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REDWOODS COMMUNITY COLLEGE DISTRICT
EUREKA, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2023

REDWOODS COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of Redwoods Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Redwoods Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, 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.

Supplementary 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 in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 accompanying supplementary information, is fairly stated in all material respects in relation to the basic 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 6, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



San Diego, California
December 6, 2023

FINANCIAL SECTION

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

INTRODUCTION

As required by accounting principles generally accepted in the United States, 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 is based on the District’s basic financial statements and 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.

During fiscal years 2021-22, 2021-21 and 2019-20, the unrestricted net position or fund balance for the general fund exceeded the California Community Colleges Chancellor’s Office (Chancellor’s Office) minimum prudent unrestricted fund balance guideline of 5%. By June 30, 2023, the ending fund balance increased to 25%.

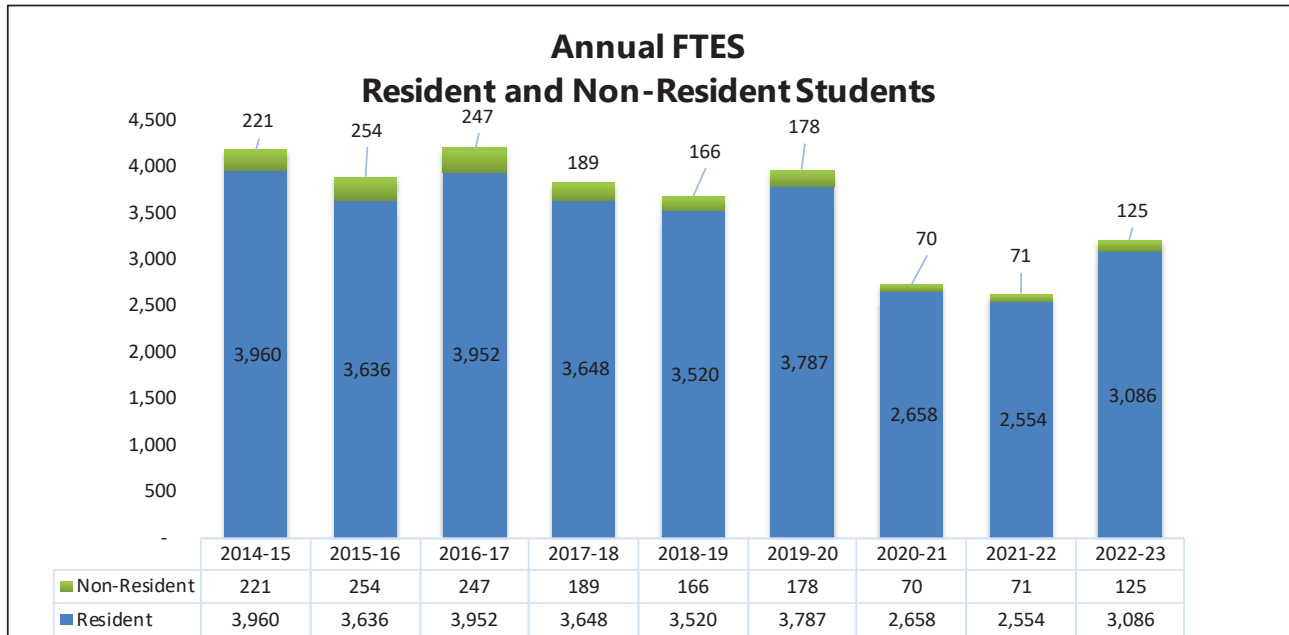
ATTENDANCE HIGHLIGHTS

The District’s resident Full-Time Equivalent Students (FTES) for fiscal year 2022-23 stood at 3,086 per the District’s recal 320 report. Since fiscal year 2013-14, enrollments have fallen to a cumulative 18% loss of students by fiscal year 2022-23. Non-resident enrollments have increased to 126 in 2022-23. Non-residents represented approximately 3.9% of total enrollments for the District.

Credit/Non-Credit Resident and Non-Resident Students						
Academic Year	Resident	Non-Resident	Total	Percent Change		
				Resident	Non-Resident	Total
2013-14	3,774	174	3,948	-3.4%	-11.1%	-3.7%
2014-15	3,960	221	4,181	4.9%	27.0%	5.9%
2015-16	3,636	254	3,890	-8.2%	14.9%	-7.0%
2016-17	3,952	247	4,199	8.7%	-2.8%	7.9%
2017-18	3,648	189	3,837	-7.7%	-23.5%	-8.6%
2018-19	3,533	168	3,701	-3.2%	-11.1%	-3.5%
2019-20	3,768	178	3,946	6.7%	6.0%	6.6%
2020-21	2,737	72	2,809	-27.4%	-59.6%	-28.8%
2021-22	2,567	72	2,639	-6.2%	0.0%	-6.1%
2022-23	3,103	126	3,229	20.9%	75.0%	22.4%

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ATTENDANCE HIGHLIGHTS, continued



STATEMENT OF NET POSITION

The statement of net position includes all assets, deferred outflow of resources, liabilities and deferred inflow of resources 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, deferred outflow of resources, and liabilities and deferred inflows of resources is an indicator of the financial health of a district.

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2023	2022	Change
Current assets	\$ 60,847,384	\$ 36,317,171	\$ 24,530,213
Non-current assets	136,868,525	133,753,916	3,114,609
Deferred outflows of resources	11,474,703	6,632,948	4,841,755
Total Assets and Deferred Outflows of Resources	209,190,612	176,704,035	32,486,577

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current liabilities	43,778,208	19,449,661	24,328,547
Non-current liabilities	59,925,541	48,537,610	11,387,931
Deferred inflows of resources	4,553,091	14,913,824	(10,360,733)
Total Liabilities and Deferred Inflows of Resources	108,256,840	82,901,095	25,355,745

NET POSITION

Invested in capital assets, net of related debt	113,399,619	109,101,070	4,298,549
Restricted	7,014,882	7,712,728	(697,846)
Unrestricted	(19,480,729)	(23,010,858)	3,530,129
Total Net Position	\$ 100,933,772	\$ 93,802,940	\$ 7,130,832

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

STATEMENT OF NET POSITION, continued

The \$27.6 million increase in total assets was caused primarily by an increase in both current and non-current assets. The increase in current assets is primarily related to an increase in state revenues in the General Fund and Capital Outlay fund related to the creative arts building. The increase in non-current assets was the result of increases to capital assets primarily related to the District's on going capital projects.

Total liabilities increased by \$35.7 million, which is centered on changes to the total OPEB liability and net pension liability, as well as changes in advances from grantors and students. The primary increase was due to the increase in the net pension liability for fiscal year 2022-23.

During fiscal years 2021-22, 2020-21 and 2019-20, the unrestricted fund balance for the general fund exceeded the California Community Colleges Chancellor's Office (Chancellor's Office) minimum prudent unrestricted fund balance guideline of 5%. By June 30, 2023, the ending fund balance grew to 25%.

The District has recorded its actuarially determined annual liability for OPEB according GASB Statement No. 75. Through changes in Board policy and collective bargaining contracts, newly hired employees will not 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 June 30, 2022. The unfunded liability is estimated to be approximately \$5.1 million. During fiscal year 2022-23, the District provided \$0.8 million in non-operating revenues and transfers to the employee benefit fund. The fund balance set aside to pay future benefits stood at \$3.8 million at June 30, 2023.

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 accounting principles generally accepted in the United States of America.

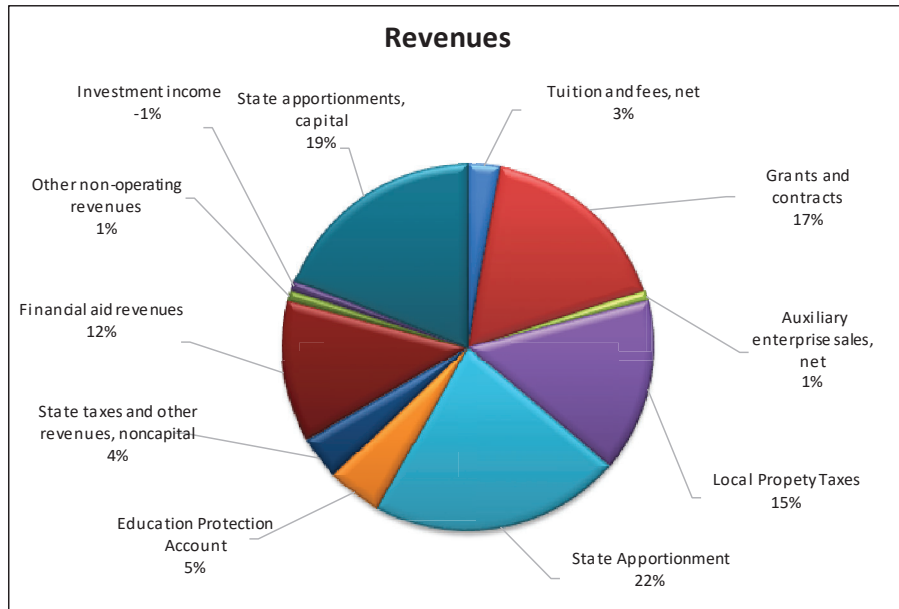
	2023	2022	Change
OPERATING REVENUES			
Tuition and fees, net	\$ 2,528,180	\$ 1,903,279	\$ 624,901
Grants and contracts	16,106,186	16,158,749	(52,563)
Auxiliary enterprise sales, net	650,985	802,470	(151,485)
Total Operating Revenues	19,285,351	18,864,498	420,853
OPERATING EXPENSES			
Salaries and benefits	41,188,283	33,180,337	8,007,946
Supplies, materials, and other operating expenses	25,158,007	5,759,228	19,398,779
Payments to students	1,270,231	1,692,559	(422,328)
Depreciation	5,028,248	4,250,296	777,952
Total Operating Expenses	72,644,769	44,882,420	27,762,349
Operating Loss	(53,359,418)	(26,017,922)	(27,341,496)
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	21,035,279	14,015,514	7,019,765
Education protection account revenues, noncapital	4,439,283	7,525,930	(3,086,647)
Local property taxes, noncapital	11,271,909	10,057,035	1,214,874
State taxes and other revenues, noncapital	3,418,191	2,357,507	1,060,684
Financial aid revenues	11,608,041	13,190,452	(1,582,411)
Financial aid expenses	(11,608,041)	(13,190,452)	1,582,411
Investment income	(1,180,021)	194,832	(1,374,853)
Interest expense	(788,056)	(886,442)	98,386
Transfer from (to) foundation	71,649	(193,337)	264,986
Other non-operating revenues	501,443	305,794	195,649
Total Non-Operating Revenues (Expenses)	38,769,677	33,376,833	5,392,844
OTHER REVENUES (EXPENSES)			
State apportionments, capital	18,428,772	11,494,986	6,933,786
Local property taxes and revenues, capital	3,209,232	3,115,027	94,205
Gain (loss) on disposal of asset	82,569	-	82,569
Total Other Revenue (Expenses)	21,720,573	14,610,013	7,110,560
CHANGE IN NET POSITION	7,130,832	21,968,924	(14,838,092)
NET POSITION -- BEGINNING OF YEAR	93,802,940	71,834,016	21,968,924
NET POSITION -- END OF YEAR	\$ 100,933,772	\$ 93,802,940	\$ 7,130,832

The net position increased by \$7.1 million or about 7.6% from fiscal year 2021-22 to fiscal year 2022-23. This is primarily based on an increase in state apportionment, noncapital and overall revenues exceeding operating expenses during 2022-23.

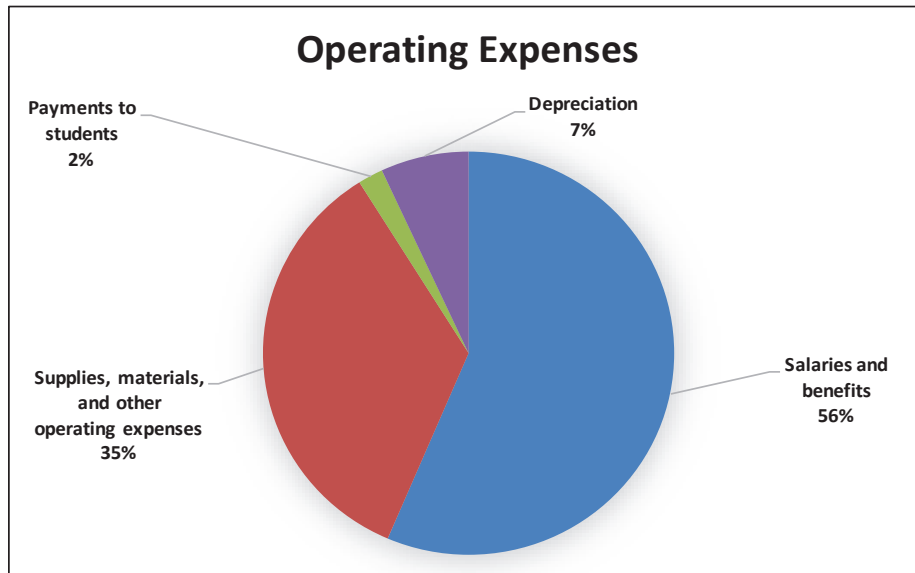
**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

Below is a chart that shows the distribution of the District's revenue, with state apportionment accounting for 22% of total revenues, which is a increase of 4% from the prior year.



Total operating expenses increased by \$27.8 million, or 62%, primarily due to a \$19.4 million, or 337%, increase in supplies, materials, and other operating expenses and services. Employee benefits increased due to an increase in recognized expense related to the State's share of the net pension liability. Below is a chart showing the breakout of operating expenses as of June 30, 2023.



**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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.

	2023	2022	Change
CASH PROVIDED BY (USED IN)			
Operating activities	\$ (27,580,177)	\$ (17,225,434)	\$ (10,354,743)
Noncapital financing activities	37,574,315	30,061,499	7,512,816
Capital financing activities	11,182,617	(5,590,179)	16,772,796
Investing activities	(1,180,021)	194,832	(1,374,853)
Net Increase (decrease) in Cash and Cash Equivalents	\$ 19,996,734	\$ 7,440,718	\$ 12,556,016

The District’s cash and cash equivalents balance increased by \$20.0 million to \$49.6 million. The increase in cash and cash equivalents reflects an overall increase in state revenues of \$10.9 million.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The State implemented a new funding formula for California Community Colleges in 2018-19. This new formula, referred to as the Student-Centered Funding Formula (SCFF), no longer bases California Community College Apportionment Revenue solely on FTES. The SCFF also factors in several Student Success and Supplemental metrics for total apportionment. This new formula had been favorable for a few districts, while most had to rely on the Hold Harmless and Stability revenue protections. The Hold Harmless provision will be expiring after the 2024-25 fiscal year and will be replaced with a new revenue protection that sets a district’s revenue floor at the 2024-25 Total Computational Revenue (TCR) amount. Unlike Hold Harmless, this new provision does not include COLA increases. Included in the 2023-24 enacted State budget was a COLA of 8.22%. SCFF metric rates were increased by the COLA plus substantial base increases. The result is that the SCFF is now favorable for most districts in 2023-24.

Based on actual 2018-19 and 2019-20 FTES, Supplemental, and Student Success counts, the SCFF has been favorable for the District. However, due to the COVID-19 pandemic, the District experienced a significant enrollment decline in the 2020-21 and 2021-22 academic years. Fortunately, the Chancellor’s Office provided districts with the opportunity to participate in an Emergency Conditions Allowance (ECA) provision for FTES. The provision allows districts to utilize 2019-20 FTES for the 2020-21, 2021-22, and 2022-23 FTES figures in the SCFF 3-year calculation. In an attempt to reverse the FTES decline, the District has engaged in outreach efforts to recover enrollment, focused efforts on student success and retention, and is continuing to explore new athletic and academic programs.

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

In January of 2020, prior to the pandemic, the Governor's 2020-21 budget proposal included a COLA, one-time funds, and a budget surplus. Just a few months later, when the Governor released the May revise, the State was looking at a budget deficit, and spending cuts of about 8% were proposed for community colleges. The cuts were replaced by apportionment deferrals in the enacted State 2020-21 budget, allowing community colleges to operate without cuts but with the reliance on reserves, other funds, or borrowing. As a result of the deferrals, the District had to participate in a \$4 million Tax and Revenue Anticipation Note to ensure there was adequate cash flow for operations.

The 2021-22 enacted State budget, when compared to the Governor's January 2021 proposal, was surprisingly robust due to revenue performance that was better than expected. The COLA estimate increased from the 1.5% January estimate, to 5.07%. The new COLA rate included a catch-up amount for 2020-21 and a small COLA for 2021-22. The budget also included the payback of the revenue deferrals so the District had adequate cash flow to pay the TRAN funds back upon maturity. The District's ability to participate in the Emergency Conditions Allowance provision for FTES protections made the SCFF more favorable for the District than Hold Harmless, despite the decline in enrollment, resulting in an estimated SCFF revenue of \$31.217 million.

The 2022-23 enacted State budget was even more robust than the previous year due to an anticipated continuation of strong revenue performance. The Budget included a 6.56% COLA with additional investments in community college base funding and significant one-time funds for specific purposes such as Physical Plant and Instructional Support. As was mentioned previously, the District was able to participate in the ECA for 2022-23 due to lost enrollments, which made the SCFF favorable for the District. Actual FTES for 2022-23 was 3,103, which is a significant improvement from actual FTES for 2021-22 of 2,567, and enrollments are continuing to recover in 2023-24.

While there are several factors that indicate the State has recovered economically from the pandemic, there is still uncertainty about the future of the economy. While the 2021-22 and 2022-23 State budgets included surpluses, the 2023-24 State budget was enacted based on an estimated deficit of \$31.5 billion. The deficit is mostly driven by lower than estimated revenue levels. To help balance the budget, the State reduced 2022-23 Physical Plant and Instructional Support and Retention and Enrollment program funds significantly. Despite the estimated deficit, the enacted budget included an 8.22% COLA to help mitigate the impacts of inflation.

The economic uncertainty and the challenges associated with the District's ability to recover and retain FTES, create significant complications with multi-year budget planning. The District will continue to build annual budgets assuming conservative state revenue amounts, ensuring that staff salaries and benefits and operational needs are met. PERS and STRS increases are built into the annual budget, as are funds to cover OPEB obligations.

The District's economic condition is driven primarily by the level of state support provided to the California community colleges system, by the District's enrollment and performance results, and by the District's ability to control costs. A fundamental goal for the District is to strike a balance between taking care of employees by way of salary increases and managing costs so that expenditures do not outpace revenue growth and the fund balance continues to be sufficient. An additional goal is for the District to implement initiatives that will increase the District's student success metrics in-line with the Chancellor's Office Vision 2030.

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

By continually monitoring the fiscal environment and updating the multi-year forecast revenue and expense assumptions with new information as it becomes available and taking the necessary budget actions, the District will be positioned to maintain a healthy fund balance and continue to have revenue levels that meet operational needs. The District is continuing long-term capital investments with the Creative Arts Complex Project near completion.

In addition, the District should be receiving state capital outlay construction phase funds in the fall of 2023 for the Physical Education Complex and Fieldhouse. The District is also in the design phase of the Community Stadium Upgrade project that will widen the field, replace the natural grass with artificial turf, reconfigure and resurface the track, and add infrastructure for future upgrades such as lighting. The District has updated the Educational Master Plan, which resulted in identifying strategies to ensure the District maintains relevancy in the educational market, and has finalized an updated Facilities Master Plan. As a result of these updated plans, leadership may continue to pursue state capital outlay funds to replace the Law Enforcement Academy, Academy of the Redwoods, and Student Resource Center buildings. Leadership is also working to secure a \$28 million Affordable Student Housing Grant from the State that will help build a new Student Housing Facility with increased capacity. As a result, the District is positioned to capitalize on opportunities in the future as enrollments continue to recover and grow.

REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$ 43,483,521
Restricted cash and cash equivalents	6,073,486
Accounts receivable, net	11,043,420
Inventory	217,878
Prepaid expenditures and other assets	29,079
Total Current Assets	<u>60,847,384</u>

Noncurrent Assets:

Intangible right of use assets, net	1,841,595
Capital assets, net	135,026,930
Total Noncurrent Assets	<u>136,868,525</u>

TOTAL ASSETS

197,715,909

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	396,762
Deferred outflows related to pensions	11,077,941

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 209,190,612

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 6,049,945
Unearned revenue	34,741,023
Long-term debt, current portion	2,987,240
Total Current Liabilities	<u>43,778,208</u>

Noncurrent Liabilities:

Compensated absences	1,194,413
Net OPEB liability	5,130,203
Net pension liability	33,067,458
Long-term debt, non-current portion	20,533,467
Total Noncurrent Liabilities	<u>59,925,541</u>

TOTAL LIABILITIES

103,703,749

DEFERRED INFLOWS OF RESOURCES

Deferred gain on refunding	23,653
Deferred inflows related to OPEB	461,406
Deferred inflows related to pensions	4,068,032

NET POSITION

Net investment in capital assets	113,399,619
Restricted for:	
Debt service	4,888,908
Capital projects	2,060,130
Other restrictions	65,844

Unrestricted (19,480,729)

TOTAL NET POSITION

100,933,772

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 209,190,612

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

OPERATING REVENUES

Tuition and fees (gross)	\$ 4,631,047
Less: Scholarship discounts and allowances	(2,102,867)
Net tuition and fees	<u>2,528,180</u>
Grants and contracts, noncapital:	
Federal	4,752,057
State	11,230,438
Local	123,691
Auxiliary enterprise sales, net	<u>650,985</u>
TOTAL OPERATING REVENUES	<u><u>19,285,351</u></u>

OPERATING EXPENSES

Salaries	29,762,960
Employee benefits	11,425,323
Supplies, materials, and other operating expenses and services	25,158,007
Payments to students	1,270,231
Depreciation and amortization	<u>5,028,248</u>
TOTAL OPERATING EXPENSES	<u><u>72,644,769</u></u>

OPERATING INCOME (LOSS)

(53,359,418)

NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	21,035,279
Education protection account revenues, noncapital	4,439,283
Local property taxes, noncapital	11,271,909
State taxes and other revenues, noncapital	3,418,191
Financial aid revenues	11,608,041
Financial aid expenses	(11,608,041)
Investment income (expense)	(1,180,021)
Interest expense	(788,056)
Transfer from (to) Foundation	71,649
Other non-operating revenues	<u>501,443</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u><u>38,769,677</u></u>

INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

(14,589,741)

OTHER REVENUES (EXPENSES)

State apportionments, capital	18,428,772
Local property taxes and revenues, capital	3,209,232
Gain (loss) on disposal of asset	<u>82,569</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u><u>21,720,573</u></u>

CHANGE IN NET POSITION

7,130,832

NET POSITION -- BEGINNING OF YEAR

93,802,940

NET POSITION -- END OF YEAR

\$ 100,933,772

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 1,837,256
Federal grants and contracts	4,541,044
State grants and contracts	33,600,720
Local grants and contracts	(43,887)
Payments to or on behalf of employees	(42,858,681)
Payments to vendors for supplies and services	(24,037,383)
Payment to students	(1,270,231)
Auxiliary enterprise sales	650,985
Net Cash Provided (Used) by Operating Activities	<u>(27,580,177)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	17,480,187
Education protection account revenue	4,439,283
Property taxes	11,271,909
State taxes and other revenues	3,418,191
Financial aid disbursements	(11,608,041)
Financial aid receipts	11,608,041
Proceeds from issuance of debt	391,653
Other non-operating	573,092
Net Cash Provided (Used) by Non-capital Financing Activities	<u>37,574,315</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(6,893,354)
Gain (Loss) on disposal of capital assets	82,569
State revenue, capital projects	18,428,772
Local revenue, capital	3,209,232
Principal paid on capital debt	(2,644,258)
Interest paid on capital debt	(1,000,344)
Net Cash Provided (Used) by Capital Financing Activities	<u>11,182,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>(1,180,021)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,180,021)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	19,996,734
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>29,560,273</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 49,557,007</u>

See accompanying notes to the financial statements.

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating loss	\$ (53,359,418)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and amortization expense	5,028,248
Changes in Assets and Liabilities:	
Receivables, net	(1,182,907)
Inventory	204,520
Deferred outflows of resources	(4,841,755)
Accounts payable and accrued liabilities	1,235,114
Deferred revenue	22,483,674
Compensated absences	187,791
Net OPEB liability	(591,788)
Net pension liability	13,609,192
Deferred inflows of resources	(10,352,848)
Total Adjustments	<u>25,779,241</u>
Net Cash Flows Used by Operating Activities	<u>\$ (27,580,177)</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
COLLEGE OF THE REDWOODS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

ASSETS	
Cash and cash equivalents	\$ 3,685,649
Cash held by trust	3,747,273
Investments	1,790,011
Accounts receivable, net	360,800
Total assets	\$ 9,583,733
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,885
Accrued liabilities	2,149
Deferred revenue	263,614
Total current liabilities	269,648
Noncurrent liabilities:	
Long-term debt	1,500,000
Total noncurrent liabilities	1,500,000
Total liabilities	1,769,648
NET ASSETS	
Net assets without donor restrictions	4,694,175
Net assets with donor restrictions	3,119,910
Total net assets	7,814,085
Total liabilities and net assets	\$ 9,583,733

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
COLLEGE OF THE REDWOODS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations	\$ 157,343	\$ 738,265	\$ 895,608
Auxiliary enterprise sales, net	449,364	-	449,364
Investment Income	434,160	52,468	486,628
Special projects	149,130	-	149,130
Student fees	451,027	-	451,027
Miscellaneous revenue	162,352	-	162,352
In-kind donations	82,866	-	82,866
Transfers	186,596	-	186,596
Total Support and Revenue	2,072,838	790,733	2,863,571
EXPENSES			
Operating expenses	2,387,159	-	2,387,159
Program expenses	22,166	-	22,166
Fundraising expenses	49,792	-	49,792
Total Expenses	2,459,117	-	2,459,117
Change in Net Assets	(386,279)	790,733	404,454
Net Assets - Beginning of Year	4,964,279	2,329,177	7,293,456
Prior Period Adjustment	116,175	-	-
Net Assets - End of Year	\$ 4,694,175	\$ 3,119,910	\$ 7,814,085

See accompanying notes to the financial statements.

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
COLLEGE OF THE REDWOODS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 404,454
Reconciliation to net cash provided (used) by operating activities:	
Net gain (loss) in the fair value of investments	(120,747)
Change in Assets and Liabilities	
Accounts receivable	(118,438)
Other current assets	56,460
Accounts payable	(19,808)
Deferred revenue	(229,532)
Net Cash Provided (Used) by Operating Activities	<u>(27,611)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(27,611)
Cash and Cash Equivalents - Beginning of Year	<u>3,713,260</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,685,649</u>

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity Redwoods Community College District (the District) is a political subdivision of the state of California and provides higher education in portions of three counties. The District consists of one community college with one educational center 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.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after November 30, 1989.

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. Summer session expenditures through June 30 are recorded as prepaid expenses.

The budgetary and financial accounts of the District are recorded and maintained in accordance with the *Budget and Accounting Manual* issued by the California Community Colleges Chancellor's Office.

Cash and Cash Equivalents The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of less than three years. As of June 30, 2023, the fair value of the County pool was 96.31% of the carrying value. An adjustment to reflect the fair market value based on GASB Statement No. 31 - *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, was made for the year ending June 30, 2023. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments 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.

All other investments are reported at fair value based on quoted market prices with realized and unrealized gains or losses reported in the statement of revenues, expenses, and changes in net position.

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

Accounts Receivable Accounts receivable consists 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. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$799,390 and \$30,417 for the year ended June 30, 2023, for the District and Foundation, respectively.

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.

Intangible Right of Use Assets The District has recorded intangible right of use assets as a result of implementing GASB 87 and 96. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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 to 8 years for equipment and vehicles, and 5 years for library books and film.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 represent funds held by the District for the Associated Students' fund.

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

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

Long-Term Liabilities 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 \$167,341 for the year ended June 30, 2023.

Pension For purposes of measuring the net pension liability, deferred outflows of resources/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and California Public Employees' Retirement System (CalPERS) and additions to/deductions from STRP's and CalPERS's fiduciary net position have been determined on the same basis as they are reported by California State Teachers' Retirement System (CalSTRS) and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

Fair Value Measurements The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes 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 a future period, which will only be recognized as an outflow of resources (expense/expenditures) in the future. District pension and OPEB contributions, subsequent to the measurement date, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions, subsequent to the measurement date, will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for 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 and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between District contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

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 shorter life of the refunded or refunding debt.

The amount expected to be received as a remainder beneficiary of a charitable remainder trust is offset on the statement of net position by a deferred inflow. The deferred inflow will be adjusted annually based on the present value of the amount to be received. Once the terms of the agreement have been met, the beneficial interest in the charitable remainder trust and the related deferred inflow will be cleared and any resulting gain or loss will be recognized.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position 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 net position expendable 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.

Then 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 toward unrestricted resources.

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

Revenues are classified according to the following criteria:

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

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources.

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.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. Annually, 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 full-time equivalent students. Any additional corrections determined by the state are recorded in the year computed by the state.

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

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

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

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

On-Behalf Payments GASB Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits, and salaries made by an 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 CalSTRS and CalPERS on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2023, was \$1,030,831.

New Accounting Pronouncements

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for government end users (governments). Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The District and implemented GASB Statement No. 96 for the year ending June 30, 2023.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash and cash equivalents were as follows:

	Primary	
	Government	Foundation
Cash and cash equivalents	\$ 43,483,521	\$ 9,222,933
Restricted cash and cash equivalents	6,073,486	-
Total cash and cash equivalents	<u>\$ 49,557,007</u>	<u>\$ 9,222,933</u>

The carrying amount of the cash is summarized as follows:

	District	Foundation
Cash in county treasury	\$ 49,445,708	\$ 3,617,087
Cash on hand and in banks	111,299	68,562
Investments	-	5,537,284
Totals	<u>\$ 49,557,007</u>	<u>\$ 9,222,933</u>

As provided for by the *California Education Code*, Section 41001, a significant portion of the District's cash balances of most funds is deposited with the Humboldt County Treasurer for the purpose of increasing interest earned through County investment activities.

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

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

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

All cash held by financial institutions is collateralized by securities that are held by the broker or dealer, or by its trust department or agent, but not in the District's name. The District's investments are as follows:

	Level 1	Level 2	Level 3
County treasury pool	\$ -	\$ 49,445,708	\$ -

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS, continued

The Foundation’s investments were as follows:

	Level 1	Level 2	Level 3
Certificate of deposit	\$ 75,050	\$ -	\$ -
Assets held by others	-	-	5,462,234
Totals	<u>\$ 75,050</u>	<u>\$ -</u>	<u>\$ 5,462,234</u>

Following is a description of the valuation methodologies used for assets measured at fair value:

Assets Held By Others: Each beneficiary in the investment pool held by Humboldt Area Foundation (the Community Foundation) is assigned units based on the fair market value of the assets at the time they are transferred to the Community Foundation. Shares in the investment pool are valued daily based on the underlying securities owned. The investments in the investment pool are primarily made up of mutual funds, common stocks, and other miscellaneous investments.

Certificate of Deposit: The fair value of the certificate of deposit is recorded at amortized cost.

Custodial Credit Risk - Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2023, the District and Foundation’s bank balances were fully insured.

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’s investment in the County investment pool is unrated.

Interest Rate Risk – Investments

California Government Code, Section 53601, limits the District’s investments to maturities of five years. As of June 30, 2023, the District had no investments with maturities greater than five years.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	Primary	
	Government	Foundation
Tuition and fees, net	\$ 1,314,929	\$ 360,800
Apportionment	3,555,092	-
Federal grants and contracts	1,229,434	-
State grants and contracts	267,216	-
State grants - capital	3,737,324	-
Other sources	939,425	-
Total	<u>\$ 11,043,420</u>	<u>\$ 360,800</u>

NOTE 4 – INTANGIBLE RIGHT OF USE ASSETS

The amount of lease assets by major class of underlying assets as of June 30, 2023, was as follows:

	Adjusted Balance			Balance June 30, 2023
	July 1, 2022	Additions	Deductions	
Intangible Right of Use Assets:				
Leased equipment	\$ 306,037	\$ -	\$ -	\$ 306,037
Leased buildings	1,288,349	-	-	1,288,349
Leased vehicles	-	-	-	-
Leased software	2,071,236	391,653	-	2,462,889
Total Intangible Right of Use Assets	<u>3,665,622</u>	<u>391,653</u>	<u>-</u>	<u>4,057,275</u>
Less Accumulated Amortization				
Leased equipment	178,711	61,207	-	239,918
Leased buildings	420,366	230,418	-	650,784
Leased vehicles	-	-	-	-
Leased software	821,733	503,245	-	1,324,978
Total Accumulated Amortization	<u>1,420,810</u>	<u>794,870</u>	<u>-</u>	<u>2,215,680</u>
Intangible Right of Use Assets, net	<u>\$ 2,244,812</u>	<u>\$ (403,217)</u>	<u>\$ -</u>	<u>\$ 1,841,595</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – CAPITAL ASSETS

Capital asset activity is summarized as follows:

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 267,612	\$ -	\$ -	\$ 267,612
Construction in progress	46,171,852	4,927,016	786,020	50,312,848
Total Capital Assets Not Being Depreciated	46,439,464	4,927,016	786,020	50,580,460
Capital Assets Being Depreciated				
Site improvements	10,141,981	-	-	10,141,981
Buildings and improvements	122,385,301	621,186	-	123,006,487
Equipment	15,008,272	1,587,190	-	16,595,462
Vehicles	1,971,214	152,329	-	2,123,543
Library books and film	464,948	-	-	464,948
Total Capital Assets Being Depreciated	149,971,716	2,360,705	-	152,332,421
Less: Accumulated depreciation	63,652,573	4,233,378	-	67,885,951
Capital Assets, Net	\$ 132,758,607	\$ 3,054,343	\$ 786,020	\$ 135,026,930

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	Primary Government	Foundation
Accrued payroll and related liabilities	\$ 856,070	\$ -
Accrued interest	398,279	-
Construction projects	2,190,518	-
Vendor and other payables	2,605,078	3,885
Totals	\$ 6,049,945	\$ 3,885

NOTE 7 – ADVANCES FROM GRANTORS AND STUDENTS

Advances from grantors and students consisted of the following:

	Primary Government	Foundation
Tuition and fees	\$ 1,141,581	\$ -
Federal grants and contracts	249,619	-
State grants and contract	32,577,114	-
Other	772,709	263,614
Totals	\$ 34,741,023	\$ 263,614

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of changes in noncurrent liabilities:

	Adjusted Balance			Balance June 30, 2023	Due Within One Year
	July 01, 2022	Additions	Deductions		
General Obligation Bonds					
2014 Refunding Bonds	\$ 16,085,000	\$ -	\$ 1,475,000	\$ 14,610,000	\$ 1,545,000
2004 GO Bonds - Series 2013	6,030,000	-	380,000	5,650,000	445,000
Unamortized premium	1,510,999	-	167,341	1,343,658	167,341
Total general obligation bonds	<u>23,625,999</u>	<u>-</u>	<u>2,022,341</u>	<u>21,603,658</u>	<u>2,157,341</u>
Other Long-Term Liabilities					
Compensated absences	1,006,622	187,791	-	1,194,413	-
Leases	1,036,129	-	289,056	747,073	300,832
Subscription liability	1,278,525	391,653	500,202	1,169,976	529,067
Total Other Long-Term Liabilities	<u>3,321,276</u>	<u>579,444</u>	<u>789,258</u>	<u>3,111,462</u>	<u>829,899</u>

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

The 2014 Refunding Bonds mature as follows:

Fiscal year	Principal	Interest	Total
2024	\$ 1,545,000	\$ 654,556	\$ 2,199,556
2025	1,615,000	575,556	2,190,556
2026	1,705,000	492,556	2,197,556
2027	1,785,000	405,306	2,190,306
2028	1,875,000	313,806	2,188,806
2029-2032	6,085,000	432,853	6,517,853
Total	<u>\$ 14,610,000</u>	<u>\$ 2,874,633</u>	<u>\$ 17,484,633</u>

The 2004 General Obligation Bonds, Series 2013, mature as follows:

Fiscal year	Principal	Interest	Total
2024	\$ 445,000	\$ 256,013	\$ 701,013
2025	510,000	236,588	746,588
2026	580,000	209,338	789,338
2027	655,000	178,463	833,463
2028	740,000	147,288	887,288
2029-2031	2,720,000	217,706	2,937,706
Total	<u>\$ 5,650,000</u>	<u>\$ 1,245,396</u>	<u>\$ 6,895,396</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 – LONG-TERM LIABILITIES, continued

The District has entered into agreements to lease certain assets. The lease agreements qualify as other than short-term leases under GASB 87 and 96, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The general terms are as follows:

Lease Type	Number of Contracts	Average Rate	Lease Terms	Average Annual Lease Payment
Equipment	2	4.00%	7/2/2019 - 8/10/2025	\$ 67,409
Buildings	2	3.00%	7/6/2013 - 11/12/2025	\$ 256,750
Software	8	2.40%	7/1/2022 - 6/1/2028	\$ 62,525

Future minimum lease payments on noncancellable leases at June 30, 2023 are as follows:

Fiscal year	Principal	Interest	Total
2024	300,832	23,327	\$ 324,159
2025	249,828	12,439	262,267
2026	102,958	4,736	107,694
2027	29,916	3,194	33,110
2028	63,539	2,681	-
Total	\$ 747,073	\$ 46,377	\$ 727,230

Future minimum lease payments for software leases at June 30, 2023 are as follows:

Fiscal year	Principal	Interest	Total
2024	\$ 529,067	\$ 21,184	\$ 550,252
2025	506,448	8,804	515,252
2026	57,329	2,480	59,809
2027	58,720	1,088	59,808
2028	18,412	99	18,511
Total	\$ 1,169,976	\$ 33,655	\$ 1,203,632

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – 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 CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2023, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 12,831,160	\$ 3,183,822	\$ 2,553,038	\$ 1,065,270
CalPERS	20,236,298	7,894,119	1,514,994	2,324,344
Total	\$ 33,067,458	\$ 11,077,941	\$ 4,068,032	\$ 3,389,614

California State Teachers’ Retirement System (CalSTRS)

Plan Description Certificated employees of the District participate in STRP, a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS.

Benefit provisions are established by state statute, as legislatively amended, within the State Teachers’ Retirement Law. CalSTRS issues a publicly available financial report that can be obtained at www.calstrs.com.

Benefits Provided The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members’ final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows.

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	19.10%	19.10%
Required state contribution rate	10.828%	10.828%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

Contributions Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the District's total contributions were \$2,413,589.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided by to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 12,831,160
State's proportionate share of the net pension liability associated with the District	6,425,882
Total	\$ 19,257,042

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0185 percent and 0.0180 percent, respectively, resulting in a net increase of 0.0005 in the proportionate share.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

For the year ended June 30, 2023, the District recognized pension expense of \$1,065,270. In addition, the District recognized pension expense and revenue of (\$480,605) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 627,873
Differences between expected and actual experience	10,526	961,910
Changes in assumptions	635,858	-
Net changes in proportionate share of net pension liability	123,849	963,255
District contributions subsequent to the measurement date	2,413,589	-
Total	<u>\$ 3,183,822</u>	<u>\$ 2,553,038</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (349,466)
2025	(941,870)
2026	(1,243,801)
2027	929,472
2028	(133,007)
Thereafter	(44,133)
	<u>\$ (1,782,805)</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary's (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of a 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, as summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 21,792,068	\$ 12,831,160	\$ 5,390,911

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees’ Retirement System (CalPERS)

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	25.370%	25.370%

Contributions Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above, and the total District contributions were \$2,954,337.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$20,236,298. The net pension liability was measured as of June 30, 2022. The District’s proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2022 and June 30, 2021, was 0.0588 percent and 0.0550 percent, respectively, resulting in a net increase in the proportionate share of 0.0038 percent.

For the year ended June 30, 2023, the District recognized pension expense of \$2,324,344. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 2,389,356	\$ -
Differences between expected and actual experience	91,456	503,505
Changes in assumptions	1,496,966	-
Net changes in proportionate share of net pension liability	962,004	1,011,489
District contributions subsequent to the measurement date	2,954,337	-
Total	<u>\$ 7,894,119</u>	<u>\$ 1,514,994</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 722,146
2025	539,379
2026	480,626
2027	1,682,637
	<u>\$ 3,424,788</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Assumptions Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund.

The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns.

The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%
	100%	

*An expected inflation of 2.30% used for this period.

**Figures are based on the 2021-22 Asset Liability Management study.

**REDWOODS COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEMS, continued

Discount Rate The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Plan's net pension liability	\$ 29,232,358	\$ 20,236,298	\$ 12,801,386

NOTE 10 – STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

NOTE 11 – JOINT POWERS AUTHORITIES (JPA)

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 Self-Insured Schools of California (SISC), which is a JPA, created to provide self-insurance programs for school districts.

The District is a participant in the Schools Association for Excess Risk (SAFER). SAFER 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 SAFER by all participants, the District may be required to provide additional funding.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 11 – JOINT POWERS AUTHORITIES (JPA), continued

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.

The District participates in the School Project for Utility Rate Reduction (SPURR), a joint powers authority of K-14 districts that aggregates purchasing power of participants in order to reduce natural gas expenditures.

NOTE 12 – 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.

Benefits Provided

Following is a description of the current retiree benefit plan:

	Faculty	Classified	Management
Applies to employees hired	Before 1/1/2008	Before 7/1/2006	Before 9/1/2006*
Benefit types provided	Medical, Dental and Vision Six years, but not beyond	Medical, Dental and Vision Six years, but not beyond	Medical, Dental and Vision
Duration of Benefits	age 65**	age 65	10 years
Required Service	10 years	10 years	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes**
District Contribution %	100%	100%	100%***
District Cap	None	None	Post-65 Benefits limited to a cumulative College Contribution of \$13,500

*Board members must have first served before 1/1/1995.

**Certificated employees hired prior to 9/1/1994 receive benefits to age 70. Beyond age 65, 70% of premiums are covered to a maximum of \$13,500.

***Post-65 Premium costs are paid at 70%.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Employees Covered

Employees covered by the benefit terms of the Plan consisted of:

	Number of Participants
Inactive Employees Receiving Benefits	27
Active Employees	62
	<u>89</u>

Contributions

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 fiscal year ended June 30, 2023, the District made no contributions to the OPEB trust.

Total OPEB Liability

The District’s total OPEB liability for the Plan is measured as the total OPEB liability, less the Plan’s fiduciary net position. The total OPEB liability of the Plan is measured as of June 30, 2022, using an actuarial valuation as of June 30, 2021. The June 30, 2022, total OPEB liability was based on the actuarial methods and assumptions as shown below:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	3.54%
Investment rate of return	3.54%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%
Mortality	For certificated employees the 2017 CalSTRS mortality tables were used. For classified employees the 2020 CalPERS active mortality for miscellaneous and school employees were used.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The discount rate is based on the Bond Buyer 20 Bond Index.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the Plan are as follows:

	Increase/(Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance July 1, 2021	\$ 5,721,991	\$ -	\$ 5,721,991
Changes for the year:			
Service cost	201,509	-	201,509
Interest	120,071	-	120,071
Employer contributions	-	527,778	(527,778)
Changes of assumptions	(385,590)	-	(385,590)
Expected benefit payments	(527,778)	(527,778)	-
Net change	(591,788)	-	(591,788)
Balance June 30, 2022	\$ 5,130,203	\$ -	\$ 5,130,203

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District’s total OPEB liability calculated using the discount rate of 3.54%, as well as the District’s total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	Discount Rate 1% Lower (2.54%)	Current Discount Rate (3.54%)	Discount Rate 1% Higher (4.54%)
Net OPEB liability	\$ 5,426,171	\$ 5,130,203	\$ 4,969,149

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District’s total OPEB liability calculated using the healthcare cost trend rate of 4.00%, as well as the District’s total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 4,741,910	\$ 5,130,203	\$ 5,550,239

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of (325,723). At June 30, 2023, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 309,523	\$ 363
Change in assumptions	87,239	461,043
	<u>\$ 396,762</u>	<u>\$ 461,406</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 59,048
2025	(50,744)
2026	(72,948)
	<u>\$ (64,644)</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The District entered into various operating leases for land, buildings, and equipment. All leases contain termination clauses providing for cancellation upon written notice to lessors. It is expected that in the normal course of business most of these leases will be replaced by similar leases. The District periodically enters into construction commitments which are funded through state grants and/or Measure Q Bond funding. At June 30, 2023, the District had no construction commitments. 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, 2023, the District's affected assets have a net book value of \$247,068 and have been reported without adjustment. Community college districts receive state funding based on the number of eligible student enrollments, as well as student success and supplemental counts. In a year where a district's calculated revenue falls below the prior year's revenue level, the State Chancellor's Office provides a "hold harmless" provision so that a district will receive the same revenue as the prior year. The "hold harmless" provision didn't apply to the District in 2022-23, but may in future years.

REQUIRED SUPPLEMENTARY INFORMATION

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 201,509	\$ 295,764	\$ 230,878	\$ 294,270	\$ 286,394	\$ 278,729
Interest	120,071	127,487	185,963	220,245	232,200	223,133
Employer contributions	-	673,669	(1,575)	(343,734)	-	-
Changes of assumptions	(385,590)	(391,041)	378,038	70,618	(95,709)	-
Benefit payments	(527,778)	(630,867)	(689,803)	(693,419)	(789,420)	(759,077)
Net change in total OPEB liability	(591,788)	75,012	103,501	(452,020)	(366,535)	(257,215)
Total OPEB liability, beginning of year	5,721,991	5,646,979	5,543,478	5,995,498	6,362,033	6,619,248
Total OPEB liability, end of year (a)	\$ 5,130,203	\$ 5,721,991	\$ 5,646,979	\$ 5,543,478	\$ 5,995,498	\$ 6,362,033
Plan fiduciary net position						
Employer contributions	\$ 527,778	\$ 630,867	\$ 689,803	\$ 700,515	\$ 789,420	\$ 759,077
Expected benefit payments	(527,778)	(630,867)	(689,803)	(700,515)	(789,420)	(759,077)
Change in plan fiduciary net position	-	-	-	-	-	-
Fiduciary trust net position, beginning of year	-	-	-	-	-	-
Fiduciary trust net position, end of year (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 5,130,203	\$ 5,721,991	\$ 5,646,979	\$ 5,543,478	\$ 5,995,498	\$ 6,362,033
Covered payroll	\$ 9,191,273	\$ 8,251,265	\$ 4,543,733	\$ 10,399,154	\$ 15,941,094	\$ 15,941,094
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0%	0%	0%	0%	0%	0%
Net OPEB liability (asset) as a percentage of covered payroll	56%	69%	124%	53%	38%	40%

Note: In the future, as data becomes available, ten years of information will be presented.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 537,747	\$ 527,778	\$ 630,867	\$ 691,378	\$ 693,419	\$ 789,420
Contributions in relations to the actuarially determined contribution	651,463	945,477	566,070	1,739,803	700,514	695,640
Contribution deficiency (excess)	\$ (113,716)	\$ (417,699)	\$ 64,797	\$ (1,048,425)	\$ (7,095)	\$ 93,780
Covered-employee payroll	\$ 9,191,273	\$ 8,251,265	\$ 4,543,733	\$ 10,399,154	\$ 15,941,094	\$ 15,941,094
Contribution as a percentage of covered-employee payroll	7%	11%	12%	17%	4%	4%

Note: In the future, as data becomes available, ten years of information will be presented.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalSTRS					
District's proportion of the net pension liability	0.0185%	0.0180%	0.0200%	0.0190%	0.0190%
District's proportionate share of the net pension liability	\$ 12,831,160	\$ 8,328,904	\$ 19,068,686	\$ 17,503,494	\$ 17,808,029
State's proportionate share of the net pension liability associated with the District	6,425,882	4,190,868	9,829,830	9,549,402	10,196,419
Total	\$ 19,257,042	\$ 12,519,772	\$ 28,898,516	\$ 27,052,896	\$ 28,004,448
District's covered - employee payroll	\$ 10,667,967	\$ 10,068,303	\$ 10,322,488	\$ 10,896,493	\$ 9,914,134
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	120%	83%	185%	161%	180%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	Reporting Fiscal Year (Measurement Date)				
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
CalPERS					
District's proportion of the net pension liability	0.0588%	0.0550%	0.0590%	0.0620%	0.0600%
District's proportionate share of the net pension liability	\$ 20,236,298	\$ 11,129,362	\$ 18,088,089	\$ 18,005,067	\$ 16,122,049
District's covered - employee payroll	\$ 9,028,686	\$ 7,852,831	\$ 8,501,993	\$ 8,594,502	\$ 8,307,409
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	224%	142%	213%	209%	194%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

Note: In the future, as data becomes available, ten years of information will be presented.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023**

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CaSTRS				
District's proportion of the net pension liability	0.0180%	0.0190%	0.0210%	0.0210%
District's proportionate share of the net pension liability	\$ 16,646,400	\$ 15,367,390	\$ 12,642,644	\$ 11,410,991
State's proportionate share of the net pension liability associated with the District	6,187,467	5,575,289	4,890,772	4,620,321
Total	\$ 22,833,867	\$ 20,942,679	\$ 17,533,416	\$ 16,031,312
District's covered - employee payroll	\$ 10,338,658	\$ 9,923,684	\$ 9,664,013	\$ 9,408,594
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	161%	155%	131%	121%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
CaPERS				
District's proportion of the net pension liability	0.0650%	0.0660%	0.0660%	0.0590%
District's proportionate share of the net pension liability	\$ 15,580,588	\$ 13,074,541	\$ 10,630,428	\$ 6,500,027
District's covered - employee payroll	\$ 8,307,648	\$ 7,997,047	\$ 7,216,731	\$ 7,367,413
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	188%	163%	147%	88%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Note: In the future, as data becomes available, ten years of information will be presented.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CalSTRS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 2,413,589	\$ 1,805,020	\$ 1,626,031	\$ 1,871,467	\$ 1,773,949
District's contributions in relation to the statutorily required contribution	2,413,589	1,805,020	1,626,031	1,871,467	1,773,949
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 14,264,710	\$ 10,667,967	\$ 10,068,303	\$ 10,322,488	\$ 10,896,493
District's contributions as a percentage of covered-employee payroll	16.92%	16.92%	16.15%	18.13%	16.28%

CalPERS	Reporting Fiscal Year				
	2023	2022	2021	2020	2019
Statutorily required contribution	\$ 2,954,337	\$ 2,068,472	\$ 1,625,536	\$ 1,676,678	\$ 1,552,339
District's contributions in relation to the statutorily required contribution	2,954,337	2,068,472	1,625,536	1,676,678	1,552,339
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 12,895,404	\$ 9,028,686	\$ 7,852,831	\$ 8,501,993	\$ 8,594,502
District's contributions as a percentage of covered-employee payroll	22.91%	22.91%	20.70%	19.72%	18.06%

Note: In the future, as data becomes available, ten years of information will be presented.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023**

CalSTRS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 1,510,996	\$ 1,247,198	\$ 902,174	\$ 864,028
District's contributions in relation to the statutorily required contribution	1,510,996	1,247,198	902,174	864,028
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,914,134	\$ 10,338,658	\$ 9,923,684	\$ 9,664,013
District's contributions as a percentage of covered-employee payroll	15.24%	12.06%	9.09%	8.94%

CalPERS	Reporting Fiscal Year			
	2018	2017	2016	2015
Statutorily required contribution	\$ 1,272,690	\$ 1,153,733	\$ 546,053	\$ 849,481
District's contributions in relation to the statutorily required contribution	1,272,690	1,153,733	546,053	849,481
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 8,307,409	\$ 8,307,648	\$ 7,997,047	\$ 7,216,731
District's contributions as a percentage of covered-employee payroll	15.32%	13.89%	6.83%	11.77%

Note: In the future, as data becomes available, ten years of information will be presented.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB asset, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB asset. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year.

Schedule of Contributions – OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.

Changes of Assumptions – The discount rate increased from 2.16% to 3.54% since the previous valuation.

Schedule of Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – The discount rate decreased from 7.15% to 6.90% since the previous valuation for CalPERS. There were no changes in assumptions since the previous valuations for CalSTRS.

Schedule of Contributions – Pensions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2023**

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

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Ms. Sally Biggin	President	December 2024
Dr. Rebecca Robertson	Vice President	December 2024
Dr. Colleen Mullery	Clerk	December 2024
Ms. Carol Mathews	Member	December 2026
Mr. Daniel Kelley	Member	December 2026
Mr. Richard Dorn	Member	December 2024
Ms. Lorraine Pedrotti	Member	December 2026
Ms. Marabeth Madsen	Student Member (Nonvoting)	June 2023

DISTRICT ADMINISTRATION

Dr. Keith Flamer
President/Superintendent

Dr. Lisa Gaetje
Vice President, Instruction

Ms. Julia Morrison
Vice President, Administrative Services

Dr. Crystal Morse
Interim Vice President, Student Services

Dr. Kerry Mayer
Interim Senior Vice President, Strategic Initiatives

AUXILIARY ORGANIZATIONS IN GOOD STANDING

AUXILIARY NAME	DIRECTOR'S NAME	ESTABLISHMENT AND MASTER AGREEMENT DATE
College of the Redwoods Foundation	Marty Coelho, Executive Director of College Advancement & the CR Foundation	Organized as an auxiliary organization in 1968 and has a signed master agreement dated August 01, 2006.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2023**

The full-time equivalent resident students (FTES) eligible for 2022-23 state apportionment reported to the state of California as of June 30, 2023 are summarized below:

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2022 only)			
1. Noncredit	3.70	-	3.70
2. Credit	180.03	-	180.03
B. Summer Intersession (Summer 2023 - Prior to July 1, 2023)			
1. Noncredit	-	-	-
2. Credit	0.15	-	0.15
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,107.38	-	1,107.38
(b) Daily Census Contact Hours	86.11	-	86.11
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	89.65	-	89.65
(b) Credit	372.34	-	372.34
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	1,037.98	-	1,037.98
(b) Daily Census Contact Hours	201.71	-	201.71
(c) Noncredit Independent Study/Distance Education Courses	6.64	-	6.64
D. Total FTES	3,085.69	-	3,085.69
Supplemental Information (subset of above information)			
E. In-service Training Courses	3.55	-	3.55
F. Basic Skills Courses and Immigrant Education			
1. Credit	1.39	-	1.39
2. Noncredit	70.18	-	70.18
Total Basic Skills FTES	71.57	-	71.57

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	*	\$ 147,535
Federal Direct Student Loans	84.268	*	1,941,497
Federal Work Study Program (FWS)	84.033	*	168,132
Federal Pell Grants (PELL)	84.063	*	<u>6,393,273</u>
Total Student Financial Assistance Cluster			<u>8,650,437</u>
Passed through State Department of Education			
Career and Technical Education - Basic Grants to States	84.048	*	171,197
TRIO Cluster			
Student Support Services	84.042	*	584,621
Upward Bound	84.047A	*	<u>526,361</u>
Total TRIO Cluster			<u>1,110,982</u>
Higher Education Emergency Relief Funds (HEERF)			
COVID-19 HEERF III ARP - Institutional	84.425F	*	2,073,380
Institutional Resilience and Expanded Postsecondary Opportunity	84.425P	*	<u>774,454</u>
Total Higher Education Emergency Relief Funds			<u>2,847,834</u>
Total U.S. Department of Education			<u>12,780,450</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veteran's Education	64.117	*	10,998
Total U.S. Department of Veterans Affairs			<u>10,998</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education			
Child and Adult Care Food Program	10.558	04129-CACFP-12-CC-IC	<u>39,660</u>
Total U.S. Department of Agriculture			<u>39,660</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through State Department of Education			
AmeriCorps	94.006	95550001	<u>32,967</u>
Total Corporation for National and Community Service			<u>32,967</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State Department of Education			
Child Development Cluster			
Child Development - Federal Child Care, Center Based CSPP	93.596	13609	12,430
Child Development - Federal Child Care, Center Based CCTR	93.575	15136	<u>7,650</u>
Total Child Development Cluster			<u>20,080</u>
Early Head Start - Child Care Partnership	93.600	01039	<u>152,269</u>
Total U.S. Department of Health and Human Services			<u>172,349</u>
U.S. DEPARTMENT OF INTERIOR BUREAU OF INDIAN AFFAIRS			
Indian Loans - Economic Development	15.124	*	127,972
Total U.S. Department of Interior Bureau of Indian Affairs			<u>127,972</u>
Total Federal Expenditures			<u>\$ 13,164,396</u>

*Pass-Through number is either not available or not applicable

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Revenues				Total	Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Deferred Income		
State Mandated Costs	\$ 123,558	\$ -	\$ -	\$ -	123,558	\$ 123,558
Part-Time Faculty Allowance	139,470	-	-	-	139,470	139,470
Full-Time Faculty Hiring	456,050	-	-	-	456,050	456,050
Perkins V Reserve Innovation Grant	8,452	61,849	-	-	70,301	70,301
Extended Opportunity Program and Services	1,161,681	-	-	56,982	1,218,663	1,218,663
Cooperative Agencies Resources for Education	328,918	-	-	-	328,918	328,918
PROP 20 Lottery	411,723	17,160	-	(381,713)	47,170	47,170
Disabled Student Program and Services + Access to Print	753,242	-	-	(290,397)	462,845	462,845
TANF	50,126	(13,405)	-	20,629	57,350	57,350
CalWORKs	304,061	-	1,782	(33,909)	271,934	270,152
Student Equity and Achievement	1,817,019	-	-	198,762	2,015,781	2,015,781
BFAP Fin Aid Adm Allowance	217,242	-	-	(18,984)	198,258	198,258
Financial Aid Technology	42,232	-	-	14,949	57,181	57,181
Culturally Competent Professional Development	150,000	-	-	(150,000)	-	-
Staff Diversity Funds -AB1725	138,888	-	-	(111,101)	27,787	27,787
EEO Best Practices	-	-	-	20,500	20,500	20,500
Foster Parent Training	138,702	-	-	(9,412)	129,290	129,290
Strong Workforce	1,419,144	-	-	327,467	1,746,611	1,746,611
Inst Eq/Lib Matl - Even Year	-	-	-	108,449	108,449	108,449
Inst Eq/Lib Matl - Odd Year	2,080,410	-	-	(2,080,410)	-	-
College Access Program	228,071	144,716	-	(228,071)	144,716	129,329
Guided Pathways	240,615	-	-	13,634	254,249	254,249
Strong Workforce - Regional	1,700,860	-	-	(919,105)	781,755	781,755
North Far North Reg Consortium	-	-	-	19,854	19,854	19,854
Nurse Enrollment Growth	120,921	-	-	38,992	159,913	159,913
AEBG	1,266,296	-	-	423,310	1,689,606	1,469,454
Zero Textbook Cost Program	200,000	-	-	(187,720)	12,280	12,280
Systemwide Tech& Data Security	50,000	-	-	(1,962)	48,038	48,038
CTE Unlocked	-	-	-	26,113	26,113	26,113
Mental Health Support	133,675	-	-	(20,417)	113,258	113,258
COVID-19 Recovery Block Grant	1,801,800	-	-	(1,801,800)	-	-
Pelican Bay Innovation Award	255,562	-	-	(128,093)	127,469	127,469
Local & Systemwide Tech/Data	300,000	-	-	(170,171)	129,829	129,829
Report Streamlining Pilot Prog	-	-	-	77,194	77,194	77,194
Veterans Resource Center	54,544	-	-	(24,946)	29,598	29,598
Veterans Program	-	-	-	23,405	23,405	23,405
College Specific-Nursing Program	-	-	-	261,541	261,541	261,541
Basic Needs Centers	216,284	-	-	71,287	287,571	287,571
Student Food & Housing Support	193,914	-	-	(181,211)	12,703	12,703
NASSSP	600,000	-	-	(600,000)	-	-
College Rapid Rehousing 22/23	666,667	-	-	(211,477)	455,190	455,190
Undocumented Res Liaisons	68,851	-	-	(8,487)	60,364	60,364
Invention/Inclusive Innova i3	125,000	-	-	-	125,000	125,000
PB Rising Scholars Network	154,000	-	-	(77,549)	76,451	76,451
LAEP -Learning-Aligned Emp Program	1,282,859	-	-	(1,281,704)	1,155	1,155
CC4A -CA College 4 All/Col Crp	106,815	-	-	-	106,815	106,815
Regional Equity & Recovery	75,212	-	-	(75,212)	-	-
College Specific-Nursing Deve	500,000	-	-	(500,000)	-	-
Retention/Enrollment Outreach	634,814	-	-	(84,962)	549,852	549,852
Wellness Vending Machine Pilot	15,000	-	-	(15,000)	-	-
2018-19 Rural Technology Grant	-	-	-	12,670	12,670	12,670
NextUp	126,389	-	-	(122,062)	4,327	4,327
Child Development Center	20,906	-	-	-	20,906	20,906
State Preschool Program	562,930	-	-	(11,920)	551,010	551,010
Stipend CSPP	7,140	-	-	(7,140)	-	-
Child Care Stabilization Stipe	187,347	-	-	(187,347)	-	-
Stipend CCTR	36,488	-	-	(36,488)	-	-
Infant & Toddler	458,240	-	-	(102,216)	356,024	356,024
Caltrans Infrastructure Improve	-	-	-	1,603	1,603	1,603
Schedule Maintenance & Repairs	3,451,550	-	-	(3,311,169)	140,381	140,381
CR/CalPoly Nursing Facility	10,500,000	-	-	(10,500,000)	-	-
Cal Grant	1,240,443	56,896	-	-	1,297,339	1,297,339
Student Success Completion Odd	1,080,091	-	-	(11,507)	1,068,584	1,068,584
Total	\$ 38,404,202	\$ 267,216	\$ 1,782	\$ (22,166,321)	\$ 16,506,879	\$ 16,269,558

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 6,787,195	\$ -	\$ 6,787,195	\$ 6,787,195	\$ -	\$ 6,787,195
Other	1300	5,746,460	-	5,746,460	5,746,460	-	5,746,460
Total Instructional Salaries		12,533,655	-	12,533,655	12,533,655	-	12,533,655
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	1,872,536	-	1,872,536
Other	1400	-	-	-	171,787	-	171,787
Total Non-Instructional Salaries		-	-	-	2,044,323	-	2,044,323
Total Academic Salaries		12,533,655	-	12,533,655	14,577,978	-	14,577,978
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	5,997,214	-	5,997,214
Other	2300	-	-	-	192,262	-	192,262
Total Non-Instructional Salaries		-	-	-	6,189,476	-	6,189,476
Instructional Aides							
Regular Status	2200	416,386	-	416,386	416,386	-	416,386
Other	2400	247,024	-	247,024	247,343	-	247,343
Total Instructional Aides		663,410	-	663,410	663,729	-	663,729
Total Classified Salaries		663,410	-	663,410	6,853,205	-	6,853,205
Employee Benefits	3000	4,067,770	-	4,067,770	8,547,506	-	8,547,506
Supplies and Materials	4000	-	-	-	334,758	-	334,758
Other Operating Expenses	5000	142,572	-	142,572	4,296,650	-	4,296,650
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		17,407,407	-	17,407,407	34,610,097	-	34,610,097
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	1,053	-	1,053
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400						
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ -	\$ -	\$ -	\$ 1,053	\$ -	\$ 1,053
Total for ECS 84362, 50% Law		\$ 17,407,407	\$ -	\$ 17,407,407	\$ 34,609,044	\$ -	\$ 34,609,044
Percent of CEE (Instructional Salary Cost/Total CEE)		50.30%	0.00%	50.30%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 17,304,522	\$ -	\$ 17,304,522

**REDWOODS COMMUNITY COLLEGE DISTRICT
 RECONCILIATION OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2023**

EPA Revenue	4,439,283
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	4,439,283	-	-	4,439,283
Total		4,439,283	-	-	4,439,283

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Total Fund Equity - District Funds Included in the Reporting Entity

General Fund	\$	9,453,701	
Debt Service Funds		4,888,908	
Special Revenue Funds		469,105	
Capital Project Funds		2,060,130	
Enterprise Funds		1,274,776	
Student Financial Aid Fund		5	
Other Funds		<u>4,202,522</u>	\$ 22,349,147

Assets recorded within the statements of net position not included in the District fund financial statements:

Nondepreciable capital assets		50,580,460	
Depreciable capital assets		152,332,421	
Intangible right of use assets		4,057,275	
Accumulated depreciation		(67,885,951)	
Accumulated amortization		<u>(2,215,680)</u>	136,868,525

Unmatured Interest (398,279)

FMV Cash in County Adjustment (1,894,452)

Deferred outflows recorded within the statement of net position not included in the District fund financial statements:

Deferred outflows related to OPEB		396,762	
Deferred outflows related to pensions		<u>11,077,941</u>	11,474,703

Liabilities recorded within the statements of net position not recorded in the District fund financial statements:

Compensated absences			(1,194,413)
Net OPEB liability			(5,130,203)
Net pension liability			(33,067,458)
Long-term debt			(23,520,707)

Deferred inflows recorded within the statement of net position not included in the District fund financial statements:

Deferred gain on refunding		23,653	
Deferred inflows related to OPEB		461,406	
Deferred inflows related to pensions		<u>4,068,032</u>	<u>(4,553,091)</u>

Net Position Reported Within the Statements of Net Position \$ 100,933,772

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

Change in Fund Equity - District Funds Included in the Reporting Entity in the Reporting Entity	\$ 2,734,899
Compensated absence expense	(187,791)
Depreciation expense	(4,233,378)
Investment income (loss) related to FMV adjustment	(1,894,452)
Accrued interest	37,062
Amortization of bond premiums	167,341
Amortization of deferred gain on refunding	7,885
Amortization of intangible right of use assets	(823,892)
Capital outlay expense	6,501,701
Pension expense	1,978,312
Other postemployment benefits expense	198,887
Principal Payments on debt	<u>2,644,258</u>
Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 7,130,832</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

District Organizational Structure

This schedule provides information about the District's governing board members and administration members.

Schedule of Workload Measures for State General Apportionment – Annual/Actual Attendance

The schedule of workload measures for state general apportionment annualized attendance as of June 30, 2023, represents the basis of apportionment of the District's annual source of funding.

Schedule of Expenditures of Federal Awards

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Expenditures of State Awards

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2022-23*.

Expenses reported on this schedule are reported on the accrual basis of accounting.

Reconciliation of the ECS 84362 (50 Percent 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.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES, continued

Reconciliation of the 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.

Reconciliation of Fund Equity to Net Position and Reconciliation of Change in Fund Equity to Change in Net Position

These schedules provide the information necessary to reconcile the supplemental combining financial schedules to the audited financial statements.

NOTE 2 – LOAN PROGRAM

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District's financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2023.

OTHER INDEPENDENT AUDITORS' REPORTS



**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 the 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 the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Redwoods Community College District (the District) as of and for the year ended June 30, 2023, 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 6, 2023.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ending June 30, 2023. Our opinions are not modified with respect to this matter.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

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.



San Diego, California
December 6, 2023



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Redwoods Community College District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2023. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Redwoods Community College District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Redwoods Community College District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Redwoods Community College District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Redwoods Community College District's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Redwoods Community College District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Redwoods Community College District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Redwoods Community College District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Redwoods Community College District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
December 6, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Report on State Compliance

Opinion on State Compliance

We have audited Redwoods Community College District's (the District) compliance with the types of compliance requirements as identified in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual* for the year ended June 30, 2023. The applicable state compliance requirements are identified in the table below.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2023.

Basis for Opinion

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 the compliance requirements described in the 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our responsibilities under those standards and the compliance requirements are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on state compliance with the compliance requirements subject to audit in the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the 2022-2023 California Community Colleges Chancellor's Office *Contracted District Audit Manual*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit 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 over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any material noncompliance with the requirements listed in the table below that we identified during the audit.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with State laws and regulations applicable to the following:

Section 411 – SCFF Data Management Control Environment
Section 412 – SCFF Supplemental Allocation Metrics
Section 413 – SCFF Success Allocation Metrics
Section 421 – Salaries of Classroom Instructors (50 Percent Law)
Section 423 – Apportionment for Activities Funded From Other Sources
Section 424 – Student Centered Funding Formula Base Allocation: FTES
Section 425 – Residency Determination for Credit Courses
Section 426 – Students Actively Enrolled
Section 427 – Dual Enrollment (CCAP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475 – Disabled Student Programs and Services (DSPS)
Section 490 – Propositions 1D and 51 State Bond Funded Projects
Section 491 – Education Protection Account Funds
Section 492 – Student Representation Fee
Section 494 – State Fiscal Recovery Fund
Section 499 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing over state laws and regulations based on the requirements described in 2022-23 California Community Colleges Chancellor's Office *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



San Diego, California
December 6, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	No
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Non-compliance 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 Noted
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	No
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.425F, 84.425P	Higher Education Emergency Relief Funds (HEERF)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Noted
Type of auditors' report issued on compliance for State programs:	Unmodified

**REDWOODS COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings for the year ended June 30, 2023.

**REDWOODS COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs for the year ended June 30, 2023.

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs for the year ended June 30, 2023.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

There were no audit findings or questioned costs for the year ended June 30, 2022.