term District fiscal solvency is to stabilize and begin small annual restorations of student enrollments.

State voters passed proposition 30 which is providing some additional resources to community colleges. However, the District has not fully benefited from this new funding source due to student enrollment growth requirements. State funding did not provide for a statewide inflation adjustment or COLA in 2008-09, 2009-10, 2010-11, and 2011-12. For Fiscal Year 2012-13 the State provided a 1.6% COLA. In Fiscal Year 2013-14, the State provided a 0.85% COLA which was insufficient to cover the District's base cost increases of 1.6% to 2.0% annually.

The District's finances will continue to be positioned for the probability of austerity budgets for the near term, due to sluggish student enrollment results. With long term capital investments, most notably two new buildings recently completed at the Eureka main campus and other projects district wide, the District is also being positioned to capitalize on opportunities in the future as the State's economic outlook eventually improves and the District stabilizes its enrollments in a sustainable manner.

**FINANCIAL SECTION**

**STATEMENT OF NET POSITION**

*Redwoods Community  
College District*

June 30, 2014	<b>Primary Institution</b>	<b>Foundation</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 6,176,050	\$ 2,884,624
Restricted cash and cash equivalents	3,450,939	-
Accounts receivable - net	5,172,296	161,110
Inventories	329,658	-
Internal balances	195,686	(195,686)
<b>Total Current Assets</b>	<b>15,324,629</b>	<b>2,850,048</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	10,833,279	1,553,695
Investments	-	2,624,845
Beneficial interest in CRAT	-	240,640
Nondepreciable capital assets	4,267,934	-
Depreciable capital assets - net	93,816,325	-
Net OPEB asset	435,948	-
<b>Total Noncurrent Assets</b>	<b>109,353,486</b>	<b>4,419,180</b>
<b>Total Assets</b>	<b>124,678,115</b>	<b>7,269,228</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,168,611	34,817
Accrued liabilities	2,273,581	-
Advances from grantors and students	2,450,244	91,827
Amounts held for others	111,817	452,174
Other long-term liabilities - current portion	144,488	-
Short-term debt	2,900,000	-
Long-term debt - current portion	321,400	-
<b>Total Current Liabilities</b>	<b>9,370,141</b>	<b>578,818</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt - noncurrent portion	35,229,526	-
Other long-term liabilities - noncurrent portion	820,542	-
<b>Total Noncurrent Liabilities</b>	<b>36,050,068</b>	<b>-</b>
<b>Total Liabilities</b>	<b>45,420,209</b>	<b>578,818</b>
<b>DEFERRED INFLOW OF RESOURCES</b>		
Deferred gain on refunding	1,254,618	-
<b>NET POSITION</b>		
Net investment in capital assets	75,246,260	-
Restricted:		
Nonexpendable	-	3,832,008
Expendable	73,651	1,486,350
Unrestricted	2,683,377	1,372,052
<b>Total Net Position</b>	<b>\$ 78,003,288</b>	<b>\$ 6,690,410</b>

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

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

*Redwoods Community  
College District*

Year Ended June 30, 2014	<b>Primary Institution</b>	<b>Foundation</b>
<b>OPERATING REVENUES</b>		
Tuition and fees	\$ 6,283,546	\$ -
Less: Scholarship discounts and allowances	(3,132,423)	-
<b>Tuition and Fees - Net</b>	<b>3,151,123</b>	<b>-</b>
Grants and contracts - noncapital:		
Federal	1,348,070	-
State	3,428,479	-
Local	570,276	14,107
Auxiliary enterprise sales and charges	345,410	1,226,425
<b>Total Operating Revenues</b>	<b>8,843,358</b>	<b>1,240,532</b>
<b>OPERATING EXPENSES</b>		
Salaries	18,675,046	-
Employee benefits	7,634,604	-
Supplies, materials, and other operating expenses and services	4,906,991	1,004,190
Utilities	1,038,102	-
Depreciation	2,962,852	-
Payments to students	411,158	170,668
<b>Total Operating Expenses</b>	<b>35,628,753</b>	<b>1,174,858</b>
<b>Operating Income (Loss)</b>	<b>(26,785,395)</b>	<b>65,674</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State apportionments - noncapital	11,445,879	-
Education protection account revenues	3,837,036	-
Local property taxes - noncapital	8,589,918	-
State taxes and other revenues - noncapital	1,140,142	-
Investment income - noncapital	50,272	480,485
Financial aid revenues - federal	8,694,992	-
Financial aid revenues - state	392,378	-
Financial aid disbursements	(9,087,371)	-
Other nonoperating revenues (expenses) - noncapital	469,809	249,506
<b>Total Nonoperating Revenues (Expenses)</b>	<b>25,533,055</b>	<b>729,991</b>
<b>Income (Loss) Before Other Revenue, Expenses, Gains, or Losses</b>	<b>(1,252,340)</b>	<b>795,665</b>
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>		
State apportionments - capital	345,217	-
Local property taxes and revenue- capital	1,917,112	-
Interest expense - capital asset-related debt	(1,741,891)	-
Cost of issuance expense - capital	(621,759)	-
Investment income - capital	44,223	-
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>(57,098)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(1,309,438)</b>	<b>795,665</b>
<b>Net Position - Beginning of Year</b>	<b>79,312,726</b>	<b>5,894,745</b>
<b>Net Position - End of Year</b>	<b>\$ 78,003,288</b>	<b>\$ 6,690,410</b>

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



**STATEMENT OF CASH FLOWS**

*Redwoods Community*

*College District*

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Year Ended June 30, 2014	<b>Primary Institution</b>	<b>Foundation</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,300,678	\$ -
Federal grants and contracts	661,128	-
State grants and contracts	3,711,237	-
Local grants and contracts	604,961	14,107
Payments to/on behalf of employees	(18,500,110)	-
Payments for benefits	(7,634,604)	-
Payments for scholarships and grants	(411,158)	(86,855)
Payments to suppliers	(5,632,884)	(1,040,957)
Payments for utilities	(1,038,102)	-
Auxiliary enterprise sales and charges	345,410	1,226,425
Other receipts (payments)	412,166	4,448
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(24,181,278)</b>	<b>117,168</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments - noncapital	11,955,703	-
Education protection account revenues - noncapital	3,837,036	-
Local property taxes - noncapital	8,589,918	-
State taxes and other revenues	1,489,668	-
Financial aid receipts - federal	8,694,992	-
Financial aid receipts - state	392,378	-
Financial aid disbursements	(9,087,371)	-
Other receipts (payments)	(1,835,246)	2,084,752
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>24,037,078</b>	<b>2,084,752</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(3,384,278)	-
Interest paid on capital debt	(1,373,883)	-
Proceeds from capital debt	34,705,191	-
Principal paid on capital debt	(28,138,107)	-
Short-term debt proceeds received	2,900,000	-
Short-term debt principal payments	(4,000,000)	-
State apportionments and grants - capital	2,347,833	-
Interest received on capital investments	44,223	-
Local property taxes - capital	1,917,112	-
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>5,018,091</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	50,272	8,977
<b>Net Cash Provided by Investing Activities</b>	<b>50,272</b>	<b>8,977</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>4,924,163</b>	<b>2,210,897</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>15,536,105</b>	<b>2,227,422</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 20,460,268</b>	<b>\$ 4,438,319</b>

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

**STATEMENT OF CASH FLOWS**

*Redwoods Community*

*College District*

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Year Ended June 30, 2014	<b>Primary Institution</b>	<b>Foundation</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (26,785,395)	\$ 65,674
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	2,962,852	-
Other receipts	469,809	-
Changes in:		
Accounts receivable - net	(547,367)	20,388
Inventories	(11,360)	-
Net OPEB asset	(116,638)	-
Accounts payable	(816,709)	(36,767)
Accrued liabilities	183,880	(2,644)
Advances from grantors and students	216,376	83,813
Amounts held for others	53,404	(13,296)
Other long-term liabilities	209,870	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (24,181,278)</b>	<b>\$ 117,168</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 6,176,050	\$ 2,884,624
Restricted cash and cash equivalents - current	3,450,939	-
Restricted cash and cash equivalents - noncurrent	10,833,279	1,553,695
<b>Total Cash and Cash Equivalents</b>	<b>\$ 20,460,268</b>	<b>\$ 4,438,319</b>

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL  
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*Redwoods Community  
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***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.

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 advances from students 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.

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

***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*.

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

***Inventories*** Inventories consist of 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.

***Advances from grantors and students*** Advances from grantors and students 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. Advances of 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.

**NOTES TO THE FINANCIAL  
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***Long-Term Liabilities*** 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 expensed in the year incurred. Amortization of bond premium and discount costs was \$17,224 for the year ended June 30, 2014.

***Deferred Outflow/Inflows of Resources*** In addition to assets, the statement of net position includes a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and as such will not be recognized as an inflow of resources (revenue) until then. The District only has one item that qualifies for reporting in this category, which is the deferred gain on refunding reported in the statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and as such, will not be recognized as an outflow of resources (expenses/expenditures) until then. The District does not have any item of this type.

***Net Position*** Net position represents the differences between assets and liabilities. The District's net position is classified as follows:

***Net Investment in Capital Assets:*** 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 net investment in capital assets.

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

***Restricted Net Position - Expendable:*** Restricted expendable net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

***Unrestricted Net Position:*** Unrestricted net position represents 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; (3) most federal, state, and local grants and contracts, and federal appropriations; and (4) interest on institutional student loans.

***Nonoperating Revenues:*** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources described in GASB Statement No. 34, 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 position. 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.

***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.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

*Redwoods Community College District*

**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 prior year amounts to conform with current year presentation.

**2. CASH AND INVESTMENTS**

The following is a summary of cash and cash equivalents and investments at June 30, 2014:

	<b>Fair Value</b>	
	<b>Primary Institution</b>	<b>Foundation</b>
<b>DEPOSITS (1)</b>	\$ 20,460,268	\$ 4,438,319
<b>INVESTMENTS THAT ARE NOT SECURITIES (2)</b>		
Certificates of deposit	-	75,050
Money market mutual funds	-	2,539,903
<b>Subtotal</b>	-	2,614,953
<b>INVESTMENT SECURITIES</b>		
Equity mutual funds	-	9,892
<b>Subtotal</b>	-	9,892
<b>Total Cash and Cash Equivalents and Investments</b>	<b>\$ 20,460,268</b>	<b>\$ 7,063,164</b>

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



**Custodial Credit Risk - Deposits**

For deposits, credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2014, the District’s and the Foundations’ bank balances were exposed to custodial credit risk as follows:

	<b>Primary Institution</b>	<b>Foundation</b>
Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 2,453,980	\$ 9,259

**Primary Institution – Credit Risk - Investments**

*California Government Code*, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking, or of the highest letter and numerical rating as provided, by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. Individual securities must be backed by the federal government or rated AAA, AA, or A by Standard & Poor’s or Aaa, Aa, or A by Moody’s indices. The District has no investment policy that would further limit its investment choices.

The District has no investments as of June 30, 2014.

**Foundation – Credit Risk - Investments**

The Foundation’s investment policy states that the equity portion of the investable assets shall be allocated to asset classes on the basis of pre-approved ratios. The portion of assets invested in equities shall be 40% to 80% with the balance in fixed income (cash, cash equivalents, bonds, CDs, etc.). Fixed income investment instruments other than cash or cash equivalents shall have the highest rating by all three rating agencies (Fitch, Moody’s, and S&P) and have short or intermediate maturities. As of June 30, 2014, the Foundation has \$2,539,903 invested in equity mutual funds, representing 82.04% of the Foundation’s investment pool.

**Concentration of Credit Risk - Investments**

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

**Interest Rate Risk – Investments**

*California Government Code*, Section 53601, limits the District’s investments to maturities of five years. As of June 30, 2014, the District had no investments with maturities greater than five years. The Foundation’s investment policy limits fixed income investment instruments other than cash or cash equivalents to short or intermediate maturities. As of June 30, 2014, the Foundation had one investment with a maturity of one year.

**NOTES TO THE FINANCIAL  
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June 30, 2014

*Redwoods Community  
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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2014:

Tuition and fees - net	\$ 2,062,991
Less: Allowance for doubtful accounts	(1,548,974)
<b>Tuition and Fees - Net</b>	<b>514,017</b>
Federal grants and contracts	888,877
State grants and contracts	264,028
Local grants and contracts	13,066
State apportionment - noncapital	3,220,307
State taxes and other revenues	136,615
Other	135,386
<b>Total</b>	<b>\$ 5,172,296</b>

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, is summarized as follows:

	Balance June 30, 2013	Additions	Deductions	Transfers	Balance June 30, 2014
<b>NONDEPRECIABLE CAPITAL ASSETS</b>					
Land	\$ 1,807,500	\$ -	\$ -	\$ -	\$ 1,807,500
Construction in progress	32,020,072	2,977,310	-	(32,536,948)	2,460,434
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 33,827,572</b>	<b>\$ 2,977,310</b>	<b>\$ -</b>	<b>\$ (32,536,948)</b>	<b>\$ 4,267,934</b>
<b>DEPRECIABLE CAPITAL ASSETS</b>					
Site improvements	\$ 7,158,336	\$ 7,660	\$ -	\$ 561,983	\$ 7,727,979
Buildings and improvements	82,294,880	90,355	-	31,923,407	114,308,642
Equipment	5,567,307	339,622	-	51,558	5,958,487
Vehicles	1,132,292	30,389	-	-	1,162,681
Library books and film	432,229	36,828	(4,110)	-	464,947
<b>Total Depreciable Capital Assets</b>	<b>96,585,044</b>	<b>504,854</b>	<b>(4,110)</b>	<b>32,536,948</b>	<b>129,622,736</b>
Less: Accumulated depreciation	(32,847,669)	(2,962,852)	4,110	-	(35,806,411)
<b>Total Capital Assets - Net</b>	<b>\$ 63,737,375</b>	<b>\$ (2,457,998)</b>	<b>\$ -</b>	<b>\$ 32,536,948</b>	<b>\$ 93,816,325</b>

**5. ACCOUNTS PAYABLE**

Accounts payable consisted of the following at June 30, 2014:

Amounts payable to vendors	\$ 1,021,735
Amounts payable to contractors	146,876
<b>Total</b>	<b>\$ 1,168,611</b>

**NOTES TO THE FINANCIAL  
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**6. ACCRUED LIABILITIES**

Accrued liabilities consisted of the following at June 30, 2014:

Accrued payroll and related liabilities	\$ 843,894
Accrued interest	1,123,083
Other	306,604
<b>Total</b>	<b>\$ 2,273,581</b>

**7. ADVANCES FROM GRANTORS AND STUDENTS**

Advances from grantors and students consisted of the following at June 30, 2014:

Tuition and fees	\$ 1,103,953
Federal grants and contracts	81,520
State grants and contracts	555,342
Local grants and contracts	418,818
State apportionment and grants - capital	249,971
Other	40,640
<b>Total</b>	<b>\$ 2,450,244</b>

**8. SHORT-TERM DEBT**

The District participated in the California Community College Financing Authority 2013 and 2014 Tax and Revenue Anticipation Bond program, depositing the proceeds (to the extent of participation) in its general fund. Short-term debt is necessary for the District to maintain proper working cash levels. Short-term debt activity for the year ended June 30, 2014, was as follows:

	<b>Balance June 30, 2013</b>	<b>Drawn</b>	<b>Repaid</b>	<b>Balance June 30, 2014</b>
Participation in California Community College Financing Authority 2012-2013 Tax and Revenue Anticipation Note	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
Financing Authority 2013-2014 Tax and Revenue Anticipation Note	\$ -	\$ 2,900,000	\$ -	\$ 2,900,000

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**9. NONCURRENT LIABILITIES**

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Accretion/ Additions</u>	<u>Amortization/ Reductions</u>	<u>Balance June 30, 2014</u>
<b>LONG-TERM DEBT</b>				
General obligation bonds	\$ 29,308,825	\$ 35,326,950	\$ (29,326,049)	\$ 35,309,726
Refunding lease obligation	325,100	-	(83,900)	241,200
<b>Total Long-Term Debt</b>	<u>\$ 29,633,925</u>	<u>\$ 35,326,950</u>	<u>\$ (29,409,949)</u>	<u>\$ 35,550,926</u>
<b>OTHER LONG-TERM LIABILITIES</b>				
Compensated absences	\$ 690,299	\$ 522,793	\$ (664,260)	\$ 548,832
Early retirement incentive program	473,351	-	(57,153)	416,198
<b>Total Other Long-Term Liabilities</b>	<u>\$ 1,163,650</u>	<u>\$ 522,793</u>	<u>\$ (721,413)</u>	<u>\$ 965,030</u>

Long-term debt consisted of the following individual debt issues at June 30, 2014:

<b>GENERAL OBLIGATION BONDS</b>	
2004 General Obligation Bonds, Series 2013, issued in the original amount of \$7,320,000. Final maturity August 1, 2030. Interest rates range from 2.000% to 5.250%.	\$ 7,320,000
Unamortized issuance premium on 2004 General Obligation Bonds, Series 2013.	<u>371,262</u>
<b>Total 2004 General Obligation Bonds, Series 2013</b>	<u>7,691,262</u>
2014 General Obligation Refunding Bonds issued in the original amount of \$25,140,000. Final maturity August 1, 2031. Interest rates range from 2.000% to 4.250%.	25,140,000
Unamortized issuance premium on 2014 General Obligation Refunding Bonds.	<u>2,478,464</u>
<b>Total 2014 General Obligation Refunding Bonds</b>	<u>27,618,464</u>
<b>Total General Obligation Bonds</b>	<u>35,309,726</u>
<b>REFUNDING LEASE OBLIGATION</b>	
1998 Refunding Lease issued in the original amount of \$1,592,100. Final maturity in November 2016. Interest rate 5.300%.	<u>241,200</u>
<b>Total Long-Term Debt</b>	35,550,926
Less: Current portion	<u>(321,400)</u>
<b>Total Long-Term Debt - Noncurrent Portion</b>	<u>\$ 35,229,526</u>

**Refunded Debt**

The 2014 Refunding Bonds were issued to refinance the 2004 General Obligation Bonds, Series 2005 and 2007. The District recognized a financial statement gain of \$1,254,618 on the refinance and it is being amortized over the life of the new debt. The issuance resulted in an economic gain of \$2,249,623.

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

Year Ending June 30	<b>Principal</b>	<b>Interest</b>	<b>Bonds Total</b>	<b>Bond Premium</b>	<b>Total</b>
2015	\$ 230,000	\$ 622,752	\$ 852,752	\$ 24,292	\$ 877,044
2016	1,215,000	1,429,919	2,644,919	63,420	2,708,339
2017	1,240,000	1,394,369	2,634,369	118,317	2,752,686
2018	1,335,000	1,345,569	2,680,569	191,520	2,872,089
2019	1,435,000	1,281,418	2,716,418	70,972	2,787,390
2020-2024	8,735,000	5,533,444	14,268,444	1,143,044	15,411,488
2025-2029	12,255,000	3,191,244	15,446,244	1,237,231	16,683,475
2030-2031	6,015,000	450,850	6,465,850	930	6,466,780
<b>Total</b>	<b>\$ 32,460,000</b>	<b>\$ 15,249,565</b>	<b>\$ 47,709,565</b>	<b>\$ 2,849,726</b>	<b>50,559,291</b>
Less: Current interest					(15,249,565)
<b>Net Principal</b>					<b>\$ 35,309,726</b>

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

Year Ending June 30	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 91,400	\$ 10,362	\$ 101,762
2016	93,600	5,459	99,059
2017	56,200	1,489	57,689
<b>Total</b>	<b>\$ 241,200</b>	<b>\$ 17,310</b>	<b>\$ 258,510</b>

The amount of interest cost incurred during the year ended June 30, 2014, was \$1,946,993, of which \$205,102 was capitalized.

Other long-term liabilities at June 30, 2014, include the following liabilities which have required principal payments:

In 2012, the District offered early retirement benefits to select employees. The liability for the eight employees who accepted the offer was \$488,169, payable in eight payments ending in 2016. The interest rate is 7.75%.	\$ 416,198
Less: Current portion	(57,153)
<b>Early Retirement Incentive Program - Noncurrent Portion</b>	<b>\$ 359,045</b>

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2014

*Redwoods Community  
College District*

The annual principal payment retirement on the Early Retirement Incentive Program liability is as follows:

<u>Year Ending June 30</u>	
2015	\$ 57,153
2016	36,716
2017	66,382
2018	71,713
2019	77,473
2020	106,761
<b>Total</b>	<b>\$ 416,198</b>

**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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**California State Teachers' Retirement System**

**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 California State Teachers' Retirement Plan (CalSTRP), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for CalSTRS. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, Sacramento, California 95605.

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

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

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

### **Funding Policy**

Active plan members are required to contribute 8.0% of their gross salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Board based upon recommendations made by the consulting actuary. The required employer contribution rate for the fiscal year ended June 30, 2014, was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statutes.

The State of California makes contributions to CalSTRS on behalf of the District equaling approximately 5.29% of covered members' gross salaries of the second preceding fiscal year. The contribution for the years ended June 30, 2014, 2013, and 2012, are estimated to have been \$589,393, \$537,846, and \$622,285, respectively. The District's contributions to CalSTRS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$776,209, \$828,203, and \$922,055, respectively, and equaled 100% of the required contribution for each year.

### **California Public Employees' Retirement System**

#### **Plan Description**

All full-time classified employees participate in 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 California 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 CalPERS, 400 Q Street, Sacramento, California 95811.

**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 year ended June 30, 2014, was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statutes. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$745,343, \$787,389, and \$885,987, respectively, and equaled 100% of the required contribution for each year.

A State of California contribution on behalf of the District to CalPERS was not required for the years ended June 30, 2014, 2013, and 2012.

**11. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS**

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

**12. JOINT POWERS AUTHORITIES**

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

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

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

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

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



**13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

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

*Plan Description*

The Redwoods Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance coverage to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired before January 1, 2008, classified retirees hired before July 1, 2006, and administrative, managerial, and confidential employees hired before September 1, 2006. Group medical coverage is also provided for board members meeting certain eligibility requirements. Membership of the Plan consists of 74 retirees currently receiving benefits and 135 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 year ended June 30, 2014, the District contributed \$900,284 to the Plan.

*Annual OPEB Cost and Net OPEB Obligation (Asset)*

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

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

Annual required contribution	\$ 778,630
Interest on net OPEB obligation	(15,167)
Adjustment to ARC	20,183
<b>Annual OPEB Cost</b>	<b>783,646</b>
Contributions	(900,284)
<b>Change in Net OPEB Obligation</b>	<b>(116,638)</b>
<b>Net OPEB Obligation (Asset) - Beginning of Year</b>	<b>(319,310)</b>
<b>Net OPEB Obligation (Asset) - End of Year</b>	<b>\$ (435,948)</b>

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2014

*Redwoods Community  
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The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2012	\$ 822,292	\$ 921,751	112.10%	\$ (125,537)
June 30, 2013	\$ 781,176	\$ 974,949	124.81%	\$ (319,310)
June 30, 2014	\$ 783,646	\$ 900,284	114.88%	\$ (435,948)

***Funded Status and Funding Progress***

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

	September 1, 2011	October 16, 2013
Actuarial accrued liability (AAL)	\$ 6,965,101	\$ 6,468,065
Actuarial value of plan assets	-	-
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ 6,965,101</b>	<b>\$ 6,468,065</b>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 12,254,397	\$ 9,752,729
<b>UAAL as a Percentage of Covered Payroll</b>	<b>56.84%</b>	<b>66.32%</b>

As of June 30, 2014, 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 October 16, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75% discount rate, a 2.75% price inflation, a 2.75% wage inflation, and an annual cost trend rate of 4.0%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percentage of payroll over a 30-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, 2014, the District had unfinished contracts in the amount of \$348,548.

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 of those areas. The District is constructing comparable new building space on adjacent sites and is considering potential nonstudent uses of the existing affected buildings, if possible. At June 30, 2014, 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 or "the Commission"). In February of 2014 the College was notified by the Commission that it has been removed from probation, and all sanctions, and that its accreditation has been reaffirmed. A brief history of the District's accreditation status is discussed below.

The Commission acted in February 2012 to place the District on "show cause." Show cause is ordered when the Commission finds that an institution is in substantial noncompliance with its eligibility requirements, accreditation standards, or Commission policies, or when the institution has not responded to the conditions imposed by the Commission. The District was required to prepare a Show Cause Report by October 2012, as well as a Closure Plan.

As a result of the accreditation show cause finding, on April 6, 2012, the District's Board of Trustees adopted Resolution Number 656, "Resolution in Support of a Special Trustee." At its August 7, 2012, meeting, the Board of Trustees approved a contract for Mr. Thomas E. Henry to act as State Special Trustee for the District to provide advice, make recommendations, and assist with the development of a fiscal and educational recovery plan. Special Trustee Henry continued in this role until the District was removed from all Commission sanctions.

In January 2013, the Commission reviewed the District's and the visiting team's follow-up reports and changed the District's status to the lesser sanction of "probation." The College issued another follow-up report and a team visited the College in November 2013. The Commission reviewed those follow-up reports and on February 7, 2014 notified the College that it has been removed from probation, and all sanctions, and that its accreditation has been reaffirmed.

The District was placed on enrollment "stability" funding by the State Chancellor's Office during fiscal years 2012-2013 and 2013-14 due to missing student enrollment targets during the 2011-12 and 2012-13 fiscal years. The District's unrestricted general fund balance fell below 5.0% at the end of 2011-12. The District implemented employee reductions-in-force and negotiated pay concessions with all employee groups, including its faculty and classified staff collective bargaining units. As a result, the District closed fiscal year 2012-13 with a 5.0% fund balance.

With assistance from State Special Trustee Henry, the District has been and continues to implement a multi-year fiscal recovery plan to ensure the District's continued financial solvency by increasing revenues and reducing expenditures. This comprehensive sustainability plan includes revising District policies and procedures and enacting multi-year budget plans that steadily improve the fund balance each year.

**15. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This statement will improve accounting and financial reporting by state and local governments for defined benefit pensions and defined contribution pensions. The statement will also improve information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2014, will have on the District's financial statements, if any.

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

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

The Foundation has elected the fair value option in conformity with FASB ASC 825-10 to report its interest in the charitable remainder trust. A noncurrent asset for the charitable remainder trust has been recognized at the present value of the expected future cash flow discounted at a rate of 2.20% at June 30, 2014. Changes in the value of the trust have been reported in the statement of activities as decreases in temporarily restricted net assets.

**SUPPLEMENTARY INFORMATION SECTION**

# ORGANIZATION STRUCTURE

June 30, 2014

*Redwoods Community  
College District*

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

## GOVERNING BOARD

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Dr. Colleen Mullery	President	December 2015
Thomas Ross	Vice President	December 2017
Sally Biggin	Clerk	December 2015
Bruce Emad	Member	December 2015
Rick Bennett	Member	December 2014
Tracy Coppini	Member	December 2017
Richard Dorn	Member	December 2015
Barbara Rice	Member	December 2017
Vacant	Student Member (Nonvoting)	Vacant

## DISTRICT ADMINISTRATION

Mrs. Kathryn G. Smith  
President/Superintendent

Dr. Keith Snow-Flamer  
Vice President, Student Development

Mr. Lee Lindsey  
Vice President, Administrative Services

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

*Redwoods Community  
College District*

June 30, 2014

The full-time equivalent resident students (FTES) eligible for 2013-14 state apportionment reported to the State of California as of June 30, 2014, are summarized below:

	<b>Reported Data</b>
<hr/> <hr/>	
SUMMER INTERSESSION (Summer 2013 only)	
Credit	22.81
SUMMER INTERSESSION (Summer 2014 - Prior to July 1, 2014)	
Credit	5.45
PRIMARY TERMS (Exclusive of Summer Intersession)	
Census Procedure Courses	
Weekly Census Contact Hours	3,021.28
Daily Census Contact Hours	143.70
Actual Hours of Attendance Procedure Courses	
Noncredit	13.54
Credit	243.38
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	264.59
Daily Census Contact Hours	48.79
<b>Total FTES</b>	<b>3,763.54</b>
<hr/> <hr/>	
<b>SUPPLEMENTARY INFORMATION (Subset of above information)</b>	
IN-SERVICE TRAINING COURSES (FTES)	-
BASIC SKILLS COURSES AND IMMIGRANT EDUCATION	
Noncredit	23.38
Credit	311.85
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*See the accompanying notes to the supplementary information.*

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

June 30, 2014

*Redwoods Community  
College District*

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass Through/ Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Student Financial Assistance Cluster			
Federal Supplemental Education Opportunity Grants		84.007	\$ 148,700
Federal Direct Student Loans		84.268	1,185,146
Federal Work-Study Program		84.033	182,220
Federal Pell Grant Program		84.063	<u>7,078,658</u>
<b>Total Student Financial Assistance Cluster</b>			<u>8,594,724</u>
<b>TRIO Cluster</b>			
Student Support Services		84.042	277,817
Upward Bound		84.047	<u>402,409</u>
<b>Total TRIO Cluster</b>			<u>680,226</u>
Child Care Access Means Parents in School Passed Through State Department of Education Vocational Education - Basic Grants to States	13-C01-043	84.116 84.048	71,080 <u>165,914</u>
<b>Total U.S. Department of Education</b>			<u>9,511,944</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Summer Food Service Program for Children Passed Through State Office of Education Child Nutrition Program		10.559 04129-CACFP-12-CC-IC	5,209 <u>29,168</u>
<b>Total U.S. Department of Agriculture</b>			<u>34,377</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Northcoast Children's Services Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CRPM 1015 CSPP 3098 CTTR 3047	93.575 96.596 96.596	6,670 13,105 <u>12,000</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>31,775</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
Passed Through Various Tribes Bureau of Indian Affairs		15.124	<u>104,783</u>
<b>Total U.S. Department of Interior</b>			<u>104,783</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed Through County of Humboldt Employment Training Panel	ET 11-0534	17.258	<u>15,108</u>
<b>Total U.S. Department of Labor</b>			<u>15,108</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed Through Butler Community College Faculty Development in Design, Construction, Assembly, and Analysis of a Solid Body Guitar		47.076	<u>5,022</u>
<b>Total National Science Foundation</b>			<u>5,022</u>
<b>U.S. DEPARTMENT OF VETERAN'S AFFAIRS</b>			
Post-9/11 Veteran's Educational Assistance Veteran's Education		64.028 64.117	27,299 <u>21,235</u>
<b>Total U.S. Department of Veteran's Affairs</b>			<u>48,534</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
AmeriCorps		94.006	<u>150,406</u>
<b>Total Corporation for National and Community Service</b>			<u>150,406</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 9,901,949</u>

*See the accompanying notes to the supplementary information.*



**SCHEDULE OF EXPENDITURES OF  
STATE AWARDS**

June 30, 2014

*Redwoods Community  
College District*

	<b>Program Revenues</b>			
	<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Deferred Revenue</b>	<b>Total</b>
Extended Opportunity Programs and Services	\$ 779,053	\$ -	\$ (88,085)	\$ 690,968
Disabled Students Programs and Services	591,487	-	-	591,487
CalGrant	379,012	(10,134)	-	368,878
Student Success	281,562	-	-	281,562
Student Financial Aid Administration	264,093	-	-	264,093
CalWORKS	185,894	(50,982)	-	134,912
Foster Parent	177,954	60,017	-	237,971
Prop 20 Lottery	164,566	(28,089)	(33,478)	102,999
Nursing Education	156,912	27,265	-	184,177
Community Collaborative (CTE)	155,387	(4,363)	-	151,024
Clean Energy	149,096	-	(149,096)	-
State Preschool	147,424	11,865	-	159,289
State Mandated Costs	121,898	-	-	121,898
Instructional Equipment & Materials	109,713	-	-	109,713
Scheduled Maintenance	109,705	-	(90,472)	19,233
Cooperative Agencies Resources for Education	107,479	-	-	107,479
Part-Time Faculty Allowance	100,150	-	-	100,150
Other categorical aid programs	213,368	71,979	36,055	321,402
<b>Total State Programs</b>	<b>\$ 4,194,753</b>	<b>\$ 77,558</b>	<b>\$ (325,076)</b>	<b>\$ 3,947,235</b>

*See the accompanying notes to the supplementary information.*

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

June 30, 2014

*Redwoods Community  
College District  
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	<b>General Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Other Debt Service Fund</b>	<b>Child Development Fund</b>	<b>Balance Forward</b>
<b>June 30, 2014, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 2,157,524	\$ 2,392,393	\$ -	\$ 89,548	\$ 4,639,465
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(32)	(2)	-	(1)	(35)
<b>Net Adjustments and Reclassifications</b>	<b>(32)</b>	<b>(2)</b>	<b>-</b>	<b>(1)</b>	<b>(35)</b>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<b>\$ 2,157,492</b>	<b>\$ 2,392,391</b>	<b>\$ -</b>	<b>\$ 89,547</b>	<b>\$ 4,639,430</b>

*See the accompanying notes to the supplementary information.*

	<b>Balance Brought Forward</b>	<b>Farm Operations Fund</b>	<b>Bookstore Fund</b>	<b>Other Enterprise Fund</b>	<b>Balance Forward</b>
<b>June 30, 2014, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 4,639,465	\$ 903	\$ 15,000	\$ 542,395	\$ 5,197,763
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	-	-	-	154,527	154,527
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(35)	(5)	-	-	(40)
<b>Net Adjustments and Reclassifications</b>	<b>(35)</b>	<b>(5)</b>	<b>-</b>	<b>154,527</b>	<b>154,487</b>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<b>\$ 4,639,430</b>	<b>\$ 898</b>	<b>\$ 15,000</b>	<b>\$ 696,922</b>	<b>\$ 5,352,250</b>

*See the accompanying notes to the supplementary information.*

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

June 30, 2014

*Redwoods Community  
College District  
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	<b>Balance Brought Forward</b>	<b>Other Special Revenue Fund</b>	<b>Capital Outlay Projects Fund</b>	<b>Employee Benefit Fund</b>	<b>Balance Forward</b>
<b>June 30, 2014, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 5,197,763	\$ 605,678	\$ 10,430,422	\$ 1,901,048	\$ 18,134,911
Adjustment and reclassifications increasing (decreasing the fund balance:					
District posted adjustments	154,527	-	-	-	154,527
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(40)	2	2	1	(35)
<b>Net Adjustments and Reclassifications</b>	<b>154,487</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>154,492</b>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<b>\$ 5,352,250</b>	<b>\$ 605,680</b>	<b>\$ 10,430,424</b>	<b>\$ 1,901,049</b>	<b>\$ 18,289,403</b>

*See the accompanying notes to the supplementary information.*

	<b>Balance Brought Forward</b>	<b>Associated Students Trust Fund</b>	<b>Student Financial Aid Trust Fund</b>	<b>Total</b>
<b>June 30, 2014, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 18,134,911	\$ 111,817	\$ 5	\$ 18,246,733
Adjustment and reclassifications increasing (decreasing the fund balance:				
District posted adjustments	154,527	-	-	154,527
Reclassification of amounts held for others	-	(111,818)	-	(111,818)
Rounding	(35)	1	-	(34)
<b>Net Adjustments and Reclassifications</b>	<b>154,492</b>	<b>(111,817)</b>	<b>-</b>	<b>42,675</b>
<b>June 30, 2014, District Accounting Records Fund Balance</b>	<b>\$ 18,289,403</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 18,289,408</b>

*See the accompanying notes to the supplementary information.*

**RECONCILIATION OF 50% LAW CALCULATION**

June 30, 2014

*Redwoods Community*

*College District*

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	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
INSTRUCTIONAL SALARIES							
Contract or regular	1100	\$ 5,550,479	\$ -	\$ 5,550,479	\$ 5,779,661	\$ -	\$ 5,779,661
Other	1300	3,388,316	-	3,388,316	3,388,316	-	3,388,316
<b>Total Instructional Salaries</b>		<b>8,938,795</b>	<b>-</b>	<b>8,938,795</b>	<b>9,167,977</b>	<b>-</b>	<b>9,167,977</b>
NON-INSTRUCTIONAL SALARIES							
Contract or regular	1200	-	-	-	1,310,850	-	1,310,850
Other	1400	-	-	-	141,445	-	141,445
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,452,295</b>	<b>-</b>	<b>1,452,295</b>
<b>Total Academic Salaries</b>		<b>8,938,795</b>	<b>-</b>	<b>8,938,795</b>	<b>10,620,272</b>	<b>-</b>	<b>10,620,272</b>
<b>CLASSIFIED SALARIES</b>							
NON-INSTRUCTIONAL SALARIES							
Regular status	2100	-	-	-	3,971,719	-	3,971,719
Other	2300	-	-	-	325,459	-	325,459
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,297,178</b>	<b>-</b>	<b>4,297,178</b>
INSTRUCTIONAL AIDES							
Regular status	2200	391,562	-	391,562	391,562	-	391,562
Other	2400	233,772	-	233,772	233,772	-	233,772
<b>Total Instructional Aides</b>		<b>625,334</b>	<b>-</b>	<b>625,334</b>	<b>625,334</b>	<b>-</b>	<b>625,334</b>
<b>Total Classified Salaries</b>		<b>625,334</b>	<b>-</b>	<b>625,334</b>	<b>4,922,512</b>	<b>-</b>	<b>4,922,512</b>
OTHER							
Employee benefits	3000	2,660,324	-	2,660,324	5,542,417	-	5,542,417
Supplies and materials	4000	-	-	-	360,433	-	360,433
Other operating expenses	5000	-	-	-	3,125,824	-	3,125,824
Equipment replacement	6420	-	-	-	4,602	-	4,602
<b>Total Other</b>		<b>2,660,324</b>	<b>-</b>	<b>2,660,324</b>	<b>9,033,276</b>	<b>-</b>	<b>9,033,276</b>
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 12,224,453</b>	<b>\$ -</b>	<b>\$ 12,224,453</b>	<b>\$ 24,576,060</b>	<b>\$ -</b>	<b>\$ 24,576,060</b>

See the accompanying notes to the supplementary information.

**RECONCILIATION OF 50% LAW CALCULATION**

June 30, 2014

*Redwoods Community*

*College District*

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	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
ACTIVITIES TO EXCLUDE							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ 132,208	\$ -	\$ 132,208	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	129,937	-	129,937
<b>Total Instructional Salaries</b>		<u>132,208</u>	<u>-</u>	<u>132,208</u>	<u>129,937</u>	<u>-</u>	<u>129,937</u>
OBJECTS TO EXCLUDE							
Rents and leases	5060	-	-	-	-	-	-
Lottery expenditures:							
Academic salaries	1000	-	-	-	170,238	-	170,238
Classified salaries	2000	-	-	-	103,789	-	103,789
Employee benefits	3000	-	-	-	120,931	-	120,931
<b>Subtotal</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>394,958</u>	<u>-</u>	<u>394,958</u>
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	1,183	-	1,183
Instructional supplies and materials	4300	-	-	-	-	-	-
Non-instructional supplies and materials	4400	-	-	-	12,203	-	12,203
<b>Subtotal</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>13,386</u>	<u>-</u>	<u>13,386</u>
Other operating expenses and services	5000	-	-	-	66,102	-	66,102
Capital outlay:	6000						
Library books	6300	-	-	-	4,147	-	4,147
Equipment - additional	6410	-	-	-	11,719	-	11,719
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Capital Outlay</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>15,866</u>	<u>-</u>	<u>15,866</u>
Other outgo	7000	-	-	-	-	-	-
<b>Total Exclusions</b>		<u>132,208</u>	<u>-</u>	<u>132,208</u>	<u>620,249</u>	<u>-</u>	<u>620,249</u>
<b>Total for ECS 84362 - 50% Law</b>		<u>\$ 12,092,245</u>	<u>\$ -</u>	<u>\$ 12,092,245</u>	<u>\$ 23,955,811</u>	<u>\$ -</u>	<u>\$ 23,955,811</u>
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		<u>50.48%</u>	<u>0.00%</u>	<u>50.48%</u>			
<b>50% of Current Expense of Education</b>					<u>\$ 11,977,910</u>	<u>\$ -</u>	<u>\$ 11,977,910</u>

See the accompanying notes to the supplementary information.

**RECONCILIATION OF EDUCATION  
PROTECTION ACCOUNT EXPENDITURES**

*Redwoods Community  
College District*

June 30, 2014

	<b>Object Code</b>	<b>Salaries and Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
<b>EPA Proceeds</b>	8630				\$ 3,837,036
EXPENDITURES FOR EPA					
Instructional activities	0100-5900	\$ 3,837,036	\$ -	\$ -	3,837,036
<b>Total Revenue Less Expenditures</b>					\$ -

*See the accompanying notes to the other supplementary information.*

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

*Redwoods Community  
College District  
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June 30, 2014	<b>General Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Other Debt Service Fund</b>	<b>Child Development Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 3,593,293	\$ -	\$ -	\$ -	\$ 3,593,293
Restricted cash and cash equivalents	901,302	2,392,391	-	-	3,293,693
Accounts receivable - net	4,584,991	-	-	104,429	4,689,420
Inventories	41,104	-	-	-	41,104
Due from other funds	-	-	-	-	-
Due from Foundation	195,686	-	-	-	195,686
<b>Total Current Assets</b>	<b>9,316,376</b>	<b>2,392,391</b>	<b>-</b>	<b>104,429</b>	<b>11,813,196</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 9,316,376</b>	<b>\$ 2,392,391</b>	<b>\$ -</b>	<b>\$ 104,429</b>	<b>\$ 11,813,196</b>
<b>LIABILITIES</b>					
Deficit cash balance	\$ -	\$ -	\$ -	\$ 4,711	\$ 4,711
Accounts payable	967,781	-	-	2,749	970,530
Accrued liabilities	1,119,731	-	-	7,422	1,127,153
Deferred revenue	2,084,037	-	-	-	2,084,037
Due to other funds	-	-	-	-	-
Current portion of compensated absences	87,335	-	-	-	87,335
Amounts held for others	-	-	-	-	-
Short-term debt	2,900,000	-	-	-	2,900,000
<b>Total Liabilities</b>	<b>7,158,884</b>	<b>-</b>	<b>-</b>	<b>14,882</b>	<b>7,173,766</b>
<b>FUND EQUITY</b>					
Retained earnings (deficit)	-	-	-	-	-
Fund balances:					
Reserved for debt service	-	2,392,391	-	-	2,392,391
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	-	-	-	89,547	89,547
Unreserved:					
Undesignated	2,157,492	-	-	-	2,157,492
<b>Total Fund Equity</b>	<b>2,157,492</b>	<b>2,392,391</b>	<b>-</b>	<b>89,547</b>	<b>4,639,430</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 9,316,376</b>	<b>\$ 2,392,391</b>	<b>\$ -</b>	<b>\$ 104,429</b>	<b>\$ 11,813,196</b>

*See the accompanying notes to the supplementary information.*

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

*Redwoods Community  
College District  
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June 30, 2014	<b>Balance Brought Forward</b>	<b>Farm Operations Fund</b>	<b>Bookstore Fund</b>	<b>Other Enterprise Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 3,593,293	\$ 6,081	\$ 15,000	\$ 440,128	\$ 4,054,502
Restricted cash and cash equivalents	3,293,693	-	-	-	3,293,693
Accounts receivable - net	4,689,420	-	-	61,560	4,750,980
Inventories	41,104	-	-	288,554	329,658
Due from other funds	-	-	-	-	-
Due from Foundation	195,686	-	-	-	195,686
<b>Total Current Assets</b>	<b>11,813,196</b>	<b>6,081</b>	<b>15,000</b>	<b>790,242</b>	<b>12,624,519</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 11,813,196</b>	<b>\$ 6,081</b>	<b>\$ 15,000</b>	<b>\$ 790,242</b>	<b>\$ 12,624,519</b>
<b>LIABILITIES</b>					
Deficit cash balance	\$ 4,711	\$ -	\$ -	\$ -	\$ 4,711
Accounts payable	970,530	5,183	-	19,354	995,067
Accrued liabilities	1,127,153	-	-	21,098	1,148,251
Deferred revenue	2,084,037	-	-	52,868	2,136,905
Due to other funds	-	-	-	-	-
Current portion of compensated absences	87,335	-	-	-	87,335
Amounts held for others	-	-	-	-	-
Short-term debt	2,900,000	-	-	-	2,900,000
<b>Total Liabilities</b>	<b>7,173,766</b>	<b>5,183</b>	<b>-</b>	<b>93,320</b>	<b>7,272,269</b>
<b>FUND EQUITY</b>					
Retained earnings (deficit)	-	898	15,000	-	15,898
Fund balances:					
Reserved for debt service	2,392,391	-	-	-	2,392,391
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	89,547	-	-	-	89,547
Unreserved:					
Undesignated	2,157,492	-	-	696,922	2,854,414
<b>Total Fund Equity</b>	<b>4,639,430</b>	<b>898</b>	<b>15,000</b>	<b>696,922</b>	<b>5,352,250</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 11,813,196</b>	<b>\$ 6,081</b>	<b>\$ 15,000</b>	<b>\$ 790,242</b>	<b>\$ 12,624,519</b>

*See the accompanying notes to the supplementary information.*



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

*Redwoods Community  
College District  
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June 30, 2014	<b>Balance Brought Forward</b>	<b>Other Special Revenue Fund</b>	<b>Capital Outlay Projects Fund</b>	<b>Bond Construction Fund</b>	<b>Balance Forward</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 4,054,502	\$ 602,935	\$ -	\$ -	\$ 4,657,437
Restricted cash and cash equivalents	3,293,693	-	-	-	3,293,693
Accounts receivable - net	4,750,980	19,940	-	-	4,770,920
Inventories	329,658	-	-	-	329,658
Due from other funds	-	-	-	-	-
Due from Foundation	195,686	-	-	-	195,686
<b>Total Current Assets</b>	<b>12,624,519</b>	<b>622,875</b>	<b>-</b>	<b>-</b>	<b>13,247,394</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	-	-	385,562	10,447,716	10,833,278
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>385,562</b>	<b>10,447,716</b>	<b>10,833,278</b>
<b>Total Assets</b>	<b>\$ 12,624,519</b>	<b>\$ 622,875</b>	<b>\$ 385,562</b>	<b>\$ 10,447,716</b>	<b>\$ 24,080,672</b>
<b>LIABILITIES</b>					
Deficit cash balance	\$ 4,711	\$ -	\$ -	\$ -	\$ 4,711
Accounts payable	995,067	17,195	25,704	121,171	1,159,137
Accrued liabilities	1,148,251	-	-	6,008	1,154,259
Deferred revenue	2,136,905	-	249,971	-	2,386,876
Due to other funds	-	-	-	-	-
Current portion of compensated absences	87,335	-	-	-	87,335
Amounts held for others	-	-	-	-	-
Short-term debt	2,900,000	-	-	-	2,900,000
<b>Total Liabilities</b>	<b>7,272,269</b>	<b>17,195</b>	<b>275,675</b>	<b>127,179</b>	<b>7,692,318</b>
<b>FUND EQUITY</b>					
Retained earnings (deficit)	15,898	-	-	-	15,898
Fund balances:					
Reserved for debt service	2,392,391	-	-	-	2,392,391
Reserved for capital projects	-	-	109,887	10,320,537	10,430,424
Reserved for special purposes	89,547	-	-	-	89,547
Unreserved:					
Undesignated	2,854,414	605,680	-	-	3,460,094
<b>Total Fund Equity</b>	<b>5,352,250</b>	<b>605,680</b>	<b>109,887</b>	<b>10,320,537</b>	<b>16,388,354</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 12,624,519</b>	<b>\$ 622,875</b>	<b>\$ 385,562</b>	<b>\$ 10,447,716</b>	<b>\$ 24,080,672</b>

*See the accompanying notes to the supplementary information.*

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

*Redwoods Community  
College District  
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June 30, 2014	<b>Balance Brought Forward</b>	<b>Employee Benefit Fund</b>	<b>Associated Students Fund</b>	<b>Student Aid Financial Trust Fund</b>	<b>Total</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 4,657,437	\$ 1,901,049	\$ -	\$ -	\$ 6,558,486
Restricted cash and cash equivalents	3,293,693	-	157,245	-	3,450,938
Accounts receivable - net	4,770,920	-	-	401,376	5,172,296
Inventories	329,658	-	-	-	329,658
Due from other funds	-	-	-	-	-
Due from Foundation	195,686	-	-	-	195,686
<b>Total Current Assets</b>	<b>13,247,394</b>	<b>1,901,049</b>	<b>157,245</b>	<b>401,376</b>	<b>15,707,064</b>
<b>NONCURRENT ASSETS</b>					
Restricted cash and cash equivalents	10,833,278	-	-	-	10,833,278
<b>Total Noncurrent Assets</b>	<b>10,833,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,833,278</b>
<b>Total Assets</b>	<b>\$ 24,080,672</b>	<b>\$ 1,901,049</b>	<b>\$ 157,245</b>	<b>\$ 401,376</b>	<b>\$ 26,540,342</b>
<b>LIABILITIES</b>					
Deficit cash balance	\$ 4,711	\$ -	\$ -	\$ 377,723	\$ 382,434
Accounts payable	1,159,137	-	5,598	-	1,164,735
Accrued liabilities	1,154,259	-	110	-	1,154,369
Deferred revenue	2,386,876	-	39,719	23,648	2,450,243
Due to other funds	-	-	-	-	-
Current portion of compensated absences	87,335	-	-	-	87,335
Amounts held for others	-	-	111,818	-	111,818
Short-term debt	2,900,000	-	-	-	2,900,000
<b>Total Liabilities</b>	<b>7,692,318</b>	<b>-</b>	<b>157,245</b>	<b>401,371</b>	<b>8,250,934</b>
<b>FUND EQUITY</b>					
Retained earnings (deficit)	15,898	-	-	-	15,898
Fund balances:					
Reserved for debt service	2,392,391	-	-	-	2,392,391
Reserved for capital projects	10,430,424	-	-	-	10,430,424
Reserved for special purposes	89,547	1,901,049	-	5	1,990,601
Unreserved:					
Undesignated	3,460,094	-	-	-	3,460,094
<b>Total Fund Equity</b>	<b>16,388,354</b>	<b>1,901,049</b>	<b>-</b>	<b>5</b>	<b>18,289,408</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 24,080,672</b>	<b>\$ 1,901,049</b>	<b>\$ 157,245</b>	<b>\$ 401,376</b>	<b>\$ 26,540,342</b>

*See the accompanying notes to the supplementary information.*

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

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College District  
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Year Ended June 30, 2014	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 5,691,580	\$ -	\$ -	\$ 38,434	\$ 5,730,014
Less: Scholarship discount and allowance	(3,132,423)	-	-	-	(3,132,423)
<b>Net Tuition and Fees</b>	<b>2,559,157</b>	<b>-</b>	<b>-</b>	<b>38,434</b>	<b>2,597,591</b>
Grants and contracts - noncapital:					
Federal	1,222,716	-	-	125,354	1,348,070
State	3,171,422	-	-	237,824	3,409,246
Local	137,905	-	-	-	137,905
Auxiliary enterprise sales and charges	49,044	-	-	-	49,044
<b>Total Operating Revenues</b>	<b>7,140,244</b>	<b>-</b>	<b>-</b>	<b>401,612</b>	<b>7,541,856</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	18,017,389	-	-	255,494	18,272,883
Employee benefits	6,386,859	-	-	153,892	6,540,751
Payments to students	411,158	-	-	-	411,158
Supplies, materials, and other services	3,824,416	1,376	-	46,384	3,872,176
Capital outlay	658,902	-	-	-	658,902
Utilities	1,029,068	-	-	-	1,029,068
<b>Total Operating Expenditures/Expenses</b>	<b>30,327,792</b>	<b>1,376</b>	<b>-</b>	<b>455,770</b>	<b>30,784,938</b>
<b>Operating Income (Loss)</b>	<b>(23,187,548)</b>	<b>(1,376)</b>	<b>-</b>	<b>(54,158)</b>	<b>(23,243,082)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	11,445,879	-	-	-	11,445,879
Education protection account revenues - noncapital	3,837,036	-	-	-	3,837,036
Local property taxes - noncapital	8,528,577	61,341	-	-	8,589,918
State taxes and other revenues	913,760	226,382	-	-	1,140,142
Investment income - noncapital	32,786	9,704	-	-	42,490
Debt service - principal	-	(780,000)	(83,900)	-	(863,900)
Debt service - interest	-	(1,358,876)	(15,007)	-	(1,373,883)
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	98,084	-	-	1,000	99,084
Bond issuance costs	-	(344,257)	-	-	(344,257)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>24,856,122</b>	<b>(2,185,706)</b>	<b>(98,907)</b>	<b>1,000</b>	<b>22,572,509</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>1,668,574</b>	<b>(2,187,082)</b>	<b>(98,907)</b>	<b>(53,158)</b>	<b>(670,573)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	-	1,917,113	-	-	1,917,113
Investment income - capital	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>1,668,574</b>	<b>(269,969)</b>	<b>(98,907)</b>	<b>(53,158)</b>	<b>1,246,540</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	98,907	90,000	188,907
Operating transfers out	(864,702)	-	-	500	(864,202)
Proceeds from long-term debt	-	25,140,000	-	-	25,140,000
Premium on long-term debt	-	2,776,447	-	-	2,776,447
Payment to refunded bond escrow agent	-	(27,274,207)	-	-	(27,274,207)
<b>Total Other Financing Sources (Uses)</b>	<b>(864,702)</b>	<b>642,240</b>	<b>98,907</b>	<b>90,500</b>	<b>(33,055)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>803,872</b>	<b>372,271</b>	<b>-</b>	<b>37,342</b>	<b>1,213,485</b>
<b>Fund Equity - Beginning of Year</b>	<b>1,353,620</b>	<b>2,020,120</b>	<b>-</b>	<b>52,205</b>	<b>3,425,945</b>
<b>Fund Equity - End of Year</b>	<b>\$ 2,157,492</b>	<b>\$ 2,392,391</b>	<b>\$ -</b>	<b>\$ 89,547</b>	<b>\$ 4,639,430</b>

*See the accompanying notes to the supplementary information.*

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

*Redwoods Community  
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Year Ended June 30, 2014	<b>Balance Brought Forward</b>	<b>Farm Operations Fund</b>	<b>Bookstore Fund</b>	<b>Other Enterprise Fund</b>	<b>Balance Forward</b>
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 5,730,014	\$ -	\$ -	\$ 505,617	\$ 6,235,631
Less: Scholarship discount and allowance	(3,132,423)	-	-	-	(3,132,423)
<b>Net Tuition and Fees</b>	<b>2,597,591</b>	<b>-</b>	<b>-</b>	<b>505,617</b>	<b>3,103,208</b>
Grants and contracts - noncapital:					
Federal	1,348,070	-	-	-	1,348,070
State	3,409,246	-	-	-	3,409,246
Local	137,905	15,110	-	94,546	247,561
Auxiliary enterprise sales and charges	49,044	22,358	-	274,008	345,410
<b>Total Operating Revenues</b>	<b>7,541,856</b>	<b>37,468</b>	<b>-</b>	<b>874,171</b>	<b>8,453,495</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	18,272,883	18,254	62,358	226,678	18,580,173
Employee benefits	6,540,751	8,109	45,135	32,940	6,626,935
Payments to students	411,158	-	-	-	411,158
Supplies, materials, and other services	3,872,176	38,965	-	210,986	4,122,127
Capital outlay	658,902	16,696	-	255,666	931,264
Utilities	1,029,068	-	-	5,133	1,034,201
<b>Total Operating Expenditures/Expenses</b>	<b>30,784,938</b>	<b>82,024</b>	<b>107,493</b>	<b>731,403</b>	<b>31,705,858</b>
<b>Operating Income (Loss)</b>	<b>(23,243,082)</b>	<b>(44,556)</b>	<b>(107,493)</b>	<b>142,768</b>	<b>(23,252,363)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	11,445,879	-	-	-	11,445,879
Education protection account revenues - noncapital	3,837,036	-	-	-	3,837,036
Local property taxes - noncapital	8,589,918	-	-	-	8,589,918
State taxes and other revenues	1,140,142	-	-	-	1,140,142
Investment income - noncapital	42,490	-	-	-	42,490
Debt service - principal	(863,900)	-	-	-	(863,900)
Debt service - interest	(1,373,883)	-	-	-	(1,373,883)
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	99,084	1,600	122,493	-	223,177
Bond issuance costs	(344,257)	-	-	-	(344,257)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>22,572,509</b>	<b>1,600</b>	<b>122,493</b>	<b>-</b>	<b>22,696,602</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(670,573)</b>	<b>(42,956)</b>	<b>15,000</b>	<b>142,768</b>	<b>(555,761)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	1,917,113	-	-	-	1,917,113
Investment income - capital	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>1,246,540</b>	<b>(42,956)</b>	<b>15,000</b>	<b>142,768</b>	<b>1,361,352</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	188,907	54,001	-	95,380	338,288
Operating transfers out	(864,202)	-	-	-	(864,202)
Proceeds from long-term debt	25,140,000	-	-	-	25,140,000
Premium on long-term debt	2,776,447	-	-	-	2,776,447
Payment to refunded bond escrow agent	(27,274,207)	-	-	-	(27,274,207)
<b>Total Other Financing Sources (Uses)</b>	<b>(33,055)</b>	<b>54,001</b>	<b>-</b>	<b>95,380</b>	<b>116,326</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>1,213,485</b>	<b>11,045</b>	<b>15,000</b>	<b>238,148</b>	<b>1,477,678</b>
<b>Fund Equity - Beginning of Year</b>	<b>3,425,945</b>	<b>(10,147)</b>	<b>-</b>	<b>458,774</b>	<b>3,874,572</b>
<b>Fund Equity - End of Year</b>	<b>\$ 4,639,430</b>	<b>\$ 898</b>	<b>\$ 15,000</b>	<b>\$ 696,922</b>	<b>\$ 5,352,250</b>

See the accompanying notes to the supplementary information.

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

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Year Ended June 30, 2014	<b>Balance Brought Forward</b>	<b>Other Special Revenue Fund</b>	<b>Capital Outlay Projects Fund</b>	<b>Bond Construction Trust Fund</b>	<b>Balance Forward</b>
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 6,235,631	\$ 100,504	\$ -	\$ -	\$ 6,336,135
Less: Scholarship discount and allowance	(3,132,423)	-	-	-	(3,132,423)
<b>Net Tuition and Fees</b>	<b>3,103,208</b>	<b>100,504</b>	<b>-</b>	<b>-</b>	<b>3,203,712</b>
Grants and contracts - noncapital:					
Federal	1,348,070	-	-	-	1,348,070
State	3,409,246	-	-	-	3,409,246
Local	247,561	322,715	-	-	570,276
Auxiliary enterprise sales and charges	345,410	-	-	-	345,410
<b>Total Operating Revenues</b>	<b>8,453,495</b>	<b>423,219</b>	<b>-</b>	<b>-</b>	<b>8,876,714</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	18,580,173	224,504	-	44,180	18,848,857
Employee benefits	6,626,935	98,785	-	10,477	6,736,197
Payments to students	411,158	-	-	-	411,158
Supplies, materials, and other services	4,122,127	50,160	65,793	856,401	5,094,481
Capital outlay	931,264	68,039	347,247	1,519,744	2,866,294
Utilities	1,034,201	-	-	-	1,034,201
<b>Total Operating Expenditures/Expenses</b>	<b>31,705,858</b>	<b>441,488</b>	<b>413,040</b>	<b>2,430,802</b>	<b>34,991,188</b>
<b>Operating Income (Loss)</b>	<b>(23,252,363)</b>	<b>(18,269)</b>	<b>(413,040)</b>	<b>(2,430,802)</b>	<b>(26,114,474)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	11,445,879	-	-	-	11,445,879
Education protection account revenues - noncapital	3,837,036	-	-	-	3,837,036
Local property taxes - noncapital	8,589,918	-	-	-	8,589,918
State taxes and other revenues	1,140,142	-	-	-	1,140,142
Investment income - noncapital	42,490	-	-	-	42,490
Debt service - principal	(863,900)	-	-	-	(863,900)
Debt service - interest	(1,373,883)	-	-	-	(1,373,883)
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	223,177	-	-	-	223,177
Bond issuance costs	(344,257)	-	-	(277,502)	(621,759)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>22,696,602</b>	<b>-</b>	<b>-</b>	<b>(277,502)</b>	<b>22,419,100</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(555,761)</b>	<b>(18,269)</b>	<b>(413,040)</b>	<b>(2,708,304)</b>	<b>(3,695,374)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
State apportionments - capital	-	-	345,217	-	345,217
Local property taxes - capital	1,917,113	-	-	-	1,917,113
Investment income - capital	-	-	-	44,223	44,223
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>1,361,352</b>	<b>(18,269)</b>	<b>(67,823)</b>	<b>(2,664,081)</b>	<b>(1,388,821)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	338,288	-	-	-	338,288
Operating transfers out	(864,202)	375,914	-	-	(488,288)
Proceeds from long-term debt	25,140,000	-	-	7,320,000	32,460,000
Premium on long-term debt	2,776,447	-	-	90,502	2,866,949
Payment to refunded bond escrow agent	(27,274,207)	-	-	-	(27,274,207)
<b>Total Other Financing Sources (Uses)</b>	<b>116,326</b>	<b>375,914</b>	<b>-</b>	<b>7,410,502</b>	<b>7,902,742</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>1,477,678</b>	<b>357,645</b>	<b>(67,823)</b>	<b>4,746,421</b>	<b>6,513,921</b>
<b>Fund Equity - Beginning of Year</b>	<b>3,874,572</b>	<b>248,035</b>	<b>177,710</b>	<b>5,574,116</b>	<b>9,874,433</b>
<b>Fund Equity - End of Year</b>	<b>\$ 5,352,250</b>	<b>\$ 605,680</b>	<b>\$ 109,887</b>	<b>\$ 10,320,537</b>	<b>\$ 16,388,354</b>

See the accompanying notes to the supplementary information.

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

*Redwoods Community  
College District*  
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Year Ended June 30, 2014	Balance Brought Forward	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>OPERATING REVENUES</b>					
Tuition and fees	\$ 6,336,135	\$ -	\$ -	\$ -	\$ 6,336,135
Less: Scholarship discount and allowance	(3,132,423)	-	-	-	(3,132,423)
<b>Net Tuition and Fees</b>	<b>3,203,712</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,203,712</b>
Grants and contracts - noncapital:					
Federal	1,348,070	-	-	-	1,348,070
State	3,409,246	-	-	-	3,409,246
Local	570,276	-	-	-	570,276
Auxiliary enterprise sales and charges	345,410	-	-	-	345,410
<b>Total Operating Revenues</b>	<b>8,876,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,876,714</b>
<b>OPERATING EXPENDITURES/EXPENSES</b>					
Salaries	18,848,857	-	-	-	18,848,857
Employee benefits	6,736,197	900,283	-	-	7,636,480
Payments to students	411,158	-	-	-	411,158
Supplies, materials, and other services	5,094,481	-	-	-	5,094,481
Capital outlay	2,866,294	-	-	-	2,866,294
Utilities	1,034,201	-	-	-	1,034,201
<b>Total Operating Expenditures/Expenses</b>	<b>34,991,188</b>	<b>900,283</b>	<b>-</b>	<b>-</b>	<b>35,891,471</b>
<b>Operating Income (Loss)</b>	<b>(26,114,474)</b>	<b>(900,283)</b>	<b>-</b>	<b>-</b>	<b>(27,014,757)</b>
<b>NONOPERATING REVENUES (EXPENDITURES)</b>					
State apportionments - noncapital	11,445,879	-	-	-	11,445,879
Education protection account revenues - noncapital	3,837,036	-	-	-	3,837,036
Local property taxes - noncapital	8,589,918	-	-	-	8,589,918
State taxes and other revenues	1,140,142	-	-	-	1,140,142
Investment income - noncapital	42,490	7,782	-	-	50,272
Debt service - principal	(863,900)	-	-	-	(863,900)
Debt service - interest	(1,373,883)	-	-	-	(1,373,883)
Financial aid revenues - federal	-	-	-	8,694,992	8,694,992
Financial aid revenues - state	-	-	-	392,378	392,378
Financial aid expenses	-	-	-	(9,087,371)	(9,087,371)
Other nonoperating revenues	223,177	290,960	-	-	514,137
Bond issuance costs	(621,759)	-	-	-	(621,759)
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>22,419,100</b>	<b>298,742</b>	<b>-</b>	<b>(1)</b>	<b>22,717,841</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(3,695,374)</b>	<b>(601,541)</b>	<b>-</b>	<b>(1)</b>	<b>(4,296,916)</b>
<b>OTHER REVENUES AND EXPENDITURES</b>					
State apportionments - capital	345,217	-	-	-	345,217
Local property taxes - capital	1,917,113	-	-	-	1,917,113
Investment income - capital	44,223	-	-	-	44,223
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>(1,388,821)</b>	<b>(601,541)</b>	<b>-</b>	<b>(1)</b>	<b>(1,990,363)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	338,288	150,000	-	-	488,288
Operating transfers out	(488,288)	-	-	-	(488,288)
Proceeds from long-term debt	32,460,000	-	-	-	32,460,000
Premium on long-term debt	2,866,949	-	-	-	2,866,949
Payment to refunded bond escrow agent	(27,274,207)	-	-	-	(27,274,207)
<b>Total Other Financing Sources (Uses)</b>	<b>7,902,742</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>8,052,742</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>6,513,921</b>	<b>(451,541)</b>	<b>-</b>	<b>(1)</b>	<b>6,062,379</b>
<b>Fund Equity - Beginning of Year</b>	<b>9,874,433</b>	<b>2,352,590</b>	<b>-</b>	<b>6</b>	<b>12,227,029</b>
<b>Fund Equity - End of Year</b>	<b>\$ 16,388,354</b>	<b>\$ 1,901,049</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 18,289,408</b>

See the accompanying notes to the supplementary information.

**RECONCILIATION OF FUND EQUITY  
TO NET POSITION**

June 30, 2014

*Redwoods Community  
College District*

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		<b>\$ 18,289,408</b>
Assets recorded within the statement of net position not included in the District fund financial statements:		
Depreciable capitalized assets	\$ 129,606,236	
Accumulated depreciation	<u>(35,789,911)</u>	93,816,325
Nondepreciable capital assets		4,267,934
Other postemployment benefits obligation (asset)		435,948
Liabilities recorded within the statement of net position not recorded in the District fund financial statements:		
Accrued interest		(1,123,088)
Long-term debt - current	(321,400)	
Long-term debt - noncurrent	<u>(35,229,525)</u>	(35,550,925)
Deferred gain on refunding		(1,254,618)
Early retirement incentive program		(416,198)
Compensated absences		<u>(461,498)</u>
<b>Net Position Reported Within the Statement of Net Position</b>		<b>\$ 78,003,288</b>

*See the accompanying notes to the supplementary information.*

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

June 30, 2014

*Redwoods Community  
College District*

<b>Total Net Change in Fund Equity - District Funds Included in Reporting Entity</b>	\$ 6,062,379
Depreciation expense reported within the statements	(2,962,852)
Capital outlay expense not reported within the statements	3,277,062
Decrease in compensated absences reported within the statements	170,389
Principal payments on debt not reported within the statements	28,138,107
Interest expense from change in accrued interest payable and amortization of bond premiums reported within the statements	(573,110)
Interest expense capitalized within the statements	205,102
Bond premiums from issuance of debt not reported within the statements	(2,866,949)
Proceeds from issuance of debt not reported within the statements	(32,460,000)
Increase in expense of other postemployment and retirement incentive benefits reported within the statements	<u>(299,566)</u>
<b>Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Position</b>	<u>\$ (1,309,438)</u>

*See the accompanying notes to the supplementary information.*



**1. PURPOSE OF SCHEDULES**

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

The audit of the District for the year ended June 30, 2014, 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 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State 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, 2014, 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.

**Reconciliation of 50% Law Calculation**

This schedule provides the information necessary to reconcile the 50% law calculation as reported on the Form CCFS-311 to the audited financial statements.

**Reconciliation of Education Protection Account Expenditures**

This schedule provides the information necessary to reconcile the Education Protection Account Expenditures reported on the Form CCFS-311 to the audited financial statements.

**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 and Employee Benefit Trust Fund, which are presented on the accrual basis of accounting consistent with the presentation in the entity-wide financial statements.

**NOTES TO THE SUPPLEMENTARY  
INFORMATION**

June 30, 2014

*Redwoods Community  
College District*

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 advance of revenue on its combining balance sheet. Advance of revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Advance of 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 advance of revenue is removed and revenue is recognized.

**OTHER REPORTS SECTION**



MATSON  
& ISOM

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Redwoods Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

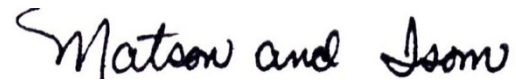
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

**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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 30, 2014  
Redding, California



MATSON  
& ISOM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Redwoods Community College District's (the District) compliance 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, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of 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, 2014.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Continued

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Matson and Isom*

December 30, 2014  
Redding, California



MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

### **Compliance**

We have audited the Redwoods Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2013-14*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2014. The applicable state compliance requirements are identified in the table below.

### ***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the District's management.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2013-14*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2013-14*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.



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

Continued

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SALARIES OF CLASSROOM INSTRUCTORS: 50 PERCENT LAW  
APPORTIONMENT FOR INSTRUCTIONAL SERVICE AGREEMENTS/CONTRACTS  
STATE GENERAL APPORTIONMENT FUNDING SYSTEM  
RESIDENCY DETERMINATION FOR CREDIT COURSES  
STUDENTS ACTIVELY ENROLLED  
CONCURRENT ENROLLMENT OF K-12 STUDENTS IN COMMUNITY COLLEGE  
CREDIT COURSES  
SCHEDULED MAINTENANCE PROGRAM  
GANN LIMIT CALCULATION  
OPEN ENROLLMENT  
STUDENT FEES - HEALTH FEES AND USE OF HEALTH FEE FUNDS  
PROPOSITION 39 CLEAN ENERGY  
EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND  
COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)  
DISABLED STUDENT PROGRAMS AND SERVICES (DSPS)  
TO BE ARRANGED HOURS (TBA)  
PROPOSITION 1D STATE BOND FUNDED PROJECTS  
PROPOSITION 30 EDUCATION PROTECTION ACCOUNT FUNDS

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### ***Opinion***

In our opinion, except for findings 2014-0001 described in the accompanying schedule of findings and questioned costs, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2014.

### **The District's Response to Findings**

The District's responses to the noncompliance findings identified in our audit are described in the schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing over compliance, and the results of that testing, based on the *California Community Colleges Contracted District Audit Manual 2013-14*. Accordingly, this report is not suitable for any other purpose.

*Matson and Isom*

December 30, 2014  
Redding, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Redwoods Community  
College District*

**SECTION I  
SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs: CFDA Nos. 84.007, 84.268, 84.033, and 84.063	Student Financial Assistance Cluster
Threshold for distinguishing types A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

Compliance over state programs: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for state programs:	Qualified

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Redwoods Community  
College District*

**SECTION II FINDINGS  
FINANCIAL STATEMENTS AUDIT**

None.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Redwoods Community  
College District*

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2014

*Redwoods Community  
College District*

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

**STATE COMPLIANCE (424 State General Apportionment Funding System)**

(2014-0001)

**Significant Deficiency**

**Condition**

The District scheduled one of the 75 courses we selected for testing for clock hours in excess of course outline hours. The course was an intercollegiate physical education course that used the Positive Attendance Accounting Method to determine FTES.

**Criteria**

Per the Student Attendance Accounting Manual (SAAM), scheduling of courses (clock hours) must be consistent with the total number of class hours indicated in the approved course outline of record. Reasonable variances are permitted if due to legitimate scheduling considerations caused by course compression, computational exigencies, or exceptions provided for in CCR, Title 5.

**Effect**

The overstatement of FTES from scheduling in excess of course outline hours was 1.02 as reported by the District in their P3 CCFS-320 report. Subsequent to our initial testing and discussions with the District, they created query reports in Datatel to identify all courses affected. The District prepared a CCFS-320 Recalc report which they submitted in November 2014. We tested the Recalc report and found that the matter related to an intercollegiate physical education course was corrected. Because we were able to determine that this error related to specific courses, we felt extrapolation of the error rate to the entire population would not produce reasonable results. As an alternative approach, we expanded our testing to 100% of these courses. Our expanded scope identified one additional exception.

The two intercollegiate physical education courses that were scheduled for clock hours in excess of course outline hours overstated FTES by 2.40 FTES. This overstatement represents the difference for the entire population of these courses and, therefore, this is a "hard" error and extrapolation is not necessary.

***Recommendation***

We recommend the District review their current control procedures in this area to determine if they can be strengthened while maintaining reasonable cost/benefit results.

***Response***

The District concurs with the auditor's recommendation. The Vice President of Instruction and Student Development will work with staff to review how the curriculum change process links to course setup in Datatel to identify possible control procedure improvements.

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



**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Redwoods Community  
College District*

**STATE COMPLIANCE (DSPS)**

(2013-0001)

**Significant Deficiency**

**Condition**

Five of the 29 files tested for DSPS eligibility did not contain a student education plan or the student education plan was not updated for the current fiscal year.

**Criteria**

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

**Effect**

The District did not maintain information required by the program to substantiate eligibility of students participating in the program. The extrapolation of this error to the entire DSPS student population is 175 students potentially out of compliance.

***Recommendation***

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

***Current Status***

Implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Redwoods Community  
College District*

**STATE COMPLIANCE (424 State General Apportionment Funding System)**

(2013-0002)

**Significant Deficiency**

**Condition**

The District incorrectly used either the Weekly or Daily Attendance Accounting Method when the Alternative Attendance Accounting Method was required for nine of 75 courses tested during our testing of State General Apportionment. Per discussion with District staff, all of these exceptions were data entry errors when setting up the course sections in Datatel.

One of the nine exceptions was a Distance Education course using the Weekly Attendance Accounting Method.

The remaining eight exceptions noted were Independent Studies courses where the Daily Attendance Accounting Method was used.

**Criteria**

Per the Student Attendance Accounting Manual (SAAM), Distance Education and Independent Studies courses must use the Alternative Attendance Accounting Method when calculating FTES.

**Effect**

The overstatement of FTES due to this matter was 0.26 for the one Distance Education course and 2.28 for the eight Independent Studies courses as reported by the District in their P3 CCFS-320 report. Subsequent to our initial testing and discussions with the District, they created query reports in Datatel which they used to identify all miscoded courses and then prepared a CCFS-320 Recalc report which they submitted in November 2013. We tested the Recalc report and found all Attendance Accounting Methods used were appropriate and that FTES overstatements noted in P3 were corrected. Accordingly, there is no FTES misstatement by the District and extrapolation of the error in this finding is not necessary.

***Recommendation***

We recommended the District review their current control procedures in this area to determine if they can be strengthened while maintaining reasonable cost/benefit results.

***Current Status***

Implemented.

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2014

*Redwoods Community  
College District*

**STATE COMPLIANCE (424 State General Apportionment Funding System)**

(2013-0003)

**Significant Deficiency**

**Condition**

The District scheduled three of the 75 courses we selected for testing for clock hours in excess of course outline hours.

One of the three exceptions we noted was an intercollegiate physical education course that used the Positive Attendance Accounting Method to determine FTES.

The other two exceptions we noted were two courses held at the Mendocino campus that used the Daily Attendance Accounting Method to determine FTES.

**Criteria**

Per the Student Attendance Accounting Manual (SAAM), scheduling of courses (clock hours) must be consistent with the total number of class hours indicated in the approved course outline of record. Reasonable variances are permitted if due to legitimate scheduling considerations caused by course compression, computational exigencies, or exceptions provided for in CCR, Title 5.

**Effect**

The overstatement of FTES from scheduling in excess of course outline hours was 5.75 for the intercollegiate physical education course and 0.65 for the two courses held on the Mendocino campus as reported by the District in their P3 CCFS-320 report. Subsequent to our initial testing and discussions with the District, they created query reports in Datatel to identify all courses affected. The District prepared a CCFS-320 Recalc report which they submitted in November 2013. We tested the Recalc report and found the matter related to the courses held on the Mendocino campus had been corrected and that FTES overstatements noted in P3 related to this matter were corrected.

However, our testing of the Recalc report found that the matter related to intercollegiate physical education courses was not corrected. Because we were able to determine that this error related to specific courses, we felt extrapolation of the error rate to the entire population would not produce reasonable results. As an alternative approach, we expanded our testing to 100% of these courses. Our expanded scope identified one additional exception.

The two intercollegiate physical education courses that were scheduled for clock hours in excess of course outline hours overstated FTES by 6.87 FTES. This overstatement represents the difference for the entire population of these courses and, therefore, this is a “hard” error and extrapolation is not necessary.

***Recommendation***

We recommended the District review their current control procedures in this area to determine if they can be strengthened while maintaining reasonable cost/benefit results.

***Current Status***

See current year finding 2014-0001.