



# Redwoods Community College District

## TABLE OF CONTENTS

June 30, 2015

---

	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	5
<b>Financial Statements</b>	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Statement of Cash Flows	14
Notes to the Financial Statements	16
<b>Required Supplementary Information</b>	
Schedule of District's Proportionate Share of the Net Pension Liability - CalSTRS	44
Schedule of District Contributions - CalSTRS	45
Schedule of District's Proportionate Share of the Net Pension Liability - CalPERS	46
Schedule of District Contributions – CalPERS	47
Schedule of Funding Progress for Other Postemployment Benefits	48
Note to the Required Supplementary Information	49
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>	
Organization Structure	51
Schedule of Workload Measures for State General Apportionment	52
Schedule of Expenditures of Federal Awards	53
Schedule of Expenditures of State Awards	54

# Redwoods Community College District

## TABLE OF CONTENTS

June 30, 2015

---

	<b><u>Page Number</u></b>
Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With Audited Financial Statements	55
Reconciliation of 50% Law Calculation	57
Reconciliation of Education Protection Account Expenditures	59
Combining Balance Sheet – District Funds Included in the Reporting Entity	60
Combining Statement of Revenues, Expenditures/Expenses, and Changes in Fund Equity – District Funds Included in the Reporting Entity	64
Reconciliation of Fund Equity to Net Position	68
Reconciliation of Change in Fund Equity to Change in Net Position	69
Note to the Supplementary Information	70
 <b>OTHER REPORTS SECTION</b>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	73
Independent Auditors’ Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	75
Independent Auditors’ Report on State Compliance	77
 <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION</b>	
Schedule of Findings and Questioned Costs	80
Corrective Action Plan	84
Summary Schedule of Prior Audit Findings	85



## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of June 30, 2015, 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.

### ***Effect of Adopting New Accounting Standards***

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the fiscal year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

***Required Supplementary Information*** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and the required supplementary information on pages 44 to 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information*** Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 52 to 70 and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 52 to 70 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The organization structure has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*KCoe Team, LLP*

March 22, 2016  
Redding, California

## **FINANCIAL SECTION**

# Redwoods Community College District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

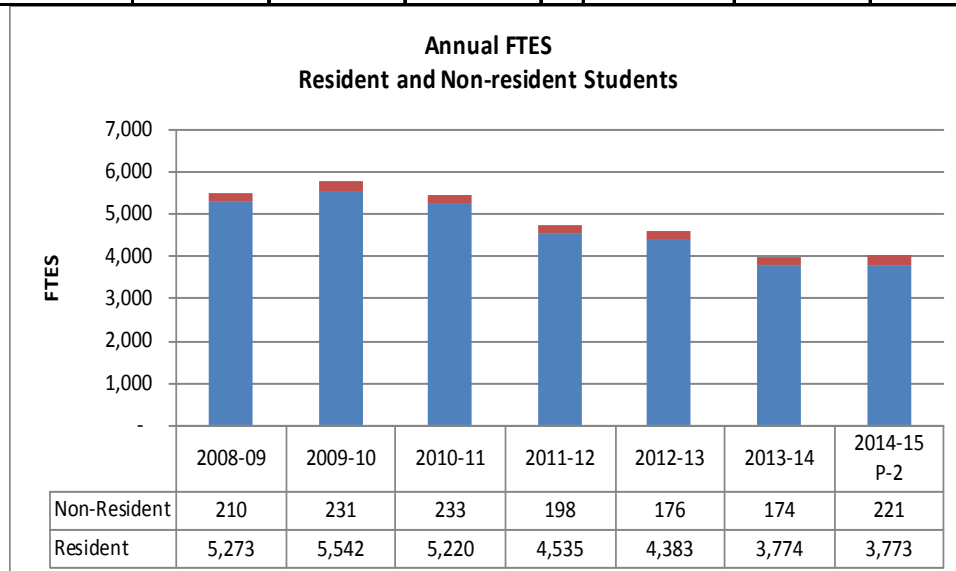
As required by accounting principles, the annual report consists of three basic financial statements that provide information on Redwoods Community College District (the District) as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement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

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

### ATTENDANCE HIGHLIGHTS

The District's resident Full-Time Equivalent Students (FTES) for Fiscal Year 2014-15 stood at 3,773 per the District's "P-2" report. The Chancellor's Office provided stability funding in Fiscal Year 2014-15 for 3,936 FTES.

<i>Credit/Non-credit Resident and Non-resident Students</i>						
<i>Academic Year</i>	<i>Resident</i>	<i>Non-Resident</i>	<i>Total</i>	<i>Percentage Change</i>		
				<i>Resident</i>	<i>Non-Resident</i>	<i>Total</i>
2008-09	5,273	210	5,483	11.2%	17.3%	11.4%
2009-10	5,542	231	5,773	5.1%	10.0%	5.3%
2010-11	5,220	233	5,453	-5.8%	0.9%	-5.5%
2011-12	4,535	198	4,733	-13.1%	-15.0%	-13.2%
2012-13	4,383	176	4,559	-3.4%	-11.1%	-3.7%
2013-14	3,774	174	3,948	-13.9%	-1.1%	-13.4%
2014-15 P-2	3,773	221	3,994	0.0%	27.0%	1.2%





**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**STATEMENT OF NET POSITION**

The statement of net position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector organizations. Net position, the difference between assets and liabilities, is an indicator of the financial health of a district.

June 30	(As Restated)			
	2015	2014	Change	
<b>ASSETS</b>				
Current assets	\$ 12,127,506	\$ 15,324,629	\$ (3,197,123)	-21%
Noncurrent restricted cash and cash equivalents	8,141,676	10,833,279	(2,691,603)	-25%
Capital assets and deferred costs - net	99,858,242	98,520,207	1,338,035	1%
<b>Total Assets</b>	<b>\$ 120,127,424</b>	<b>\$ 124,678,115</b>	<b>\$ (4,550,691)</b>	<b>-4%</b>
<b>DEFERRED OUTFLOW OF RESOURCES - PENSIONS</b>	<b>\$ 1,748,255</b>	<b>\$ 1,521,552</b>	<b>\$ 226,703</b>	<b>15%</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 7,500,768	\$ 9,370,141	\$ (1,869,373)	-20%
Noncurrent liabilities	52,551,547	61,235,955	(8,684,408)	-14%
<b>Total Liabilities</b>	<b>60,052,315</b>	<b>70,606,096</b>	<b>(10,553,781)</b>	<b>-15%</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflows related to pensions	5,307,783	-	5,307,783	100%
Deferred gain on refunding	86,733	94,618	(7,885)	-8%
<b>NET POSITION</b>				
Investments in capital assets - net of related debt	74,467,366	75,246,260	(778,894)	-1%
Restricted - expendable	5,656	73,651	(67,995)	-92%
Unrestricted	(18,044,174)	(19,820,958)	1,776,784	-9%
<b>Total Net Position</b>	<b>56,428,848</b>	<b>55,498,953</b>	<b>929,895</b>	<b>2%</b>

The 2014 statement of net position was restated herein for GASB 68 (See footnote 1).

The decrease in Current Assets is primarily due to a \$2.7 million reduction in accounts receivable and a smaller reduction to inventories. Accounts receivable are down due to the State no longer deferring payments to the District. However, both restricted and unrestricted cash are up from the previous year, so the smaller current asset base is centered more in cash and cash and cash equivalents. Noncurrent restricted cash and cash equivalents is centered in local bond funds and is trending down as bond proceeds are spent on capital construction projects.

Current liabilities decreased by almost \$1.9 million in comparison to the prior year primarily due to the elimination of tax and revenue anticipation notes during fiscal year 2015. During the prior year, the District issued a tax and revenue anticipation note in the amount of \$2.9 million. Due to an improved cash flow situation during the fiscal year ending June 30, 2015, the District issued no new tax and revenue anticipation notes and paid off the existing note.

The decrease in noncurrent liabilities is primarily due to payments on debt.

The Chancellor's Office recommends that each college district maintain a contingency reserve in the Unrestricted General Fund of not less than 5% of unrestricted expenditures. As of June 30, 2015 the Unrestricted General Fund reserve level or fund equity was 6.3%.

**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The District has elected to record its actuarially determined annual liability for postemployment health benefits according to GASB 45. Through changes in Board policy and collective bargaining contracts, newly hired employees will no longer participate in this program. For eligible plan participants, the District funds the current service liability, and may make annual contributions for its prior service liability. The District intends to continue to set funds aside to meet its unfunded accrued liability. The most recent actuarial study of retiree health liabilities was as of October 16, 2013. The unfunded liability is estimated to be \$6.4 million. The funds set aside to pay future benefits stood at \$1.5 million at June, 30, 2015.

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

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

Years Ended June 30	2015	2014	Change	
<b>OPERATING REVENUES AND EXPENSES</b>				
OPERATING REVENUES				
Net tuition and fees	\$ 3,571,620	\$ 3,151,123	\$ 420,497	13%
Grants and contracts - noncapital	6,922,526	5,346,825	1,575,701	29%
Auxiliary enterprise sales and charges	347,121	345,410	1,711	0%
<b>Total Operating Revenues</b>	<b>10,841,267</b>	<b>8,843,358</b>	<b>1,997,909</b>	<b>23%</b>
OPERATING EXPENSES	37,039,277	35,628,753	1,410,524	4%
<b>Operating Loss</b>	<b>(26,198,010)</b>	<b>(26,785,395)</b>	<b>587,385</b>	<b>-2%</b>
NONOPERATING REVENUES (EXPENSES)				
State apportionments - noncapital	8,741,329	11,445,879	(2,704,550)	-24%
Education protection account revenues	4,235,087	3,837,036	398,051	10%
Local property taxes	9,195,683	8,589,918	605,765	7%
State taxes and other revenues	1,287,437	1,140,142	147,295	13%
Financial aid revenues	10,332,396	9,087,370	1,245,026	14%
Financial aid expenses	(10,266,182)	(9,087,371)	(1,178,811)	13%
Investment income - noncapital	67,330	50,272	17,058	34%
Other nonoperating revenues (expenses)	654,813	469,809	185,004	39%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>24,247,893</b>	<b>25,533,055</b>	<b>(1,285,162)</b>	<b>-5%</b>
<b>Loss Before Other Revenues and Expenses</b>	<b>(1,950,117)</b>	<b>(1,252,340)</b>	<b>(697,777)</b>	<b>56%</b>
State apportionments and grants - capital	646,952	345,217	301,735	87%
Local property taxes - capital	2,641,459	1,917,112	724,347	38%
Investment income - capital	71,637	44,223	27,414	0%
Interest expense - capital asset-related debt	(480,036)	(1,741,891)	1,261,855	-72%
Cost of issuance expense	-	(621,759)	621,759	100%
<b>Change in Net Position</b>	<b>929,895</b>	<b>(1,309,438)</b>	<b>1,617,574</b>	<b>-124%</b>
<b>Net Position - Beginning of Year</b>	<b>78,003,288</b>	<b>79,312,726</b>	<b>(1,309,438)</b>	<b>-2%</b>
<b>Cumulative Effect of Accounting Change</b>	<b>(22,504,335)</b>	<b>-</b>	<b>(22,504,335)</b>	
<b>Net Position - End of Year (As Restated)</b>	<b>55,498,953</b>	<b>79,312,726</b>	<b>(23,813,773)</b>	
<b>Net Position - End of Year</b>	<b>\$ 56,428,848</b>	<b>\$ 78,003,288</b>	<b>\$ (21,574,440)</b>	<b>-28%</b>

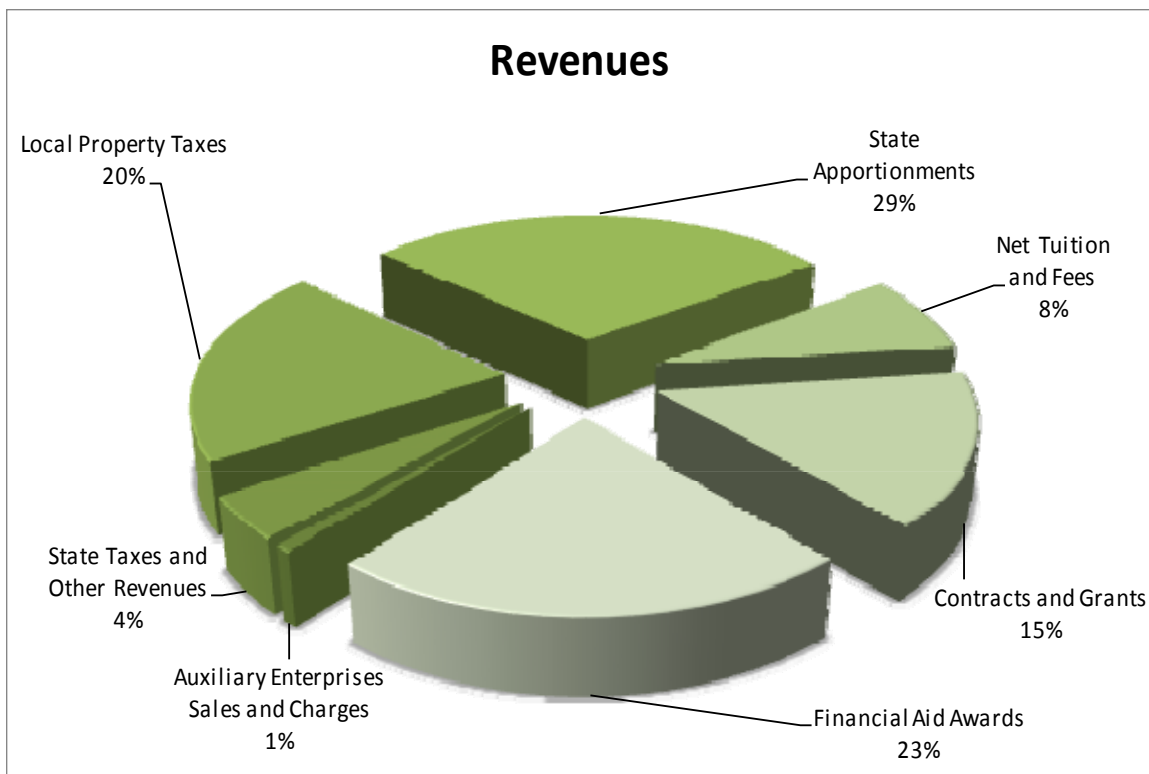
The 2014 change in net position was NOT restated herein for GASB 68, as the information was not available.

**Redwoods Community College District**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The State’s SB361 funding formula allocates apportionment funding to 72 community college districts. For Fiscal Year 2014-15 the District’s total apportionment was \$23.0 million, down from \$25.0 million the prior year. The reduction in apportionment funding is due to lower student enrollments.

<i>Chancellor's Office Deficit Coefficient</i>	
<i>Fiscal Year</i>	<i>Deficit Factor</i>
June 30, 2011	(92,032)
June 30, 2012	(516,767)
June 30, 2013	(4,322)
June 30, 2014	(113,891)
June 30, 2015	(73,552)

The 2014-15 apportionment again includes a reduction adjustment for the Chancellor’s deficit coefficient. Due to differences between the State’s estimated revenue and the actual revenue from property taxes and instruction fees, the State underfunds the community college system by varying degrees each year. The Chancellor’s Office Deficit Coefficient chart shows the amount that the District was shorted on State payments.

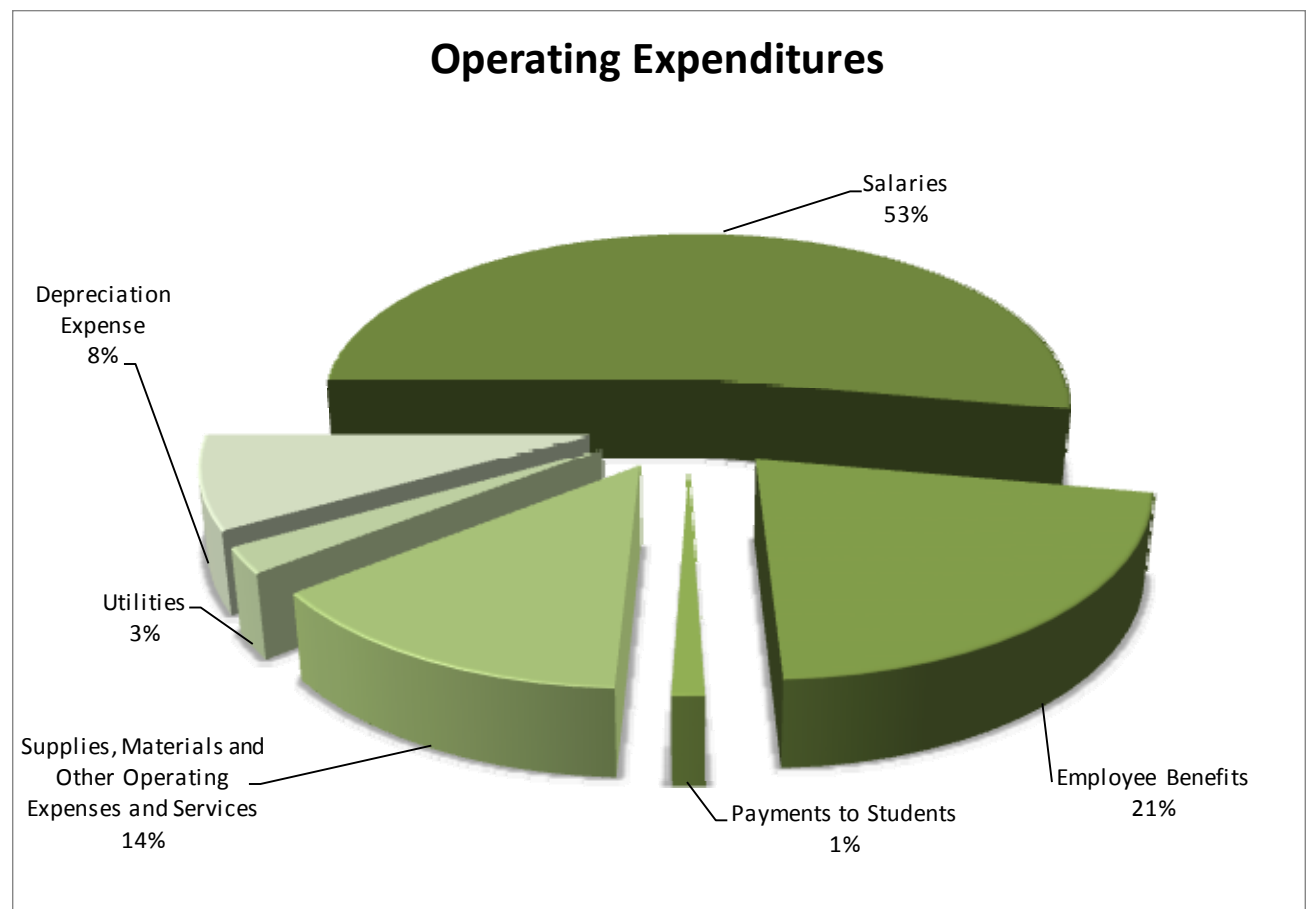


**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OPERATING EXPENSES (BY NATURAL CLASSIFICATION)**

Years Ended June 30	2015		2014		Change	
Salaries	\$	19,274,179	\$	18,675,046	\$	599,133 3%
Employee benefits		7,448,651		7,634,604		(185,953) -2%
Payments to students		580,880		411,158		169,722 41%
Supplies, materials, and other operating expenses and services		5,335,288		4,906,991		428,297 9%
Utilities		809,971		1,038,102		(228,131) -22%
Depreciation expense		3,590,308		2,962,852		627,456 21%
<b>Total Operating Expense</b>	<b>\$</b>	<b>37,039,277</b>	<b>\$</b>	<b>35,628,753</b>	<b>\$</b>	<b>1,410,524 4%</b>

Salaries increased primarily due to annual employee step increases and one-time retroactive payments. The combination of increased salaries, supplies, and depreciation expense were partially offset by lower costs in employee benefits and utilities. The net result was a \$1.5 million overall increase in operating expenses.



**Redwoods Community College District**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**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.

Years Ended June 30	2015	2014	Change	
Cash provided (used) by:				
Operating activities	\$ (23,013,398)	\$ (24,181,278)	\$ 1,167,880	-5%
Noncapital financing activities	27,713,114	24,037,078	3,676,036	15%
Capital financing activities	(6,791,437)	5,018,091	(11,809,528)	-235%
Investing activities	67,300	50,272	17,028	34%
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,024,421)</b>	<b>4,924,163</b>	<b>(6,948,584)</b>	<b>-141%</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>20,460,268</b>	<b>15,536,105</b>	<b>4,924,163</b>	<b>32%</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 18,435,847</b>	<b>\$ 20,460,268</b>	<b>\$ (2,024,421)</b>	<b>-10%</b>

The District’s cash and cash equivalents balance decreased by \$2.0 million to \$18.4 million. The decrease in cash and cash equivalents reflects spending down of bond proceeds on various capital projects. In addition the District did not participate in the in the California Community College League Mid-Year Tax and Revenue Anticipation Note (TRAN) program. The District paid down its existing TRAN balances, and District analysis showed sufficient cash flow without the need for an additional TRAN.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The District’s unrestricted ending fund equity is stable and at present continues to slowly and steadily grow as planned for in the multiyear budget forecast, even after the District used some fund balance to partially repay employee salary concessions. However, the State significantly increased the District’s pension payments to CalSTRS and CalPERS. While the State increased apportionment funding in 2015-16, administration estimates that this increase was only sufficient to perhaps offset the early years of this scheduled pension inflation. Also, the District used a portion of the new funds to continue to restore salary schedules. Without additional base budget apportionment funding, the District’s multiyear financial forecast will actually deteriorate, despite this year’s base funding increase.

The Governor’s January budget proposal for 2016-17 includes less than half a percent general fund increase, while the District’s annual cost increases including the higher pension liabilities comes in at nearly four percent. Therefore, the District would need strong enrollment growth to generate offsetting revenue, but the District’s enrollments have consistently contracted year-over-year since 2009-10. The single most important priority for long term District fiscal solvency is to stabilize and begin small annual restorations of student enrollments. Lacking an adequate 2016-17 base budget augment, the District will draw more heavily on one-time resources and less reliable non-general fund resources to close the budget gap for one year.

## **Redwoods Community College District**

### **MANAGEMENT’S DISCUSSION AND ANALYSIS**

---

In its February 19, 2016 Regional Economic Update, Comerica Bank reported, “Bay Area technology firms started the year with a less sturdy footing. A slowdown in the Chinese economy strained global financial markets at the end of 2015. Tech stocks, which were perceived to be a flight-to-quality stock at the beginning of 2015, began to lose strength in the second half of last year.” Sustained economic volatility or a recession could trigger reduced apportionment funding from the State, which in turn would negatively impact the District’s multiyear financial forecast.

State voters passed proposition 30 which is providing some additional resources to community colleges. However, the District has not fully benefited from this new funding source due to student enrollment growth requirements. State funding did not provide for a statewide inflation adjustment or COLA in 2008-09, 2009-10, 2010-11, and 2011-12, and has provided small COLAs in subsequent years, all of which have been insufficient to cover annual cost increases. Only in 2015-16 did the State provide a significant base budget increase. However, that increase is completely offset by State mandated pension cost increases. Therefore, the District continues to experience reduced State Apportionment funding, net of mandated pension cost increases.

District employees have not received a salary COLA in over three years. Maintaining competitive salaries is necessary to attract and retain talented employees, so the District needs to “mark to market” on its salary schedules periodically. However, with over 80% of the District’s expenditures centered in payroll, any upward movement in this category could negatively impact the multiyear financial forecast.

The District’s finances will continue to be positioned for the probability of austerity budgets for the near term, due to sluggish student enrollment results and financial market instability. With long term capital investments, most notably two buildings recently approved by the Chancellor’s Office for replacement with State capital construction funds and other projects district wide, the District is also being positioned to capitalize on opportunities in the future as the State’s economic outlook eventually improves and the District stabilizes its enrollments in a sustainable manner.

**Redwoods Community College District**  
STATEMENT OF NET POSITION

June 30, 2015	Primary Institution	Foundation
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,762,698	\$ 1,522,024
Restricted cash and cash equivalents	3,531,503	-
Accounts receivable - net	2,500,634	190,209
Inventories	164,460	-
Internal balances	(831,789)	831,789
<b>Total Current Assets</b>	<b>12,127,506</b>	<b>2,544,022</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	8,141,676	1,685,913
Investments	-	2,523,692
Beneficial interest in CRAT	-	209,575
Nondepreciable capital assets	4,997,260	-
Depreciable capital assets - net	94,311,789	-
Other postemployment benefits (obligation) asset	549,193	-
<b>Total Noncurrent Assets</b>	<b>107,999,918</b>	<b>4,419,180</b>
<b>TOTAL ASSETS</b>	<b>120,127,424</b>	<b>6,963,202</b>
<b>Deferred Outflow of Resources - Pensions</b>	<b>1,748,255</b>	<b>-</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	1,867,760	18,157
Accrued liabilities	1,813,527	-
Advances from grantors and students	2,288,116	864
Amounts held for others	186,049	343,372
Other long-term liabilities - current portion	36,716	-
Short-term debt	-	-
Long-term debt - current portion	1,308,600	-
<b>Total Current Liabilities</b>	<b>7,500,768</b>	<b>362,393</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - noncurrent portion	33,753,586	-
Net pension liability	17,911,018	-
Other long-term liabilities - noncurrent portion	886,943	-
<b>Total Noncurrent Liabilities</b>	<b>52,551,547</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>60,052,315</b>	<b>362,393</b>
<b>Deferred Inflow of Resources</b>		
Deferred inflows related to pensions	5,307,783	-
Deferred gain on refunding	86,733	-
<b>Total Deferred Inflow of Resources</b>	<b>5,394,516</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	74,467,366	-
Restricted:		
Nonexpendable	-	3,804,321
Expendable	5,656	1,530,061
Unrestricted	(18,044,174)	1,266,427
<b>TOTAL NET POSITION</b>	<b>\$ 56,428,848</b>	<b>\$ 6,600,809</b>

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

# Redwoods Community College District

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

Year Ended June 30, 2015	Primary Institution	Foundation
<b>Operating Revenues</b>		
Tuition and fees	\$ 6,431,675	\$ -
Less: Scholarship discounts and allowances	(2,860,055)	-
<b>Tuition and Fees - Net</b>	3,571,620	-
Grants and contracts - noncapital:		
Federal	1,478,431	-
State	4,949,985	-
Local	494,110	12,967
Auxiliary enterprise sales and charges	347,121	875,935
<b>Total Operating Revenues</b>	10,841,267	888,902
<b>Operating Expenses</b>		
Salaries	19,274,179	-
Employee benefits	7,448,651	-
Supplies, materials, and other operating expenses and services	5,335,288	1,029,342
Utilities	809,971	-
Depreciation	3,590,308	-
Payments to students	580,880	130,118
<b>Total Operating Expenses</b>	37,039,277	1,159,460
<b>Operating Income (Loss)</b>	(26,198,010)	(270,558)
<b>Nonoperating Revenues (Expenses)</b>		
State apportionments - noncapital	8,741,329	-
Education protection account revenues	4,235,087	-
Local property taxes - noncapital	9,195,683	-
State taxes and other revenues - noncapital	1,287,437	-
Investment income - noncapital	67,330	79,361
Financial aid revenues - federal	9,833,894	-
Financial aid revenues - state	498,502	-
Financial aid disbursements	(10,266,182)	-
Other nonoperating revenues (expenses) - noncapital	654,813	101,596
<b>Total Nonoperating Revenues (Expenses)</b>	24,247,893	180,957
<b>Income (Loss) Before Other Revenue, Expenses, Gains, or Losses</b>	(1,950,117)	(89,601)
<b>Other Revenues, Expenses, Gains, or Losses</b>		
State apportionments - capital	646,952	-
Local property taxes and revenue - capital	2,641,459	-
Interest expense - capital asset-related debt	(480,036)	-
Investment income - capital	71,637	-
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	2,880,012	-
<b>Change in Net Position</b>	929,895	(89,601)
<b>Net Position - Beginning of Year (As Previously Reported)</b>	78,003,288	6,690,410
<b>Cumulative Effect of Change in Accounting Principle</b>	(22,504,335)	-
<b>Net Position - Beginning of Year (As Restated)</b>	55,498,953	6,690,410
<b>Net Position - End of Year</b>	\$ 56,428,848	\$ 6,600,809

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



**Redwoods Community College District**  
**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2015	Primary Institution	Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,619,019	\$ -
Federal grants and contracts	1,854,129	-
State grants and contracts	4,748,830	-
Local grants and contracts	224,849	12,967
Payments to/on behalf of employees	(20,390,541)	-
Payments for benefits	(7,448,651)	-
Payments for scholarships and grants	(580,880)	(221,081)
Payments to suppliers	(5,104,297)	(1,046,002)
Payments for utilities	(809,971)	-
Auxiliary enterprise sales and charges	315,298	875,935
Other receipts (payments)	558,817	(137,901)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>(23,013,398)</b>	<b>(516,082)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments - noncapital	11,935,185	-
Education protection account revenues - noncapital	4,235,087	-
Local property taxes - noncapital	9,195,683	-
State taxes and other revenues	1,253,470	-
Financial aid receipts - federal	9,833,894	-
Financial aid receipts - state	498,502	-
Financial aid disbursements	(10,266,182)	-
Other receipts (payments)	1,027,475	(925,879)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>27,713,114</b>	<b>(925,879)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(4,093,404)	-
Interest paid on capital debt	(1,275,696)	-
Principal paid on capital debt	(1,481,400)	-
Short-term debt principal payments	(2,900,000)	-
State apportionments and grants - capital	245,967	-
Interest received on capital investments	71,637	-
Local property taxes - capital	2,641,459	-
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(6,791,437)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	67,330	211,579
<b>Net Cash Provided by Investing Activities</b>	<b>67,330</b>	<b>211,579</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,024,391)</b>	<b>(1,230,382)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>20,460,268</b>	<b>4,438,319</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 18,435,877</b>	<b>\$ 3,207,937</b>

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

# Redwoods Community College District

## STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2015	Primary Institution	Foundation
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (26,198,010)	\$ (270,558)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation expense	3,590,308	-
Deferred outflows from pensions	(226,703)	-
Deferred inflows from pensions	5,307,783	-
Net pension liabilities	(6,114,869)	-
Other receipts	654,813	-
Changes in:		
Accounts receivable - net	(92,438)	(29,099)
Inventories	165,198	-
Net OPEB asset	(113,245)	-
Accounts payable	230,056	(16,660)
Accrued liabilities	(92,219)	-
Advances from grantors and students	(156,932)	(90,963)
Amounts held for others	74,232	(108,802)
Other long-term liabilities	(41,372)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (23,013,398)</b>	<b>\$ (516,082)</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 6,762,698	\$ 1,522,024
Restricted cash and cash equivalents - current	3,531,503	-
Restricted cash and cash equivalents - noncurrent	8,141,676	1,685,913
<b>Total Cash and Cash Equivalents</b>	<b>\$ 18,435,877</b>	<b>\$ 3,207,937</b>

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units with the exception described below. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Exceptions to the accrual basis of accounting are as follows:

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

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

***Cash and Cash Equivalents*** For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value. However, cash in the County treasury is recorded at the value of the pool shares held, which approximates the fair value of the underlying cash and investments of the pools.

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

**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. Losses on uncollectible accounts receivable are recognized when such losses become known or indicated.

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

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

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

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

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

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

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

**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, 2015.

**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.

**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, and as such, will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has two items that qualify for reporting in this category. One is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. The other is the deferred outflows of resources related to pension which represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2015-16, per accounting pronouncement GASB Statement No. 71.

In addition to liabilities, the statement of net position will sometimes report 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(s), and as such, will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category, related to pension, which is the difference between the projected and actual earnings on the pension plan investments.

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

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

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

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

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

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

Revenues are classified according to the following criteria:

*Operating Revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; (3) most federal, state, and local grants and contracts, and federal appropriations; and (4) interest on institutional student loans.

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

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

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

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

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

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

**On-Behalf Payments** GASB Statement 24 requires that direct on-behalf payments for fringe benefits, and salaries made by 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 the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2015, was \$109,821.

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

**Change in Accounting Principle** Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

June 30, 2015

<b>Net Position as Previously Reported - June 30, 2014</b>	\$ 78,003,288
<b>Cumulative Effect of Change in Accounting Principle</b>	
Net pension liability (measurement date as of June 30, 2013)	(24,025,887)
<b>Deferred Outflows of Resources</b>	
District contributions made during fiscal year 2014	1,521,552
<b>Total Cumulative Effect of Change in Accounting Principle</b>	(22,504,335)
<b>Net Position as Restated - July 1, 2014</b>	\$ 55,498,953



# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 2. CASH AND INVESTMENTS

The following is a summary of cash and cash equivalents and investments:

June 30, 2015	Fair Value	
	Primary Institution	Foundation
<b>Deposits (1)</b>	\$ 18,435,877	\$ 3,207,937
<b>Investments That Are Not Securities (2)</b>		
Certificates of deposit	-	75,050
<b>Subtotal</b>	-	75,050
<b>Investment Securities</b>		
Equity mutual funds	-	2,448,642
<b>Subtotal</b>	-	2,448,642
<b>Total Cash and Cash Equivalents and Investments</b>	\$ 18,435,877	\$ 5,731,629

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

#### Custodial Credit Risk - Deposits

For deposits, credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2015, the District’s and the Foundation’s bank balances were exposed to custodial credit risk as follows:

June 30, 2015	Primary Institution	Foundation
Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 1,108,213	\$ -

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

#### **Primary Institution – Credit Risk - Investments**

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

The District has no investments as of June 30, 2015.

#### **Foundation – Credit Risk - Investments**

The Foundation’s investment policy states that the equity portion of the investable assets shall be allocated to asset classes on the basis of pre-approved ratios. The portion of assets invested in equities shall be 40% to 80% with the balance in fixed income (cash, cash equivalents, bonds, CDs, etc.). Fixed income investment instruments other than cash or cash equivalents shall have the highest rating by all three rating agencies (Fitch, Moody’s, and S&P) and have short or intermediate maturities. As of June 30, 2015, the Foundation has \$2,448,642 invested in equity mutual funds, representing 77.59% of the Foundation’s investment pool.

#### **Concentration of Credit Risk - Investments**

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

#### **Interest Rate Risk – Investments**

*California Government Code*, Section 53601, limits the District’s investments to maturities of five years. As of June 30, 2015, the District had no investments with maturities greater than five years. The Foundation’s investment policy limits fixed income investment instruments other than cash or cash equivalents to short or intermediate maturities. As of June 30, 2015, the Foundation had one investment with a maturity of one year.

**Redwoods Community College District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

June 30, 2015

Tuition and fees - net	\$ 2,403,605
Less: Allowance for doubtful accounts	(1,602,726)
<b>Tuition and Fees - Net</b>	<b>800,879</b>
Federal grants and contracts	477,691
State grants and contracts	246,919
Local grants and contracts	44,886
State apportionment - noncapital	26,451
State grants, capital	395,789
State taxes and other revenues	170,582
Other	337,437
<b>Total</b>	<b>\$ 2,500,634</b>

**4. CAPITAL ASSETS**

Capital asset activity is summarized as follows:

	Balance June 30, 2014	Additions	Deductions	Transfers	Balance June 30, 2015
<b>Nondepreciable Capital Assets</b>					
Land	\$ 1,807,500	\$ -	\$ -	\$ 198,812	\$ 2,006,312
Construction in progress	2,460,434	3,976,349	-	(3,445,835)	2,990,948
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 4,267,934</b>	<b>\$ 3,976,349</b>	<b>\$ -</b>	<b>\$ (3,247,023)</b>	<b>\$ 4,997,260</b>
<b>Depreciable Capital Assets</b>					
Site improvements	\$ 7,727,979	\$ 175,579	\$ -	\$ 814,638	\$ 8,718,196
Buildings and improvements	114,308,642	37,830	-	1,114,901	115,461,373
Equipment	5,958,487	575,936	-	1,055,098	7,589,521
Vehicles	1,162,681	49,404	(126,092)	262,386	1,348,379
Library books and film	464,947	-	-	-	464,947
<b>Total Depreciable Capital Assets</b>	<b>129,622,736</b>	<b>838,749</b>	<b>(126,092)</b>	<b>3,247,023</b>	<b>133,582,416</b>
Less: Accumulated depreciation	(35,806,411)	(3,590,308)	126,092	-	(39,270,627)
<b>Total Capital Assets - Net</b>	<b>\$ 93,816,325</b>	<b>\$ (2,751,559)</b>	<b>\$ -</b>	<b>\$ 3,247,023</b>	<b>\$ 94,311,789</b>

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

#### 5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2015

Amounts payable to vendors	\$	1,251,791
Amounts payable to contractors		615,969
<b>Total</b>	<b>\$</b>	<b>1,867,760</b>

#### 6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

June 30, 2015

Accrued payroll and related liabilities	\$	915,938
Accrued interest		755,248
Other		142,341
<b>Total</b>	<b>\$</b>	<b>1,813,527</b>

#### 7. ADVANCES FROM GRANTORS AND STUDENTS

Advances from grantors and students consisted of the following:

June 30, 2015

Tuition and fees	\$	1,434,381
Federal grants and contracts		46,032
State grants and contracts		337,078
Local grants and contracts		181,377
State apportionment and grants - capital		244,775
Other		44,473
<b>Total</b>	<b>\$</b>	<b>2,288,116</b>

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 8. SHORT-TERM DEBT

The District participated in the California Community College Financing Authority 2013 and 2014 Tax and Revenue Anticipation Bond program, depositing the proceeds (to the extent of participation) in its general fund. Short-term debt is necessary for the District to maintain proper working cash levels. Short-term debt activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014		Drawn	Repaid	Balance June 30, 2015			
Financing Authority 2014-2015 Tax and Revenue Anticipation Note	\$	2,900,000	\$	-	\$	2,900,000	\$	-

#### 9. NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities for the year ended June 30, 2015:

	Balance June 30, 2014		Accretion/ Additions	Amortization/ Reductions	Balance June 30, 2015			
<b>Long-Term Debt</b>								
General obligation bonds	\$	36,469,726	\$	-	\$	(1,557,340)	\$	34,912,386
Refunding lease obligation		241,200		-		(91,400)		149,800
<b>Total Long-Term Debt</b>	\$	36,710,926	\$	-	\$	(1,648,740)	\$	35,062,186
<b>Other Long-Term Liabilities</b>								
Compensated absences	\$	548,832	\$	592,269	\$	(576,487)	\$	564,614
Early retirement incentive program		416,198		-		(57,153)		359,045
<b>Total Other Long-Term Liabilities</b>	\$	965,030	\$	592,269	\$	(633,640)	\$	923,659

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

Long-term debt consisted of the following individual debt issues:

June 30, 2015

---

### GENERAL OBLIGATION BONDS

2004 General Obligation Bonds, Series 2013, issued in the original amount of \$7,320,000. Final maturity August 1, 2030. Interest rates range from 2.000% to 5.250%. \$ 7,320,000

Unamortized issuance premium on 2004 General Obligation Bonds, Series 2013. 348,298

---

**Total 2004 General Obligation Bonds, Series 2013** **7,668,298**

---

2014 General Obligation Refunding Bonds issued in the original amount of \$25,140,000. Final maturity August 1, 2031. Interest rates range from 2.000% to 4.250%. 24,910,000

Unamortized issuance premium on 2014 General Obligation Refunding Bonds. 2,334,088

---

**Total 2014 General Obligation Refunding Bonds** **27,244,088**

---

**Total General Obligation Bonds** **34,912,386**

---

### REFUNDING LEASE OBLIGATION

1998 Refunding Lease issued in the original amount of \$1,592,100. Final maturity in November 2016. Interest rate 5.300%. 149,800

---

**Total Long-Term Debt** **35,062,186**

Less: Current portion (1,308,600)

---

**Total Long-Term Debt - Noncurrent Portion** **\$ 33,753,586**

---

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Year Ending June 30	Bonds			Bond	
	Principal	Interest	Total	Premium	Total
2016	\$ 1,215,000	\$ 1,429,919	\$ 2,644,919	\$ 167,342	\$ 2,812,261
2017	1,240,000	1,394,369	2,634,369	167,342	2,801,711
2018	1,335,000	1,345,569	2,680,569	167,342	2,847,911
2019	1,435,000	1,281,418	2,716,418	167,341	2,883,759
2020	1,510,000	1,252,719	2,762,719	167,342	2,930,061
2021-2025	9,350,000	5,145,994	14,495,994	836,710	15,332,704
2026-2030	13,100,000	2,594,144	15,694,144	836,710	16,530,854
2031-2032	3,045,000	182,681	3,227,681	172,257	3,399,938
<b>Total</b>	<b>\$ 32,230,000</b>	<b>\$ 14,626,813</b>	<b>\$ 46,856,813</b>	<b>\$ 2,682,386</b>	<b>49,539,199</b>
Less: Current interest					(14,626,813)
<b>Net Principal</b>					<b>\$ 34,912,386</b>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 93,600	\$ 5,459	\$ 99,059
2017	56,200	1,489	57,689
2018	-	-	-
<b>Total</b>	<b>\$ 149,800</b>	<b>\$ 6,948</b>	<b>\$ 156,748</b>

The amount of interest cost incurred during the year ended June 30, 2015, was \$1,275,702, of which \$252,601 was capitalized.

Other long-term liabilities at June 30, 2015, include the following liabilities which have required principal payments:

June 30, 2015

In 2012, the District offered early retirement benefits to select employees. The liability for the eight employees who accepted the offer was \$488,169, payable in eight payments ending in 2020. The interest rate is 7.75%.	\$ 359,045
Less: Current portion	(36,716)
<b>Early Retirement Incentive Program - Noncurrent Portion</b>	<b>\$ 322,329</b>

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

Year Ending June 30	
2016	\$ 36,716
2017	66,382
2018	71,713
2019	77,473
2020	106,761
<b>Total</b>	<b>\$ 359,045</b>

### 10. PENSIONS

#### General Information about the Pension Plans

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

#### California State Teachers' Retirement System

##### *Plan Description*

Certificated employees of the District participate in the State Teachers' Retirement Plan (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 publicly available financial report that can be obtained at [www.calstrs.com](http://www.calstrs.com).



# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

### **Benefits Provided**

STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** – CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.
- **CalSTRS 2% at 62** – CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

### **Contributions**

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members are required to contribute 8.15% of their salary. The required employer contribution rate for fiscal year 2014-15 was 8.88% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 3.454% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contribution to CalSTRS for the fiscal year ended June 30, 2015, was \$864,028.

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

At June 30, 2015, 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:

June 30, 2015	
District's proportionate share of the net pension liability	\$ 11,410,991
State's proportionate share of the net pension liability associated with the District	4,620,321
<b>Total</b>	<b>\$ 16,031,312</b>

---

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The District's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. 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 school districts and the state, actuarially determined. At June 30, 2014, the District's proportion was 0.021%.

For the year ended June 30, 2015, the District recognized pension expense of \$109,821 and revenue of \$109,821 for support provided by the state. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,021,900
Changes in proportion and differences between District contributions and proportionate share of contributions	3,899	-
District contributions subsequent to the measurement date	864,028	-
<b>Total</b>	<b>\$ 867,927</b>	<b>\$ 3,021,900</b>

The \$864,028 reported as 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ (754,918)
2017	(754,918)
2018	(754,918)
2019	(754,918)
2020	557
Thereafter	1,114
<b>Total</b>	<b>\$ (3,018,001)</b>

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

#### Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

---

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.60%, net of investment expenses, but gross of administrative expenses
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

---

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. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.02%
Cash/liquidity	1%	0.00%
<b>Total</b>	<b>100%</b>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those 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 the total pension liability.

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
June 30, 2015			
District's proportionate share of the net pension liability	\$ 17,786,751	\$ 11,410,991	\$ 6,094,766

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalSTRS's separately issued Comprehensive Annual Financial Report (CAFR).

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

##### ***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](http://www.calpers.ca.gov).

##### ***Benefits Provided***

The plan provides retirement, disability benefits, and death benefits to plan members and beneficiaries. The benefits are based on members' years of service, age, final compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

##### ***Contributions***

Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members are required to contribute 7.00% of their salary. The required employer contribution rate for the 2014-15 fiscal year was 11.771%. The District's contributions to CalPERS for the fiscal year ended June 30, 2015, was \$849,481.

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

At June 30, 2015, the District reported a net pension liability of \$6,500,027 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. 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 school districts and the state, actuarially determined. At June 30, 2013, the District's proportion was 0.0586%.

For the year ended June 30, 2015, the District recognized pension expense of \$476,499. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,285,883
Changes in proportion and differences between District contributions and proportionate share of contributions	30,847	-
District contributions subsequent to the measurement date	849,481	-
<b>Total</b>	<b>\$ 880,328</b>	<b>\$ 2,285,883</b>

The \$849,481 reported as 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2016	\$ (563,759)
2017	(563,759)
2018	(563,759)
2019	(563,759)
2020	-
Thereafter	-
<b>Total</b>	<b>\$ (2,255,036)</b>

### Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%, net of pension plan investments and administrative expenses; includes inflation

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

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. In determining the long-term expected rate of return, staff 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 of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Rate of Return Years 1-10</b>	<b>Rate of Return Years 1-10</b>
Global equity	47%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Private equity	6%	0.45%	3.36%
Real estate	12%	6.83%	6.95%
Inflation sensitive	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
<b>Total</b>	<b>100%</b>		

#### Discount Rate

The discount rates used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate the amortization and smoothing periods recently adopted by CalPERS were utilized. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

June 30, 2015	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 11,402,531	\$ 6,500,027	\$ 2,403,491

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS's separately issued Comprehensive Annual Financial Report (CAFR).

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

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

## 12. JOINT POWERS AUTHORITIES

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

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

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



## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(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.

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

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

#### **Plan Description**

The Redwoods Community College District Health Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The District provides medical, dental, and vision insurance coverage to all employees who retire from the District and meet the age and service requirement for eligibility. Group medical coverage is provided for academic retirees hired before January 1, 2008, classified retirees hired before July 1, 2006, and administrative, managerial, and confidential employees hired before September 1, 2006. Group medical coverage is also provided for board members meeting certain eligibility requirements. Membership of the Plan consists of 61 retirees currently receiving benefits and 123 eligible active plan members.

#### **Funding Policy**

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the year ended June 30, 2015, the District contributed \$898,723 to the Plan.

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

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

June 30, 2015

Annual required contribution	\$	778,630
Interest on net OPEB obligation		(20,708)
Adjustment to ARC		27,556
<b>Annual OPEB Cost</b>		<b>785,478</b>
Contributions		(898,723)
<b>Change in Net OPEB Obligation</b>		<b>(113,245)</b>
<b>Net OPEB Obligation (Asset) - Beginning of Year</b>		<b>(435,948)</b>
<b>Net OPEB Obligation (Asset) - End of Year</b>	\$	<b>(549,193)</b>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2013	\$ 781,176	\$ 974,949	124.81%	\$ (319,310)
June 30, 2014	\$ 783,646	\$ 900,284	114.88%	\$ (435,948)
June 30, 2015	\$ 785,478	\$ 898,723	114.42%	\$ (549,193)

#### Funded Status and Funding Progress

The actuarial accrued liability for benefits was \$6,468,065, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,468,065. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,800,479, and the ratio of the underfunded actuarial accrued liability to the covered payroll was 60%.

As of June 30, 2015, the District had not set aside any amounts in an external trust fund.

#### Actuarial Methods and Assumptions

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

In the October 16, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.75% discount rate, a 2.75% price inflation, a 2.75% wage inflation, and an annual cost trend rate of 4.00%. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percentage of payroll over a 30-year period.

#### 14. COMMITMENTS AND CONTINGENCIES

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

The District periodically enters into construction commitments which are funded through state grants and/or Measure Q Bond funding. At June 30, 2015, the District had unfinished contracts in the amount of \$349,702.

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, 2015, the District's affected assets have a net book value of \$247,068 and have been reported without adjustment.

The District is accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges (ACCJC or "the Commission"). In February of 2014, the College was notified by the Commission that it has been removed from probation, and all sanctions, and that its accreditation has been reaffirmed. A brief history of the District's accreditation status is discussed below.

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

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

The District was placed on enrollment "stability" funding by the State Chancellor's Office during fiscal years 2013-2014 and 2014-15 due to missing student enrollment targets during the 2012-13 and 2013-14 fiscal years. The District's unrestricted general fund balance fell below 5.00% at the end of 2012-13. The District implemented employee reductions-in-force and negotiated pay concessions with all employee groups, including its faculty and classified staff collective bargaining units. As a result, the District closed fiscal year 2013-14 with a 5.00% fund balance.

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

The District's resident full-time equivalent students (FTES) for fiscal year 2014-15 stood at 3,773 per the District's "P-2" report. The Chancellor's Office provided enrollment stability funding in fiscal year 2014-15 for 3,936 FTES. The Chancellor's Office recommends that each college district maintain a contingency reserve in the Unrestricted General Fund of not less 5.0% of unrestricted expenditures. As of June 30, 2015, the Unrestricted General Fund reserve level or fund equity was 6.3%.

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

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement will improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in GASB Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2015, will have on the District's financial statements, if any.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

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

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

The Foundation has elected the fair value option in conformity with FASB ASC 825-10 to report its interest in the charitable remainder trust. A noncurrent asset for the charitable remainder trust has been recognized at the present value of the expected future cash flow discounted at a rate of 4.0% at June 30, 2015. Changes in the value of the trust have been reported in the statement of activities as decreases in temporarily restricted net assets.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Redwoods Community College District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2015

---

District's portion of the net pension liability	0.021%
District's proportionate share of the net pension liability	\$ 11,410,991
State's proportionate share of the net pension liability associated with the District	4,620,321
<b>Total</b>	<b>\$ 16,031,312</b>
District's covered-employee payroll	\$ 9,664,013
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	118.08%
Plan fiduciary net position as a percentage of the total pension liability	77.00%

---

*See the accompanying note to the required supplementary information.*

**Redwoods Community College District**

**SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM**

Year Ended June 30, 2015

---

Contractually required contribution	\$	864,028
Contributions in relation to the contractually required contribution		(864,028)
<hr/>		
Contribution deficiency (excess)	\$	-
<hr/>		
District's covered-employee payroll	\$	9,664,013
Contributions as a percentage of covered-employee payroll		8.94%

---

*See the accompanying note to the required supplementary information.*



## Redwoods Community College District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30, 2015

---

District's portion of the net pension liability		0.059%
District's proportionate share of the net pension liability	\$	6,500,027
District's covered-employee payroll	\$	7,216,731
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		111.03%
Plan fiduciary net position as a percentage of the total pension liability		83.50%

---

*See the accompanying note to the required supplementary information.*

**Redwoods Community College District**

**SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM**

Year Ended June 30, 2015

---

Contractually required contribution	\$	849,481
Contributions in relation to the contractually required contribution		(849,481)
<hr/>		
Contribution deficiency (excess)	\$	-
<hr/>		
District's covered-employee payroll	\$	7,216,731
Contributions as a percentage of covered-employee payroll		11.77%

---

*See the accompanying note to the required supplementary information.*

# Redwoods Community College District

## SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Dates	September 1, 2011	October 16, 2013
Actuarial accrued liability (AAL)	\$ 6,965,101	\$ 6,468,065
Actuarial value of plan assets	-	-
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ 6,965,101</b>	<b>\$ 6,468,065</b>
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active members)	\$ 12,254,397	\$ 10,800,479
UAAL as a Percentage of Covered Payroll	56.84%	59.89%

## **Redwoods Community College District**

### **NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**

---

#### **CHANGES OF BENEFIT TERMS**

##### **California State Teachers' Retirement System**

The California Pension Employees' Pension Reform Act of 2013 (PEPRA) resulted in a new benefit formula, CalSTRS 2% at 62, for members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS. Significant changes compared to the CalSTRS 2% at 60 benefit formula include raising the normal retirement age from 60 to 62 and placing a limit on creditable compensation to 120% of the Social Security wage base, annually adjusted for changes in the Consumer Price Index.

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

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

#### **CHANGES OF ASSUMPTIONS**

##### **California State Teachers' Retirement System**

There were no changes in major assumptions from the June 30, 2013, actuarial valuation.

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

In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Redwoods Community College District

## ORGANIZATION STRUCTURE

June 30, 2015

---

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

### GOVERNING BOARD

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Thomas Ross	President	December 2017
Sally Biggin	Vice President	December 2019
Richard Dorn	Clerk	December 2019
Dr. Colleen Mullery	Member	December 2019
Bruce Emad	Member	December 2019
Rick Bennett	Member	December 2014
Tracy Coppini	Member	December 2017
Barbara Rice	Member	December 2017
Carol Mathews	Member	December 2018
Alexandria Jones	Student Member (Nonvoting)	December 2017

### DISTRICT ADMINISTRATION

Mrs. Kathryn G. Smith

President/Superintendent

Dr. Keith Snow-Flamer

Vice President, Student Development

Mr. Lee Lindsey

Vice President, Administrative Services

**Redwoods Community College District**  
 SCHEDULE OF WORKLOAD MEASURES FOR STATE  
 GENERAL APPORTIONMENT  
 June 30, 2015

---

The full-time equivalent resident students (FTES) eligible for 2014-15 state apportionment reported to the State of California as of June 30, 2015, are summarized below:

	<b>Reported Data</b>
<b>Summer Intersession (Summer 2014 only)</b>	
Credit	184.25
<b>Summer Intersession (Summer 2015 - Prior to July 1, 2015)</b>	
Noncredit	0.01
Credit	144.97
<b>Primary Terms (Exclusive of Summer Intersession)</b>	
Census Procedure Courses	
Weekly Census Contact Hours	2,914.51
Daily Census Contact Hours	129.05
Actual Hours of Attendance Procedure Courses	
Noncredit	62.83
Credit	245.72
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	235.49
Daily Census Contact Hours	25.39
<b>Total Credit FTES</b>	<b>3,879.38</b>
<b>Total Noncredit FTES</b>	<b>62.84</b>
<b>Total FTES</b>	<b>3,942.22</b>

---

**SUPPLEMENTARY INFORMATION (Subset of above information)**

IN-SERVICE TRAINING COURSES (FTES)	-
<b>Basic Skills Courses and Immigrant Education</b>	
Noncredit	105.96
Credit	176.54

*See the accompanying notes to the supplementary information.*

**Redwoods Community College District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through/ Grant Number	Federal CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Education Opportunity Grants		84.007	\$ 202,319
Federal Direct Student Loans		84.268	1,583,144
Federal Work-Study Program		84.033	185,938
Federal Pell Grant Program		84.063	7,778,000
<b>Total Student Financial Assistance Cluster</b>			<b>9,749,401</b>
<b>TRIO Cluster</b>			
Student Support Services		84.042	296,824
Upward Bound		84.047	415,074
<b>Total TRIO Cluster</b>			<b>711,898</b>
Child Care Access Means Parents in School		84.116	100,758
<b>Passed Through State Department of Education</b>			
Vocational Education - Basic Grants to States	13-C01-043	84.048	194,445
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>10,756,502</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Passed Through State Office of Education</b>			
Child Nutrition Program	04129-CACFP-12-CC-IC	10.558	35,883
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>35,883</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Passed Through Northcoast Children's Services</b>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CSPP 3098	96.596	14,780
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CTTR 3047	96.596	15,645
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>30,425</b>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b>Passed Through Various Tribes</b>			
Bureau of Indian Affairs		15.124	83,188
<b>TOTAL U.S. DEPARTMENT OF INTERIOR</b>			<b>83,188</b>
<b>U.S. DEPARTMENT OF LABOR</b>			
<b>Passed Through County of Humboldt</b>			
WIA Adult Program - Employment Training Panel	ET 11-0534	17.258	115,868
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>115,868</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Passed Through Butler Community College</b>			
Faculty Development in Design, Construction, Assembly, and Analysis of a Solid Body Guitar		47.076	11,377
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>11,377</b>
<b>U.S. DEPARTMENT OF VETERAN'S AFFAIRS</b>			
Post-9/11 Veteran's Educational Assistance		64.028	74,045
Veteran's Education		64.117	1,091
<b>TOTAL U.S. DEPARTMENT OF VETERAN'S AFFAIRS</b>			<b>75,136</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
AmeriCorps		94.006	118,575
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>118,575</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 11,226,954</b>

See the accompanying notes to the supplementary information.



**Redwoods Community College District**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
Year Ended June 30, 2015

	<b>Program Revenues</b>			
	<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Deferred Revenue</b>	<b>Total</b>
Extended Opportunity Programs and Services	\$ 779,053	\$ 18	\$ (58,538)	\$ 720,533
Disabled Students Programs and Services	696,461	-	-	696,461
CalGrant	463,312	14,215	-	477,527
Student Success	947,665	-	(96,348)	851,317
Student Financial Aid Administration	237,697	(700)	-	236,997
CalWORKS	205,605	(10,562)	-	195,043
Foster Parent	244,251	3,598	-	247,849
Prop 20 Lottery	135,205	51,439	-	186,644
Nursing Education	152,388	-	(42,427)	109,961
Community Collaborative (CTE)	50,959	-	-	50,959
State Preschool	215,426	(9,349)	-	206,077
State Mandated Costs	271,411	-	-	271,411
Instructional Equipment & Materials	164,300	-	-	164,300
Scheduled Maintenance	332,312	159,499	(154,303)	337,508
Cooperative Agencies Resources for Education	107,479	-	-	107,479
Part-Time Faculty Allowance	100,150	-	-	100,150
Other categorical aid programs	720,288	209,112	-	929,400
<b>Total State Programs</b>	<b>\$ 5,823,962</b>	<b>\$ 417,270</b>	<b>\$ (351,616)</b>	<b>\$ 5,889,616</b>

*See the accompanying notes to the supplementary information.*

# Redwoods Community College District

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (FORM CCFS-311)

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2015

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>June 30, 2015, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 1,955,565	\$ 2,558,516	\$ -	\$ 112,134	\$ 4,626,215
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	(193,366)	-	-	-	(193,366)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	-	-	-	-
<b>Net Adjustments and Reclassifications</b>	<b>(193,366)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(193,366)</b>
<b>June 30, 2015, District Accounting Records Fund Balance</b>	<b>\$ 1,762,199</b>	<b>\$ 2,558,516</b>	<b>\$ -</b>	<b>\$ 112,134</b>	<b>\$ 4,432,849</b>

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
<b>June 30, 2015, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 4,626,215	\$ 810	\$ -	\$ 799,018	\$ 5,426,043
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	(193,366)	-	15,000	-	(178,366)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	-	(1)	-	-	(1)
<b>Net Adjustments and Reclassifications</b>	<b>(193,366)</b>	<b>(1)</b>	<b>15,000</b>	<b>-</b>	<b>(178,367)</b>
<b>June 30, 2015, District Accounting Records Fund Balance</b>	<b>\$ 4,432,849</b>	<b>\$ 809</b>	<b>\$ 15,000</b>	<b>\$ 799,018</b>	<b>\$ 5,247,676</b>

See the accompanying notes to the supplementary information.

# Redwoods Community College District

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (FORM CCFS-311)

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2015

(Continued)

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Employee Benefit Fund	Balance Forward
<b>June 30, 2015, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 5,426,043	\$ 402,059	\$ 7,703,880	\$ 1,515,359	\$ 15,047,341
Adjustment and reclassifications increasing (decreasing the fund balance:					
District posted adjustments	(178,366)	-	-	-	(178,366)
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(1)	-	(1)	-	(2)
<b>Net Adjustments and Reclassifications</b>	(178,367)	-	(1)	-	(178,368)
<b>June 30, 2015, District Accounting Records Fund Balance</b>	\$ 5,247,676	\$ 402,059	\$ 7,703,879	\$ 1,515,359	\$ 14,868,973

See the accompanying notes to the supplementary information.

	Balance Brought Forward	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>June 30, 2015, Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 15,047,341	\$ 186,049	\$ 6	\$ 15,233,396
Adjustment and reclassifications increasing (decreasing the fund balance:				
District posted adjustments	(178,366)	-	-	(178,366)
Reclassification of amounts held for others	-	(186,046)	-	(186,046)
Rounding	(2)	(3)	(1)	(6)
<b>Net Adjustments and Reclassifications</b>	(178,368)	(186,049)	(1)	(364,418)
<b>June 30, 2015, District Accounting Records Fund Balance</b>	\$ 14,868,973	\$ -	\$ 5	\$ 14,868,978

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
 June 30, 2015

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>ACADEMIC SALARIES</b>							
<b>Instructional Salaries</b>							
Contract or regular	1100	\$ 6,077,733	\$ -	\$ 6,077,733	\$ 6,077,733	\$ -	\$ 6,077,733
Other	1300	3,732,667	-	3,732,667	3,732,667	-	3,732,667
<b>Total Instructional Salaries</b>		<b>9,810,400</b>	<b>-</b>	<b>9,810,400</b>	<b>9,810,400</b>	<b>-</b>	<b>9,810,400</b>
<b>Non-Instructional Salaries</b>							
Contract or regular	1200	-	-	-	1,488,529	-	1,488,529
Other	1400	-	-	-	117,426	-	117,426
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,605,955</b>	<b>-</b>	<b>1,605,955</b>
<b>TOTAL ACADEMIC SALARIES</b>		<b>9,810,400</b>	<b>-</b>	<b>9,810,400</b>	<b>11,416,355</b>	<b>-</b>	<b>11,416,355</b>
<b>CLASSIFIED SALARIES</b>							
<b>Non-Instructional Salaries</b>							
Regular status	2100	-	-	-	3,989,891	-	3,989,891
Other	2300	-	-	-	293,767	-	293,767
<b>Total Non-Instructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,283,658</b>	<b>-</b>	<b>4,283,658</b>
<b>Instructional Aides</b>							
Regular status	2200	438,316	-	438,316	438,398	-	438,398
Other	2400	186,030	-	186,030	186,030	-	186,030
<b>Total Instructional Aides</b>		<b>624,346</b>	<b>-</b>	<b>624,346</b>	<b>624,428</b>	<b>-</b>	<b>624,428</b>
<b>TOTAL CLASSIFIED SALARIES</b>		<b>624,346</b>	<b>-</b>	<b>624,346</b>	<b>4,908,086</b>	<b>-</b>	<b>4,908,086</b>
<b>Other</b>							
Employee benefits	3000	2,728,118	-	2,728,118	5,466,437	-	5,466,437
Supplies and materials	4000	-	-	-	259,143	-	259,143
Other operating expenses	5000	-	-	-	2,822,968	-	2,822,968
Equipment replacement	6420	-	-	-	-	-	-
<b>Total Other</b>		<b>2,728,118</b>	<b>-</b>	<b>2,728,118</b>	<b>8,548,548</b>	<b>-</b>	<b>8,548,548</b>
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 13,162,864</b>	<b>\$ -</b>	<b>\$ 13,162,864</b>	<b>\$ 24,872,989</b>	<b>\$ -</b>	<b>\$ 24,872,989</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
 June 30, 2015  
 (Continued)

	Object Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 and AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<b>EXCLUSIONS</b>							
<b>Activities to Exclude</b>							
Instructional Staff-Retirees' Benefits and Retirement Incentives	5900	\$ 36,868	\$ -	\$ 36,868	\$ 36,868	\$ -	\$ 36,868
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-instructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Total Instructional Salaries</b>		36,868	-	36,868	36,868	-	36,868
<b>Objects to Exclude</b>							
Rents and leases	5060	-	-	-	-	-	-
Lottery expenditures:							
Academic salaries	1000	-	-	-	119,771	-	119,771
Classified salaries	2000	-	-	-	83,616	-	83,616
Employee benefits	3000	-	-	-	-	-	-
<b>Subtotal</b>		-	-	-	203,387	-	203,387
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	33	-	33
Non-instructional supplies and materials	4400	-	-	-	11,328	-	11,328
<b>Total Supplies and Materials</b>		-	-	-	11,361	-	11,361
Other operating expenses and services	5000	-	-	-	312,201	-	312,201
Capital outlay:							
Library books	6300	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Capital Outlay</b>		-	-	-	-	-	-
Other outgo	7000	-	-	-	-	-	-
<b>TOTAL EXCLUSIONS</b>		36,868	-	36,868	563,817	-	563,817
<b>Total for ECS 84362 - 50% Law</b>		\$ 13,125,996	\$ -	\$ 13,125,996	\$ 24,309,172	\$ -	\$ 24,309,172
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		54.00%	0.00%	54.00%			
<b>50% of Current Expense of Education</b>					\$ 12,154,590	\$ -	\$ 12,154,590

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**RECONCILIATION OF EDUCATION PROTECTION**  
**ACCOUNT EXPENDITURES**  
 June 30, 2015

	<b>Object Code</b>	<b>Salaries and Benefits (1000-3000)</b>	<b>Operating Expenses (4000-5000)</b>	<b>Capital Outlay (6000)</b>	<b>Total</b>
<b>EPA Proceeds</b>	8630			\$	4,235,087
<b>Expenditures for EPA</b>					
Instructional activities	0100-5900	\$ 4,235,087	\$ -	-	4,235,087
<b>Total Revenue Less Expenditures</b>				\$	-

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

**Redwoods Community College District**  
**COMBINING BALANCE SHEET – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**

June 30, 2015	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,687,519	\$ -	\$ -	\$ -	4,687,519
Restricted cash and cash equivalents	-	2,558,516	-	85,778	2,644,294
Accounts receivable - net	1,652,937	-	-	35,417	1,688,354
Inventories	35,206	-	-	-	35,206
Due from Foundation	(831,789)	-	-	-	(831,789)
<b>Total Current Assets</b>	<b>5,543,873</b>	<b>2,558,516</b>	<b>-</b>	<b>121,195</b>	<b>8,223,584</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,543,873</b>	<b>\$ 2,558,516</b>	<b>\$ -</b>	<b>\$ 121,195</b>	<b>\$ 8,223,584</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ -	\$ -	\$ -	\$ -	-
Accounts payable	968,534	-	-	3,732	972,266
Accrued liabilities	1,034,169	-	-	5,329	1,039,498
Deferred revenue	1,778,971	-	-	-	1,778,971
Amounts held for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,781,674</b>	<b>-</b>	<b>-</b>	<b>9,061</b>	<b>3,790,735</b>
<b>Fund Equity</b>					
Retained earnings (deficit)	-	-	-	-	-
Fund balances:					
Reserved for debt service	-	2,558,516	-	-	2,558,516
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	-	-	-	112,134	112,134
Unreserved:					
Undesignated	1,762,199	-	-	-	1,762,199
<b>Total Fund Equity</b>	<b>1,762,199</b>	<b>2,558,516</b>	<b>-</b>	<b>112,134</b>	<b>4,432,849</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 5,543,873</b>	<b>\$ 2,558,516</b>	<b>\$ -</b>	<b>\$ 121,195</b>	<b>\$ 8,223,584</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**COMBINING BALANCE SHEET – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**  
**(Continued)**

June 30, 2015	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,687,519	\$ -	\$ (16,823)	\$ 710,445	\$ 5,381,141
Restricted cash and cash equivalents	2,644,294	-	-	-	2,644,294
Accounts receivable - net	1,688,354	105,168	31,823	63,368	1,888,713
Inventories	35,206	-	-	129,254	164,460
Due from Foundation	(831,789)	-	-	-	(831,789)
<b>Total Current Assets</b>	<b>8,223,584</b>	<b>105,168</b>	<b>15,000</b>	<b>903,067</b>	<b>9,246,819</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,223,584</b>	<b>\$ 105,168</b>	<b>\$ 15,000</b>	<b>\$ 903,067</b>	<b>\$ 9,246,819</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ -	\$ 37,517	\$ -	\$ -	\$ 37,517
Accounts payable	972,266	64,160	-	4,883	1,041,309
Accrued liabilities	1,039,498	2,682	-	16,400	1,058,580
Deferred revenue	1,778,971	-	-	82,766	1,861,737
Amounts held for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,790,735</b>	<b>104,359</b>	<b>-</b>	<b>104,049</b>	<b>3,999,143</b>
<b>Fund Equity</b>					
Retained earnings (deficit)	-	809	15,000	-	15,809
Fund balances:					
Reserved for debt service	2,558,516	-	-	-	2,558,516
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	112,134	-	-	-	112,134
Unreserved:					
Undesignated	1,762,199	-	-	799,018	2,561,217
<b>Total Fund Equity</b>	<b>4,432,849</b>	<b>809</b>	<b>15,000</b>	<b>799,018</b>	<b>5,247,676</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 8,223,584</b>	<b>\$ 105,168</b>	<b>\$ 15,000</b>	<b>\$ 903,067</b>	<b>\$ 9,246,819</b>

See the accompanying notes to the supplementary information.



**Redwoods Community College District**  
**COMBINING BALANCE SHEET – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**  
**(Continued)**

June 30, 2015	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 5,381,141	\$ 700,058	\$ -	\$ -	\$ 6,081,199
Restricted cash and cash equivalents	2,644,294	-	-	-	2,644,294
Accounts receivable - net	1,888,713	2,969	401,181	959	2,293,822
Inventories	164,460	-	-	-	164,460
Due from Foundation	(831,789)	-	-	-	(831,789)
<b>Total Current Assets</b>	<b>9,246,819</b>	<b>703,027</b>	<b>401,181</b>	<b>959</b>	<b>10,351,986</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	168,576	7,996,420	8,164,996
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>168,576</b>	<b>7,996,420</b>	<b>8,164,996</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,246,819</b>	<b>\$ 703,027</b>	<b>\$ 569,757</b>	<b>\$ 7,997,379</b>	<b>\$ 18,516,982</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ 37,517	\$ -	\$ -	\$ -	\$ 37,517
Accounts payable	1,041,309	201,600	283,090	332,879	1,858,878
Accrued liabilities	1,058,580	(2,814)	-	2,513	1,058,279
Deferred revenue	1,861,737	102,182	244,775	-	2,208,694
Amounts held for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,999,143</b>	<b>300,968</b>	<b>527,865</b>	<b>335,392</b>	<b>5,163,368</b>
<b>Fund Equity</b>					
Retained earnings (deficit)	15,809	-	-	-	15,809
Fund balances:					
Reserved for debt service	2,558,516	-	-	-	2,558,516
Reserved for capital projects	-	-	41,892	7,661,987	7,703,879
Reserved for special purposes	112,134	-	-	-	112,134
Unreserved:					
Undesignated	2,561,217	402,059	-	-	2,963,276
<b>Total Fund Equity</b>	<b>5,247,676</b>	<b>402,059</b>	<b>41,892</b>	<b>7,661,987</b>	<b>13,353,614</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 9,246,819</b>	<b>\$ 703,027</b>	<b>\$ 569,757</b>	<b>\$ 7,997,379</b>	<b>\$ 18,516,982</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**COMBINING BALANCE SHEET – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**  
**(Continued)**

June 30, 2015	Balance Brought Forward	Employee Benefit Fund	Associated Students Fund	Student Aid Financial Trust Fund	Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 6,081,199	\$ 1,518,707	\$ -	\$ -	\$ 7,599,906
Restricted cash and cash equivalents	2,644,294	-	236,056	-	2,880,350
Accounts receivable - net	2,293,822	-	-	206,812	2,500,634
Inventories	164,460	-	-	-	164,460
Due from Foundation	(831,789)	-	-	-	(831,789)
<b>Total Current Assets</b>	<b>10,351,986</b>	<b>1,518,707</b>	<b>236,056</b>	<b>206,812</b>	<b>12,313,561</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	8,164,996	-	-	-	8,164,996
<b>Total Noncurrent Assets</b>	<b>8,164,996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,164,996</b>
<b>TOTAL ASSETS</b>	<b>\$ 18,516,982</b>	<b>\$ 1,518,707</b>	<b>\$ 236,056</b>	<b>\$ 206,812</b>	<b>\$ 20,478,557</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ 37,517	\$ -	\$ -	\$ 171,858	\$ 209,375
Accounts payable	1,858,878	3,348	5,534	-	1,867,760
Accrued liabilities	1,058,279	-	-	-	1,058,279
Deferred revenue	2,208,694	-	44,473	34,949	2,288,116
Amounts held for others	-	-	186,049	-	186,049
<b>Total Liabilities</b>	<b>5,163,368</b>	<b>3,348</b>	<b>236,056</b>	<b>206,807</b>	<b>5,609,579</b>
<b>Fund Equity</b>					
Retained earnings (deficit)	15,809	-	-	-	15,809
Fund balances:					
Reserved for debt service	2,558,516	-	-	-	2,558,516
Reserved for capital projects	7,703,879	-	-	-	7,703,879
Reserved for special purposes	112,134	1,515,359	-	5	1,627,498
Unreserved:					
Undesignated	2,963,276	-	-	-	2,963,276
<b>Total Fund Equity</b>	<b>13,353,614</b>	<b>1,515,359</b>	<b>-</b>	<b>5</b>	<b>14,868,978</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 18,516,982</b>	<b>\$ 1,518,707</b>	<b>\$ 236,056</b>	<b>\$ 206,812</b>	<b>\$ 20,478,557</b>

See the accompanying notes to the supplementary information.

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

Year Ended June 30, 2015	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 5,343,463	\$ -	\$ -	\$ 26,231	\$ 5,369,694
Less: Scholarship discount and allowance	(2,860,055)	-	-	-	(2,860,055)
<b>Net Tuition and Fees</b>	<b>2,483,408</b>	<b>-</b>	<b>-</b>	<b>26,231</b>	<b>2,509,639</b>
Grants and contracts - noncapital:					
Federal	1,322,419	-	-	156,012	1,478,431
State	4,371,583	-	-	241,869	4,613,452
Local	107,438	-	-	-	107,438
Auxiliary enterprise sales and charges	3,271	-	-	-	3,271
<b>Total Operating Revenues</b>	<b>8,288,119</b>	<b>-</b>	<b>-</b>	<b>424,112</b>	<b>8,712,231</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	19,184,635	-	-	264,895	19,449,530
Employee benefits	6,496,638	-	-	153,121	6,649,759
Payments to students	519,105	-	-	-	519,105
Supplies, materials, and other services	3,693,305	1,044	-	74,272	3,768,621
Capital outlay	1,082,367	-	-	-	1,082,367
Utilities	737,089	-	-	-	737,089
<b>Total Operating Expenditures/Expenses</b>	<b>31,713,139</b>	<b>1,044</b>	<b>-</b>	<b>492,288</b>	<b>32,206,471</b>
<b>Operating Income (Loss)</b>	<b>(23,425,020)</b>	<b>(1,044)</b>	<b>-</b>	<b>(68,176)</b>	<b>(23,494,240)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	8,741,329	-	-	-	8,741,329
Education protection account revenues - noncapital	4,235,087	-	-	-	4,235,087
Local property taxes - noncapital	9,125,992	69,691	-	-	9,195,683
State taxes and other revenues	1,188,078	99,359	-	-	1,287,437
Investment income - noncapital	42,853	12,000	-	-	54,853
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	160,783	-	-	763	161,546
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>23,494,122</b>	<b>181,050</b>	<b>-</b>	<b>763</b>	<b>23,675,935</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>69,102</b>	<b>180,006</b>	<b>-</b>	<b>(67,413)</b>	<b>181,695</b>
<b>Other Revenues and Expenditures</b>					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	-	2,641,459	-	-	2,641,459
Investment income - capital	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>69,102</b>	<b>2,821,465</b>	<b>-</b>	<b>(67,413)</b>	<b>2,823,154</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	21,281	-	101,762	90,000	213,043
Operating transfers out	(485,676)	-	-	-	(485,676)
Debt service	-	(2,655,340)	(101,762)	-	(2,757,102)
<b>Total Other Financing Sources (Uses)</b>	<b>(464,395)</b>	<b>(2,655,340)</b>	<b>-</b>	<b>90,000</b>	<b>(3,029,735)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>(395,293)</b>	<b>166,125</b>	<b>-</b>	<b>22,587</b>	<b>(206,581)</b>
<b>Fund Equity - Beginning of Year</b>	<b>2,157,492</b>	<b>2,392,391</b>	<b>-</b>	<b>89,547</b>	<b>4,639,430</b>
<b>Fund Equity - End of Year</b>	<b>\$ 1,762,199</b>	<b>\$ 2,558,516</b>	<b>\$ -</b>	<b>\$ 112,134</b>	<b>\$ 4,432,849</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES,**  
**AND CHANGES IN FUND EQUITY – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**  
**(Continued)**

Year Ended June 30, 2015	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 5,369,694	\$ -	\$ -	\$ 384,963	\$ 5,754,657
Less: Scholarship discount and allowance	(2,860,055)	-	-	-	(2,860,055)
<b>Net Tuition and Fees</b>	<b>2,509,639</b>	<b>-</b>	<b>-</b>	<b>384,963</b>	<b>2,894,602</b>
Grants and contracts - noncapital:					
Federal	1,478,431	-	-	-	1,478,431
State	4,613,452	-	-	-	4,613,452
Local	107,438	81,976	-	68,068	257,482
Auxiliary enterprise sales and charges	3,271	21,282	-	270,000	294,553
<b>Total Operating Revenues</b>	<b>8,712,231</b>	<b>103,258</b>	<b>-</b>	<b>723,031</b>	<b>9,538,520</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	19,449,530	37,380	68,470	254,146	19,809,526
Employee benefits	6,649,759	6,853	48,400	39,977	6,744,989
Payments to students	519,105	-	-	-	519,105
Supplies, materials, and other services	3,768,621	26,492	-	92,831	3,887,944
Capital outlay	1,082,367	105,942	-	228,572	1,416,881
Utilities	737,089	-	-	5,665	742,754
<b>Total Operating Expenditures/Expenses</b>	<b>32,206,471</b>	<b>176,667</b>	<b>116,870</b>	<b>621,191</b>	<b>33,121,199</b>
<b>Operating Income (Loss)</b>	<b>(23,494,240)</b>	<b>(73,409)</b>	<b>(116,870)</b>	<b>101,840</b>	<b>(23,582,679)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	8,741,329	-	-	-	8,741,329
Education protection account revenues - noncapital	4,235,087	-	-	-	4,235,087
Local property taxes - noncapital	9,195,683	-	-	-	9,195,683
State taxes and other revenues	1,287,437	-	-	-	1,287,437
Investment income - noncapital	54,853	-	-	-	54,853
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	161,546	25,322	116,870	-	303,738
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>23,675,935</b>	<b>25,322</b>	<b>116,870</b>	<b>-</b>	<b>23,818,127</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>181,695</b>	<b>(48,087)</b>	<b>-</b>	<b>101,840</b>	<b>235,448</b>
<b>Other Revenues and Expenditures</b>					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	2,641,459	-	-	-	2,641,459
Investment income - capital	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>2,823,154</b>	<b>(48,087)</b>	<b>-</b>	<b>101,840</b>	<b>2,876,907</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	213,043	47,998	-	256	261,297
Operating transfers out	(485,676)	-	-	-	(485,676)
Debt service	(2,757,102)	-	-	-	(2,757,102)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,029,735)</b>	<b>47,998</b>	<b>-</b>	<b>256</b>	<b>(2,981,481)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>(206,581)</b>	<b>(89)</b>	<b>-</b>	<b>102,096</b>	<b>(104,574)</b>
<b>Fund Equity - Beginning of Year</b>	<b>4,639,430</b>	<b>898</b>	<b>15,000</b>	<b>696,922</b>	<b>5,352,250</b>
<b>Fund Equity - End of Year</b>	<b>\$ 4,432,849</b>	<b>\$ 809</b>	<b>\$ 15,000</b>	<b>\$ 799,018</b>	<b>\$ 5,247,676</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES,**  
**AND CHANGES IN FUND EQUITY – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**  
**(Continued)**

Year Ended June 30, 2015	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Trust Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 5,754,657	\$ 681,504	\$ -	\$ -	\$ 6,436,161
Less: Scholarship discount and allowance	(2,860,055)	-	-	-	(2,860,055)
<b>Net Tuition and Fees</b>	<b>2,894,602</b>	<b>681,504</b>	<b>-</b>	<b>-</b>	<b>3,576,106</b>
Grants and contracts - noncapital:					
Federal	1,478,431	-	-	-	1,478,431
State	4,613,452	-	337,508	-	4,950,960
Local	257,482	251,000	-	-	508,482
Auxiliary enterprise sales and charges	294,553	52,568	-	-	347,121
<b>Total Operating Revenues</b>	<b>9,538,520</b>	<b>985,072</b>	<b>337,508</b>	<b>-</b>	<b>10,861,100</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	19,809,526	272,309	-	123,016	20,204,851
Employee benefits	6,744,989	104,924	-	35,648	6,885,561
Payments to students	519,105	-	-	-	519,105
Supplies, materials, and other services	3,887,944	118,089	668,104	890,014	5,564,151
Capital outlay	1,416,881	658,004	391,411	1,681,509	4,147,805
Utilities	742,754	-	-	-	742,754
<b>Total Operating Expenditures/Expenses</b>	<b>33,121,199</b>	<b>1,153,326</b>	<b>1,059,515</b>	<b>2,730,187</b>	<b>38,064,227</b>
<b>Operating Income (Loss)</b>	<b>(23,582,679)</b>	<b>(168,254)</b>	<b>(722,007)</b>	<b>(2,730,187)</b>	<b>(27,203,127)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	8,741,329	-	-	-	8,741,329
Education protection account revenues - noncapital	4,235,087	-	-	-	4,235,087
Local property taxes - noncapital	9,195,683	-	-	-	9,195,683
State taxes and other revenues	1,287,437	-	-	-	1,287,437
Investment income - noncapital	54,853	-	-	-	54,853
Financial aid revenues - federal	-	-	-	-	-
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	303,738	(33,078)	5,392	-	276,052
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>23,818,127</b>	<b>(33,078)</b>	<b>5,392</b>	<b>-</b>	<b>23,790,441</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>235,448</b>	<b>(201,332)</b>	<b>(716,615)</b>	<b>(2,730,187)</b>	<b>(3,412,686)</b>
<b>Other Revenues and Expenditures</b>					
State apportionments - capital	-	-	646,952	-	646,952
Local property taxes - capital	2,641,459	-	-	-	2,641,459
Investment income - capital	-	-	-	71,637	71,637
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>2,876,907</b>	<b>(201,332)</b>	<b>(69,663)</b>	<b>(2,658,550)</b>	<b>(52,638)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	261,297	36,049	1,668	-	299,014
Operating transfers out	(485,676)	(38,338)	-	-	(524,014)
Debt service	(2,757,102)	-	-	-	(2,757,102)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,981,481)</b>	<b>(2,289)</b>	<b>1,668</b>	<b>-</b>	<b>(2,982,102)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>					
	(104,574)	(203,621)	(67,995)	(2,658,550)	(3,034,740)
<b>Fund Equity - Beginning of Year</b>	<b>5,352,250</b>	<b>605,680</b>	<b>109,887</b>	<b>10,320,537</b>	<b>16,388,354</b>
<b>Fund Equity - End of Year</b>	<b>\$ 5,247,676</b>	<b>\$ 402,059</b>	<b>\$ 41,892</b>	<b>\$ 7,661,987</b>	<b>\$ 13,353,614</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES/EXPENSES,**  
**AND CHANGES IN FUND EQUITY – DISTRICT FUNDS**  
**INCLUDED IN THE REPORTING ENTITY**  
**(Continued)**

Year Ended June 30, 2015	Balance Brought Forward	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>Operating Revenues</b>					
Tuition and fees	\$ 6,436,161	\$ -	\$ -	\$ -	\$ 6,436,161
Less: Scholarship discount and allowance	(2,860,055)	-	-	-	(2,860,055)
<b>Net Tuition and Fees</b>	<b>3,576,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,576,106</b>
Grants and contracts - noncapital:					
Federal	1,478,431	-	-	-	1,478,431
State	4,950,960	-	-	-	4,950,960
Local	508,482	-	-	-	508,482
Auxiliary enterprise sales and charges	347,121	-	-	-	347,121
<b>Total Operating Revenues</b>	<b>10,861,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,861,100</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	20,204,851	-	-	-	20,204,851
Employee benefits	6,885,561	902,072	-	-	7,787,633
Payments to students	519,105	-	-	-	519,105
Supplies, materials, and other services	5,564,151	-	-	-	5,564,151
Capital outlay	4,147,805	-	-	-	4,147,805
Utilities	742,754	-	-	-	742,754
<b>Total Operating Expenditures/Expenses</b>	<b>38,064,227</b>	<b>902,072</b>	<b>-</b>	<b>-</b>	<b>38,966,299</b>
<b>Operating Income (Loss)</b>	<b>(27,203,127)</b>	<b>(902,072)</b>	<b>-</b>	<b>-</b>	<b>(28,105,199)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	8,741,329	-	-	-	8,741,329
Education protection account revenues - noncapital	4,235,087	-	-	-	4,235,087
Local property taxes - noncapital	9,195,683	-	-	-	9,195,683
State taxes and other revenues	1,287,437	-	-	-	1,287,437
Investment income - noncapital	54,853	12,977	-	-	67,830
Financial aid revenues - federal	-	-	-	9,833,894	9,833,894
Financial aid revenues - state	-	-	-	497,527	497,527
Financial aid expenses	-	-	-	(10,331,826)	(10,331,826)
Other nonoperating revenues	276,052	278,405	-	405	554,862
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>23,790,441</b>	<b>291,382</b>	<b>-</b>	<b>-</b>	<b>24,081,823</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>(3,412,686)</b>	<b>(610,690)</b>	<b>-</b>	<b>-</b>	<b>(4,023,376)</b>
<b>Other Revenues and Expenditures</b>					
State apportionments - capital	646,952	-	-	-	646,952
Local property taxes - capital	2,641,459	-	-	-	2,641,459
Investment income - capital	71,637	-	-	-	71,637
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>(52,638)</b>	<b>(610,690)</b>	<b>-</b>	<b>-</b>	<b>(663,328)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	299,014	225,000	-	-	524,014
Operating transfers out	(524,014)	-	-	-	(524,014)
Debt service	(2,757,102)	-	-	-	(2,757,102)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,982,102)</b>	<b>225,000</b>	<b>-</b>	<b>-</b>	<b>(2,757,102)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>(3,034,740)</b>	<b>(385,690)</b>	<b>-</b>	<b>-</b>	<b>(3,420,430)</b>
<b>Fund Equity - Beginning of Year</b>	<b>16,388,354</b>	<b>1,901,049</b>	<b>-</b>	<b>5</b>	<b>18,289,408</b>
<b>Fund Equity - End of Year</b>	<b>\$ 13,353,614</b>	<b>\$ 1,515,359</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 14,868,978</b>

See the accompanying notes to the supplementary information.

**Redwoods Community College District**  
**RECONCILIATION OF FUND EQUITY TO NET POSITION**

June 30, 2015

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		\$ 14,868,978
Assets recorded within the statement of net position not included in the District fund financial statements:		
Depreciable capitalized assets	\$ 133,565,916	
Accumulated depreciation	(39,254,127)	94,311,789
Nondepreciable capital assets		4,997,260
Other postemployment benefits obligation (asset)		549,193
Deferred outflows related to pensions		1,748,255
Liabilities recorded within the statement of net position not recorded in the District fund financial statements:		
Accrued interest		(755,248)
Long-term debt - current	(1,308,600)	
Long-term debt - noncurrent	(33,753,586)	(35,062,186)
Net pension liability		(17,911,018)
Early retirement incentive program		(359,045)
Compensated absences		(564,614)
Deferred gain on refunding		(86,733)
Deferred inflows related to pensions		(5,307,783)
<b>Net Position Reported Within the Statement of Net Position</b>		<b>\$ 56,428,848</b>

*See the accompanying notes to the supplementary information.*

## Redwoods Community College District

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

June 30, 2015

---

<b>Total Net Change in Fund Equity - District Funds Included in Reporting Entity</b>	\$ (3,420,430)
Depreciation expense reported within the statements	(3,590,308)
Capital outlay expense not reported within the statements	4,562,497
Increase in compensated absences reported within the statements	(103,117)
Change in pension expenses as a result of GASB 68	1,033,789
Principal payments on debt not reported within the statements	1,481,400
Interest expense from change in accrued interest payable and amortization of bond premiums reported within the statements	543,065
Interest expense capitalized within the statements	252,601
Decrease in expense of other postemployment and retirement incentive benefits reported within the statements	170,398
<b>Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Position</b>	<b>\$ 929,895</b>

---

*See the accompanying notes to the supplementary information.*



**1. PURPOSE OF SCHEDULES**

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

The audit of the District for the year ended June 30, 2015, was conducted in accordance with OMB Circular A-133, which requires disclosure of the financial activities of all federally funded programs. To comply with OMB Circular A-133 and state requirements, the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards was prepared for the District.

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

**Schedule of Workload Measures for State General Apportionment**

The Schedule of Workload Measures for State General Apportionment Annualized Attendance as of June 30, 2015, represents the basis of apportionment of the District's annual source of funding.

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

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

**Reconciliation of 50% Law Calculation**

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

**Reconciliation of Education Protection Account Expenditures**

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

**2. COMBINING FINANCIAL STATEMENTS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** The accompanying Combining Balance Sheet – District Funds Included in the Reporting Entity, Combining Statement of Revenues, Expenditures/Expenses, and Changes in Fund Equity – District Funds Included in the Reporting Entity are presented on the modified accrual basis of accounting with the exception of the Farm Operations Fund and Employee Benefit Trust Fund, which are presented on the accrual basis of accounting consistent with the presentation in the entity-wide financial statements.

**Redwoods Community College District**  
NOTES TO THE SUPPLEMENTARY INFORMATION  
(Continued)

---

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

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

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

## **OTHER REPORTS SECTION**



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

(Continued)

***Compliance and Other Matters***

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

**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.

*KCoe Isom, LLP*

March 22, 2016  
Redding, California



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

(Continued)

**Report on Internal Control Over Compliance**

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

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

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

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

*KCoe Isom, LLP*

March 22, 2016  
Redding, California

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

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

### **Compliance**

We have audited the Redwoods Community College District's (the District) compliance with the types of state compliance requirements described in the *California Community Colleges Contracted District Audit Manual 2014-15*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2015. The applicable state compliance requirements are identified in the table below.

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

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

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *California Community Colleges Contracted District Audit Manual 2014-15*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2014-15*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination of the District's compliance with those requirements.



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

---

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

---

### ***Opinion***

In our opinion, the District complied, in all material respects, with the state laws and regulations referred to above that are applicable to the District for the year ended June 30, 2015.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing over compliance, and the results of that testing, based on the *California Community Colleges Contracted District Audit Manual 2014-15*. Accordingly, this report is not suitable for any other purpose.

*KCoe Team, LLP*

March 22, 2016  
Redding, California

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS SECTION**

**Redwoods Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2015

---

**SECTION I**  
**SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	No
Identification of major programs:	
CFDA No. 84.007	Student Financial Assistance Cluster
CFDA No. 84.033	Student Financial Assistance Cluster
CFDA No. 84.063	Student Financial Assistance Cluster
CFDA No. 84.268	Student Financial Assistance Cluster
CFDA No. 84.042	TRIO Cluster
CFDA No. 84.047	TRIO Cluster
Threshold for distinguishing types A and B programs:	\$300,000
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?	No
Type of auditors' report issued on compliance for state program:	Unmodified

**Redwoods Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2015

---

**SECTION II FINDINGS**  
**FINANCIAL STATEMENTS AUDIT**

None.

**Redwoods Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2015

---

**SECTION III FINDINGS**  
**FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS**  
**STATE AWARDS AUDIT**

None.

**Redwoods Community College District**

CORRECTIVE ACTION PLAN

June 30, 2015

---

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

**SECTION IV FINDINGS**  
**STATE AWARDS AUDIT**

**STATE COMPLIANCE (424 State General Apportionment Funding System)**  
(2014-001)

**Significant Deficiency**

***Condition***

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

***Criteria***

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

***Effect***

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

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

***Recommendation***

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

***Status***

We noted no such items in the current year.