

# Redwoods Community College District

Eureka, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

**June 30, 2018**



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I S O M

# Redwoods Community College District

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Redwoods Community College District (the District), as of and for the year ended June 30, 2018; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

## **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, 2018, 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.

### ***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 14 and the required supplementary information on pages 52 to 58 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 60 to 82 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 61 to 82 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

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 December 31, 2018, 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 Jam, LLP*

December 31, 2018  
Redding, California

## **FINANCIAL SECTION**

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

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**INTRODUCTION**

As required by accounting principles generally accepted in the United States, the annual report consists of three basic financial statements that provide information on Redwoods Community College District (the District) as a whole: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The information provided in the management’s discussion and analysis is based on the District’s basic financial statements and includes all funds except the College of the Redwoods Foundation. Each statement will be discussed separately. Under the business-type activities model of financial reporting, a single entity-wide statement is required to report financial activity for all funds of the District.

During fiscal years 2017-18, 2016-17 and 2015-16, the unrestricted net position or fund balance for the general fund exceeded the California Community Colleges Chancellor’s Office (Chancellor’s Office) minimum prudent unrestricted fund balance guideline of 5%. By June 30, 2018, the ending fund balance increased to 8.25%.

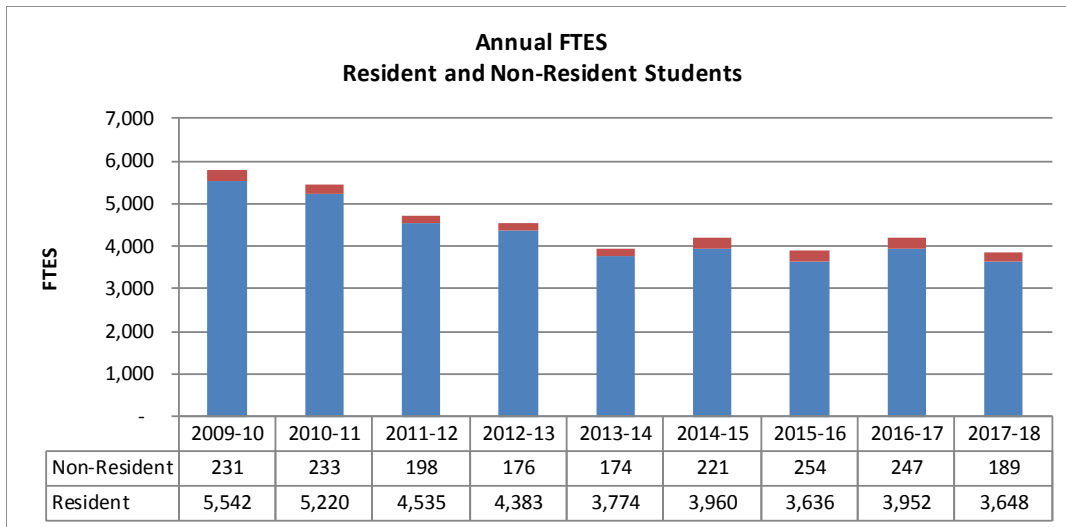
**ATTENDANCE HIGHLIGHTS**

The District’s resident Full-Time Equivalent Students (FTES) for fiscal year 2017-18 stood at 3,648 per the District’s recal 320 report. Since fiscal year 2009-10, enrollments have fallen to a cumulative 34% loss of students by fiscal year 2017-18. Non-resident enrollments decreased in 2017-18 from 2016-17, but are up from 2013-14 levels. Non-residents represented just over 5% of total enrollments for the District.

<b><i>Credit/Non-Credit Resident and Non-Resident Students</i></b>							
<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>	
2009-10	5,542	231	5,773	5.1%	10.0%	11.4%	
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	3,960	221	4,181	4.9%	27.0%	5.9%	
2015-16	3,636	254	3,890	-8.2%	14.9%	-7.0%	
2016-17	3,952	247	4,199	8.7%	-2.8%	7.9%	
2017-18	3,648	189	3,837	-7.7%	-23.5%	-8.6%	



**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**



**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**

**STATEMENT OF NET POSITION**

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

June 30	2018	2017	Change	
<b>ASSETS</b>				
Current assets	\$ 15,051,541	\$ 14,780,616	\$ 270,925	2%
Noncurrent restricted cash and cash equivalents	3,200,109	3,872,561	(672,452)	-17%
Capital assets and deferred costs - net	100,028,239	101,593,802	(1,565,563)	-2%
<b>TOTAL ASSETS</b>	<b>118,279,889</b>	<b>120,246,979</b>	<b>*</b> (1,967,090)	<b>-2%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	9,843,919	7,239,693	2,604,226	36%
Deferred outflows related to OPEB	999,632	881,594	118,038	13%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,843,551</b>	<b>8,121,287</b>	<b>*</b> 2,722,264	<b>34%</b>
<b>LIABILITIES</b>				
Current liabilities	11,153,452	9,133,795	2,019,657	22%
Noncurrent liabilities	68,555,453	66,663,158	1,892,295	3%
<b>TOTAL LIABILITIES</b>	<b>79,708,905</b>	<b>75,796,953</b>	<b>*</b> 3,911,952	<b>5%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	2,927,687	2,226,659	701,028	31%
Deferred gain on refunding	63,078	70,963	(7,885)	-11%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,990,765</b>	<b>2,297,622</b>	<b>693,143</b>	<b>30%</b>
<b>NET POSITION</b>				
Investments in capital assets - net of related debt	74,211,681	75,641,372	(1,429,691)	-2%
Restricted - expendable	200,690	626,653	(425,963)	-68%
Unrestricted	(27,988,601)	(25,994,334)	(1,994,267)	8%
<b>TOTAL NET POSITION</b>	<b>\$ 46,423,770</b>	<b>\$ 50,273,691</b>	<b>\$ (3,849,921)</b>	<b>-8%</b>

\* As restated for implementation of GASB Statements No. 75 and 85.

The 2016-17 total net position has been restated from \$56.841 million to \$50.273 million due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* and Statement No. 85, *Omnibus*. As a result of this implementation, the other post-employment benefit balance is no longer included as a noncurrent asset, and the total OPEB liability is now included as a non-current liability. Additional information can be found in the notes to the financial statements. The summarized comparative information presented in this management's discussion and analysis for the year ended June 30, 2017, has not been restated to reflect OPEB expense accounting as required by GASB Statement No. 75, as amended by GASB Statement No. 85. Information was not available for such restatement. Therefore, certain accounts fluctuate significantly between fiscal years 2016-17 and 2017-18 due to information for the two years not being comparable.

**Redwoods Community College District**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

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The \$1.967 million decrease in total assets was caused by a decrease in noncurrent assets that is slightly offset by an increase in current assets. The increase in current assets was the result of increases in restricted cash and cash equivalents and accounts receivable. The decrease in noncurrent assets was due to a decrease in noncurrent restricted cash and cash equivalents. Noncurrent restricted cash and cash equivalents is comprised of local bond funds and expected to continue to trend down as bond proceeds are spent on the remaining capital construction projects. Capital assets and deferred costs have decreased due to depreciation.

Total liabilities increased by almost \$4.0 million, which is centered in increases to the total OPEB liability and net pension liability, as well as increases in advances from grantors and students. The increase in total liabilities was partially offset by reductions in accounts payable and non-current long-term debt. During the fiscal year ended June 30, 2018, the District issued no new tax and revenue anticipation notes.

During fiscal years 2017-18, 2016-17 and 2015-16, the unrestricted fund balance for the general fund exceeded the California Community Colleges Chancellor's Office (Chancellor's Office) minimum prudent unrestricted fund balance guideline of 5%. By June 30, 2018, the ending fund balance grew to 8.25%.

The District has recorded its actuarially determined annual liability for OPEB according GASB Statement No. 75. Through changes in Board policy and collective bargaining contracts, newly hired employees will not participate in this program. For eligible plan participants, the District funds the current service liability, and may make annual contributions for its prior service liability. The District intends to continue to set funds aside to meet its unfunded accrued liability. The most recent actuarial study of retiree health liabilities was as of June 30, 2017. The unfunded liability is estimated to be just under \$6.4 million. During fiscal year 2017-18, the District provided \$695 thousand in non-operating revenues and transfers to the employee benefit fund. The fund balance set aside to pay future benefits stood at \$500 thousand at June 30, 2018.

**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**

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

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

Years Ended June 30	2018	2017	Change	
<b>OPERATING REVENUES AND EXPENSES</b>				
<b>Operating Revenues</b>				
Net tuition and fees	\$ 2,696,173	\$ 3,134,440	\$ (438,267)	-14%
Grants and contracts - noncapital	9,911,362	9,166,074	745,288	8%
Auxiliary enterprise sales and charges	960,515	154,081	806,434	523%
<b>Total Operating Revenues</b>	<b>13,568,050</b>	<b>12,454,595</b>	<b>1,113,455</b>	<b>9%</b>
<b>Operating Expenses</b>				
	46,631,095	42,641,184	3,989,911	9%
<b>Operating Loss</b>	<b>(33,063,045)</b>	<b>(30,186,589)</b>	<b>(2,876,456)</b>	<b>10%</b>
<b>Nonoperating Revenues (Expenses)</b>				
State apportionments - noncapital	11,460,506	9,786,296	1,674,210	17%
Education protection account revenues	3,856,775	3,696,678	160,097	4%
Local property taxes	9,770,022	11,157,023	(1,387,001)	-12%
State taxes and other revenues	1,279,152	1,089,801	189,351	17%
Financial aid revenues	9,700,128	10,173,961	(473,833)	-5%
Financial aid expenses	(9,809,567)	(10,171,264)	361,697	-4%
Investment income - noncapital	100,367	94,446	5,921	6%
Other nonoperating revenues (expenses)	982,992	1,251,529	(268,537)	-21%
<b>Total Nonoperating Revenues (Expenses)</b>	<b>27,340,375</b>	<b>27,078,470</b>	<b>261,905</b>	<b>1%</b>
<b>Loss Before Other Revenues and Expenses</b>	<b>(5,722,670)</b>	<b>(3,108,119)</b>	<b>(2,614,551)</b>	<b>84%</b>
State apportionments and grants - capital	111,517	994,246	(882,729)	-89%
Local property taxes - capital	2,712,436	2,654,608	57,828	2%
Investment income - capital	33,586	40,203	(6,617)	0%
Interest expense - capital asset-related debt	(984,790)	(1,030,150)	45,360	-4%
<b>Change in Net Position</b>	<b>\$ (3,849,921)</b>	<b>\$ (449,212)</b>	<b>\$ (3,400,709)</b>	<b>757%</b>

The net position decreased by \$3.8 million or about 8% from fiscal year 2016-17 to fiscal year 2017-18. This is primarily based on an increase in operating expenses that is slightly offset by increases in revenue. Salary and benefit costs increased, along with supplies, materials, and other operating expenses and services.

**Redwoods Community College District**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

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The state's SB361 funding formula allocates apportionment funding to 72 community college districts. For fiscal year 2017-18 the District's total apportionment was \$26.9 million, up slightly from \$25.7 million the prior year. The District was stable and received apportionment funding for 3,900 full-time equivalent students (FTES) in fiscal year 2017-18. The increased funding is attributable to increased state support for community colleges, a 1.56% cost of living adjustment (COLA), and an increase in the per FTES base rates.

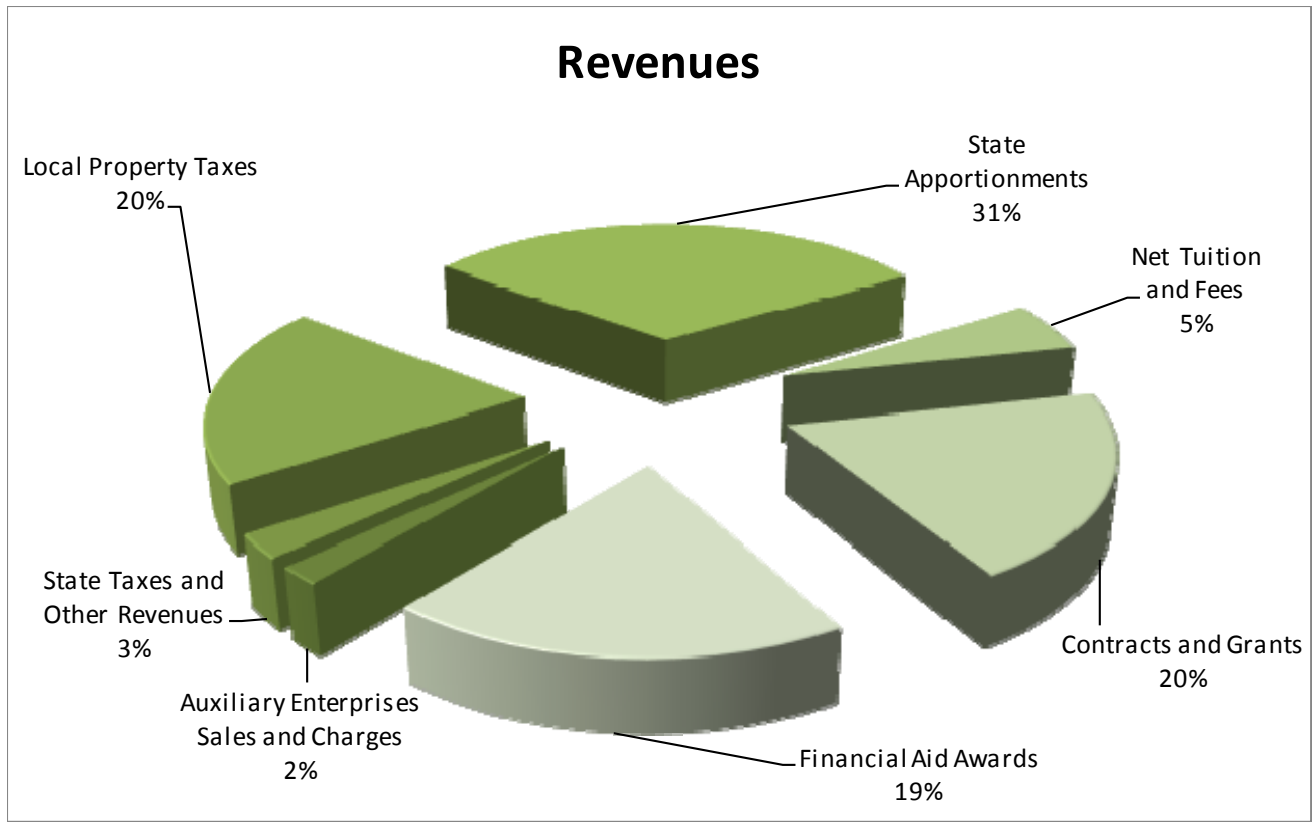
<b>Chancellor's Office Deficit Coefficient</b>	
<i>Fiscal Year</i>	<i>Deficit Factor</i>
June 30, 2011	(92,032)
June 30, 2012	(516,767)
June 30, 2013	(4,322)
June 30, 2014	(113,891)
June 30, 2015	(73,552)
June 30, 2016	-
June 30, 2017	-
June 30, 2018	-

The Chancellor's Office deficit coefficient arises due to differences between the state's estimated revenue at the beginning of the fiscal year and the actual revenue received by fiscal year end. If the state's estimate for the community college system's property taxes and instruction fees are too low, the state does not make up the difference.

As a result, the amount of revenue actually available to the community college system ends up being less than was promised by the state at the beginning of the year. The Chancellor's Office reduces each community college's funding on a proportional basis to account for the state's underfunding and has named this adjustment the deficit coefficient. In years where the state overestimates revenue, the Chancellor's Office must return any excess funds. Therefore, the deficit coefficient can never be a positive number and is at best, \$-0-. The chart above evidences that the state reduced promised funding to the District by over \$800 thousand during the period reviewed.

The deficit coefficient can change during a fiscal year which complicates budget assumptions at the District level and can cause budget-to-actual variances. The 2017-18 P-2 report released by the Chancellor's Office on June 19, 2018, included a deficit coefficient of \$-0-.

**Redwoods Community College District**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)



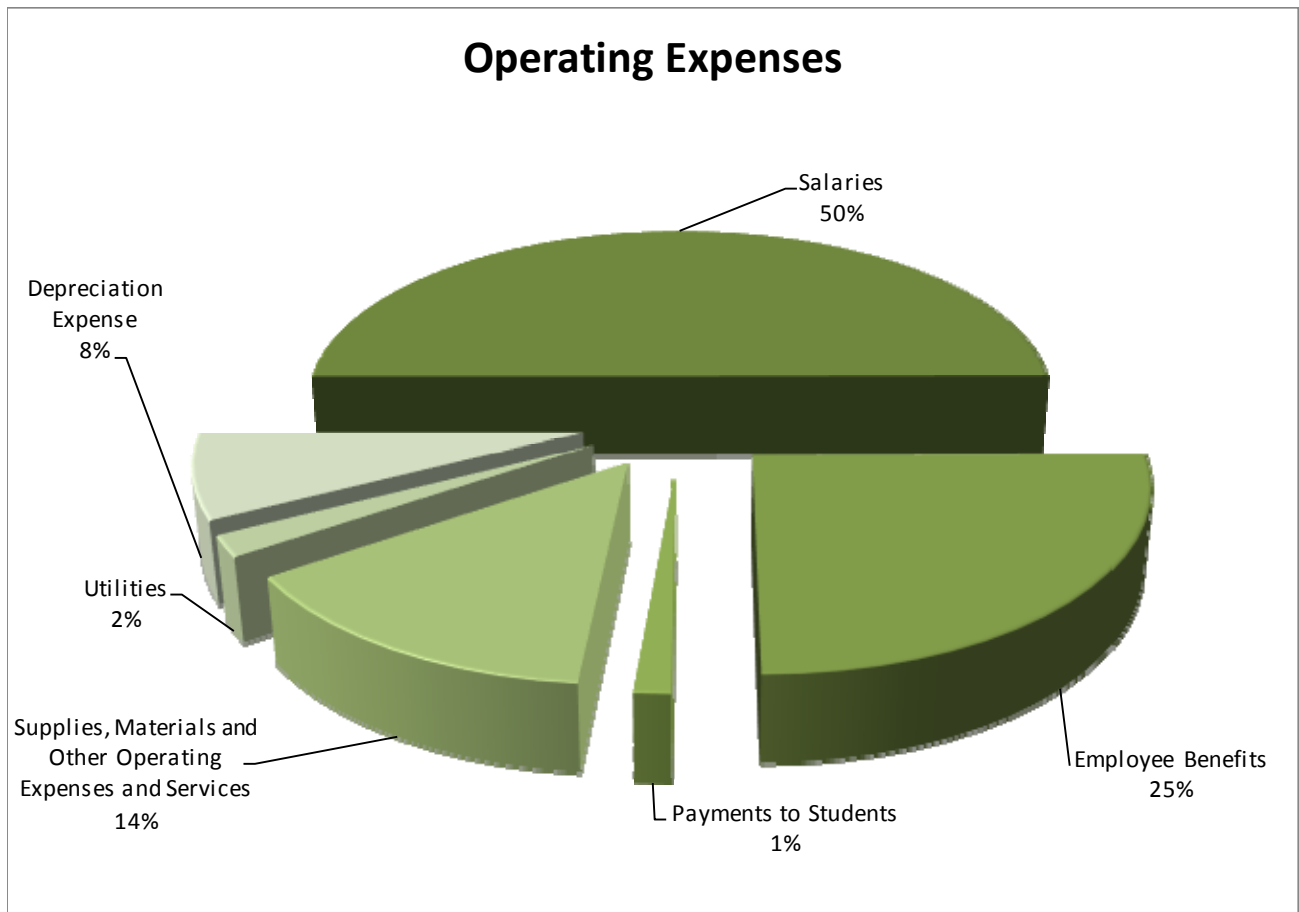
The revenue chart shows the distribution of the District's revenue, with state apportionment contributing 31%. This is up slightly from 29% in the prior year.

**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**

**OPERATING EXPENSES (BY NATURAL CLASSIFICATION)**

Years Ended June 30	2018		2017		Change	
Salaries	\$	23,278,268	\$	22,861,082	\$	417,186 2%
Employee benefits		11,744,287		9,502,729		2,241,558 24%
Payments to students		617,265		739,799		(122,534) -17%
Supplies, materials, and other operating expenses and services		6,582,483		4,965,757		1,616,726 33%
Utilities		870,566		975,033		(104,467) -11%
Depreciation expense		3,538,226		3,596,784		(58,558) -2%
<b>Total Operating Expense</b>	\$	<b>46,631,095</b>	\$	<b>42,641,184</b>	\$	<b>3,989,911 9%</b>

Total operating expenses increased by \$3.989 million, or 9%, primarily due to a \$2.2 million, or 24%, increase in employee benefits and \$1.616 million increase, or 28%, in supplies, materials, and other operating expenses and services. These increases were partially offset by a \$122 thousand, or 17%, decrease in payments to students and a \$104 thousand, or 11%, decrease in utilities. Employee benefits increased due to mandated CalPERS and CalSTRS increases, as well as increases to medical insurance costs.



**Redwoods Community College District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(CONTINUED)**

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**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	2018	2017	Change	
Cash provided by (used in):				
Operating activities	\$ (27,750,640)	\$ (25,992,253)	\$ (1,758,387)	7%
Noncapital financing activities	28,764,620	27,419,525	1,345,095	5%
Capital financing activities	(1,685,589)	(1,834,598)	149,009	-8%
Investing activities	133,953	94,446	39,507	42%
<b>Net Change in Cash and Cash Equivalents</b>	(537,656)	(312,880)	(224,776)	72%
<b>Cash and Cash Equivalents - Beginning of Year</b>	16,501,814	16,814,694	(312,880)	-2%
<b>Cash and Cash Equivalents - End of Year</b>	\$ 15,964,158	\$ 16,501,814	\$ (537,656)	-3%

The District's cash and cash equivalents balance decreased by \$537 thousand to \$15.964 million. The decrease in cash and cash equivalents reflects spending down of bond proceeds on various capital projects and a decrease in net cash provided by noncapital financing activities. The District did not participate in any Tax and Revenue Anticipation Note (TRAN) program during fiscal year 2017-18. District accounting staff's cash flow analysis showed sufficient cash flow without the need for TRAN funding.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The District's unrestricted ending net position, or fund balance, is stable and at present continues to grow. The ending fund balance in 2016-17 was 6.9 %, and by the end of 2017-18, it has grown to 8.25%. However, the state significantly increased the District's scheduled pension payments to CalSTRS and CalPERS. While the state increased apportionment funding in 2017-18, the administration estimates that this increase may only be sufficient to offset the early years of scheduled pension contributions. Currently, the District includes the CalPERS and CalSTRS increases in each annual budget as well as the multi-year forecasts.

In 2017-18, the District relied on enrollment stability funding as a tactic to boost state apportionment funding. Resident full-time equivalent students (FTES) were 5,542 in 2009-10 and have fallen to 3,837 by fiscal year 2017-18, resulting in a 34% long-term enrollment decline. Efforts to increase enrollments include partnerships with area high schools, expanding distance education opportunities, and developing an academic year registration system, so students may register for future terms to aid in their college planning. District leadership is also focused on strategies to improve course load efficiency rates to reduce the number of vacant seats in each course section. The District also elected to participate in the California College Promise program. First-year college students who meet certain requirements will have their class fees waived for the first year. Districts who participate in the program receive a small allocation from the state. This is different from the California College Promise Grant, previously known as the BOG fee waiver.



## **Redwoods Community College District**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **(CONTINUED)**

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Non-resident enrollments decreased in 2017-18 from 2016-17, but are up from 2013-14 levels. Nonresident enrollments increased in fiscal year 2015-16 to their highest level since 2008-09. Non-residents represent just under 5% of total enrollments for the District. However, nonresidents represent an area of success relative to student growth and could be an area of opportunity for future enrollment growth.

A new Student Centered Funding Formula (SCFF) has been implemented starting with the 2018-19 fiscal year. Funding is no longer based solely on enrollment, but also supplemental factors such as the number of PELL, AB 540, and College Promise Grant recipients, as well as several student success factors. The SCFF will be phased in over three years: in 2018-19, funding will be based 70% on enrollment, 20% on supplemental counts, and 10% on student success; in 2019-20, 65% on enrollment, 20% on supplemental, and 15% on student success; and in 2020-21 and beyond, 60% enrollment, 20% supplemental, and 20% student success. For the first three years under the SCFF, Districts will be held harmless in the event their funding levels drop as a result of the new formula.

SCFF simulations have been developed to aid Districts in estimating revenues, but supplemental and student success metrics can be hard to estimate. This creates a challenge in developing realistic multi-year forecasts. The District has developed forecasts for different scenarios, such as scenarios with no COLA and scenarios with moderate COLA increases. Scenarios also vary by holding flat or increasing enrollment, supplemental counts, and student success completions.

The District has implemented multiple business reorganizations to reduce expenditures and reallocate positions to mission critical areas. Faculty received a retroactive 2% salary increase for 2016-17, and a 2% increase for 2017-18 and going forward in 2018-19 as a result of the approved 2016-19 Faculty Contract. The 2% increase was extended to classified and confidential staff, as well as administrators and managers. While this puts a strain on an already tight budget, maintaining competitive salaries is necessary to attract and retain talented employees. The 2016-17 increase was covered by planned one-time funds that had been set aside, and 2017-18 and 2018-19 increases have been built in to the budget.

The District's economic condition is driven primarily by the level of state support provided to the California community colleges system, by the District's enrollment and performance results, and by District leadership's ability to control costs. A fundamental goal for the District is to manage costs, so that expenditure growth does not outpace revenue growth. An additional goal is for the District to implement initiatives that will increase student success metrics in-line with the Chancellor's Office Vision for Success. The state of California has been experiencing a multiyear economic expansion, but Governor Brown and several economists have cautioned that a recession would adversely impact the state's financial condition, and that such a recession can be expected in the next few years.

By continuing to monitor the fiscal environment and update the multi-year forecast revenue and expense assumptions with new information as it becomes available and taking the necessary budget actions, the District will be positioned to maintain a healthy fund balance and continue to have revenue levels that exceed expenditures. The District is continuing long-term capital investments with the Utility Infrastructure Replacement and Seismic Strengthening Project already in the architect planning phase during fiscal year 2016-17. Also, District leadership is pursuing state capital outlay funds to replace the Physical Education Complex, the Fieldhouse, and the Creative Arts building. As a result, the District is positioned to capitalize on opportunities in the future should the long-term decline in enrollments eventually be reversed.

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

June 30, 2018	Primary Institution	Foundation
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,580,174	\$ -
Restricted cash and cash equivalents	6,183,875	-
Accounts receivable - net	4,802,138	140,884
Inventories	213,546	-
Prepaid expenses	1,999	-
Due from (Due to)	(2,730,191)	2,730,191
<b>Total Current Assets</b>	<b>15,051,541</b>	<b>2,871,075</b>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	3,200,109	1,017,670
Investments	-	2,641,456
Beneficial interest in charitable remainder trust	-	392,565
Nondepreciable capital assets	10,983,212	-
Depreciable capital assets - net	89,045,027	-
<b>Total Noncurrent Assets</b>	<b>103,228,348</b>	<b>4,051,691</b>
<b>TOTAL ASSETS</b>	<b>118,279,889</b>	<b>6,922,766</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	9,843,919	-
Deferred outflows of resources related to OPEB	999,632	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 10,843,551</b>	<b>\$ -</b>

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

# Redwoods Community College District

## STATEMENT OF NET POSITION

(Continued)

June 30, 2018	Primary Institution	Foundation
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,473,949	\$ 25,143
Accrued liabilities	1,789,730	-
Advances from grantors and students	6,168,180	864
Amounts held for others	209,120	536,999
Other long-term liabilities - current portion	77,473	-
Long-term debt - current portion	1,435,000	-
<b>Total Current Liabilities</b>	<b>11,153,452</b>	<b>563,006</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - noncurrent portion	29,185,363	-
Total OPEB liability	6,362,033	-
Net pension liability	32,226,988	-
Other long-term liabilities - noncurrent portion	781,069	-
<b>Total Noncurrent Liabilities</b>	<b>68,555,453</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>79,708,905</b>	<b>563,006</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	2,927,687	-
Deferred inflows of resources related to charitable remainder trust	-	392,565
Deferred gain on refunding	63,078	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,990,765</b>	<b>392,565</b>
<b>NET POSITION</b>		
Net investment in capital assets	74,211,681	-
Restricted:		
Nonexpendable	-	3,610,487
Expendable	200,690	1,981,924
Unrestricted	(27,988,601)	374,784
<b>TOTAL NET POSITION</b>	<b>\$ 46,423,770</b>	<b>\$ 5,967,195</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, 2018	Primary Institution	Foundation
<b>Operating Revenues</b>		
Tuition and fees	\$ 5,428,276	\$ -
Less: Scholarship discounts and allowances	(2,732,103)	-
<b>Tuition and Fees - Net</b>	<b>2,696,173</b>	<b>-</b>
Grants and contracts - noncapital:		
Federal	1,600,300	-
State	7,810,721	-
Local	500,341	10,014
Auxiliary enterprise sales and charges	960,515	1,329,487
<b>Total Operating Revenues</b>	<b>13,568,050</b>	<b>1,339,501</b>
<b>Operating Expenses</b>		
Salaries	23,278,268	-
Employee benefits	11,744,287	-
Supplies, materials, and other operating expenses and services	6,582,483	1,473,835
Utilities	870,566	-
Depreciation	3,538,226	-
Payments to students	617,265	185,952
<b>Total Operating Expenses</b>	<b>46,631,095</b>	<b>1,659,787</b>
<b>Operating Loss</b>	<b>(33,063,045)</b>	<b>(320,286)</b>
<b>Nonoperating Revenues (Expenses)</b>		
State apportionments - noncapital	11,460,506	-
Education protection account revenues	3,856,775	-
Local property taxes - noncapital	9,770,022	-
State taxes and other revenues - noncapital	1,279,152	-
Investment income - noncapital	100,367	223,576
Financial aid revenues - federal	8,804,646	-
Financial aid revenues - state	895,482	-
Financial aid disbursements	(9,809,567)	-
Other nonoperating revenues (expenses) - noncapital	982,992	293,894
<b>Total Nonoperating Revenues (Expenses)</b>	<b>27,340,375</b>	<b>517,470</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(5,722,670)</b>	<b>197,184</b>
<b>Other Revenues, Expenses, Gains, or Losses</b>		
State apportionments - capital	111,517	-
Local property taxes and revenue - capital	2,712,436	-
Interest expense - capital asset-related debt	(984,790)	-
Investment income - capital	33,586	-
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>1,872,749</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(3,849,921)</b>	<b>197,184</b>
<b>Net Position - Beginning of Year - as Previously Reported</b>	<b>56,841,279</b>	<b>5,993,173</b>
Cumulative effect of change in accounting principles	(6,567,588)	(223,162)
<b>Net Position - Beginning of Year - as Restated</b>	<b>50,273,691</b>	<b>5,770,011</b>
<b>Net Position - End of Year</b>	<b>\$ 46,423,770</b>	<b>\$ 5,967,195</b>

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

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

Year Ended June 30, 2018	Primary Institution	Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 3,560,627	\$ -
Federal grants and contracts	1,817,678	-
State grants and contracts	6,227,754	-
Local grants and contracts	1,734,736	10,014
Payments to/on behalf of employees	(21,606,929)	-
Payments for benefits	(11,744,287)	-
Payments for scholarships and grants	(617,265)	(185,952)
Payments to suppliers	(6,737,724)	(1,491,494)
Payments for utilities	(870,566)	-
Auxiliary enterprise sales and charges	960,515	1,329,487
Other receipts (payments)	(475,179)	130,065
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(27,750,640)</b>	<b>(207,880)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State apportionments - noncapital	11,508,391	-
Education protection account revenues - noncapital	3,808,890	-
Local property taxes - noncapital	9,770,022	-
State taxes and other revenues	1,279,152	-
Financial aid receipts - federal	8,804,646	-
Financial aid receipts - state	1,042,241	-
Financial aid disbursements	(9,809,567)	-
Other receipts (payments)	2,360,845	(1,083,959)
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<b>28,764,620</b>	<b>(1,083,959)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(1,972,663)	-
Interest paid on capital debt	(1,188,236)	-
Principal paid on capital debt	(1,335,000)	-
State apportionments and grants - capital	97,874	-
Interest received on capital investments	-	-
Local property taxes - capital	2,712,436	-
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,685,589)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	133,953	22,498
<b>Net Change in Cash and Cash Equivalents</b>	<b>(537,656)</b>	<b>(1,269,341)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>16,501,814</b>	<b>2,287,011</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 15,964,158</b>	<b>\$ 1,017,670</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, 2018	Primary Institution	Foundation
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>		
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating loss	\$ (33,063,045)	\$ (320,286)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation expense	3,538,226	-
Deferred outflows of resources related to pensions	(2,604,226)	-
Deferred outflows of resources related to OPEB	(118,038)	-
Deferred inflows of resources related to pensions	701,028	-
Total OPEB liability	(257,215)	-
Net pension liability	3,785,057	-
Change in accounts receivable allowance	(175,052)	114,828
Changes in:		
Accounts receivable	(1,440,049)	(45,478)
Inventories	212,636	-
Accounts payable	(367,877)	(17,659)
Accrued liabilities	166,031	-
Advances from grantors and students	1,853,229	-
Amounts held for others	19,268	60,715
Other long-term liabilities	(613)	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (27,750,640)</b>	<b>\$ (207,880)</b>
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 6,580,174	\$ -
Restricted cash and cash equivalents - current	6,183,875	-
Restricted cash and cash equivalents - noncurrent	3,200,109	1,017,670
<b>Total Cash and Cash Equivalents</b>	<b>\$ 15,964,158</b>	<b>\$ 1,017,670</b>

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

Exceptions to the accrual basis of accounting are as follows:

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

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

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

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



## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of less than three years. As of June 30, 2018, the fair value of the County pool was 99.86% of the carrying value and is deemed to not represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

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

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

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

**Accounts Receivable** Accounts receivable consists mainly of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$1,378,517 and \$566,525 for the year ended June 30, 2018, for the District and Foundation, respectively.

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

**Amounts Held for Others** Amounts held for others represent funds held by the District for the Associated Students' fund.

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

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

**Long-Term Liabilities** Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method if it does not materially differ from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. Amortization of bond premium and discount costs was \$167,341 for the year ended June 30, 2018.

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

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

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time.

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

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

A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

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

***Net Position*** The District's net position is classified as follows:

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

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

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

Revenues are classified according to the following criteria:

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

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

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

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

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

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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

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

**On-Behalf Payments** GASB Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requires that direct on-behalf payments for fringe benefits, and salaries made by an entity to a third-party recipient for the employees of another legally separate entity, be recognized as revenue and expenditures by the employer government. The state of California makes direct on-behalf payments for retirement benefits to CalSTRS and CalPERS on behalf of all community college districts in California. The amount reported in the basic financial statements as of June 30, 2018, was \$177,836.

### Implementation of New Accounting Standards

**Governmental Accounting Standards Board, Statement No. 75** The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2018. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**Governmental Accounting Standards Board, Statement No. 85** The District adopted the provisions of GASB Statement No. 85, *Omnibus 2017*, for the fiscal year ended June 30, 2018. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses the timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions or OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

**Governmental Accounting Standards Board, Statement No. 81** The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, for the fiscal year ended June 30, 2018. This statement improves the accounting and financial reporting for irrevocable split-interest agreements created through trusts by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Prior to GASB Statement No. 81 implementation, the value of the trust was recognized as revenue when received. After GASB Statement No. 81 implementation, the value of the trust is recognized as a deferred inflow or as amounts held in trust for others depending on whether the Foundation is the ultimate beneficiary or whether there is another beneficiary. Due to this classification change, net position has been adjusted to reverse the previously recognized revenue.

As a result of the adoption of GASB Statements No. 75, 85, and 81, net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statements No. 75, 85, and 81:

	Primary Institution	Foundation
<b>Net Position - as Previously Reported</b>	\$ 56,841,279	\$ 5,993,173
<b>Cumulative Effect of Change in Accounting Principles</b>		
Total OPEB liability	(7,449,182)	-
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to charitable remainder trust	-	(223,162)
<b>Deferred Outflows of Resources</b>		
District contributions subsequent to the measurement date	881,594	-
<b>Cumulative Effect of Change in Accounting Principles</b>	(6,567,588)	(223,162)
<b>Net Position - as Restated</b>	\$ 50,273,691	\$ 5,770,011

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash and cash equivalents were as follows:

June 30, 2018		Primary Institution		Foundation
Cash and cash equivalents	\$	6,580,174	\$	-
Restricted cash and cash equivalents		9,383,984		1,017,670
<b>Total Cash and Cash Equivalents</b>	\$	15,964,158	\$	1,017,670

The carrying amount of the cash is summarized as follows:

June 30, 2018		Primary Institution		Foundation
Cash in County treasury	\$	13,702,755	\$	-
Cash on hand and in banks		2,261,403		1,017,670
<b>Total Deposits</b>	\$	15,964,158	\$	1,017,670

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

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

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

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

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

June 30, 2018		Level 1		Level 2		Level 3
County treasury pool	\$	-	\$	13,702,755	\$	-

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The Foundation's investments were as follows:

June 30, 2018		Level 1		Level 2		Level 3
Certificate of deposit	\$	75,051	\$	-	\$	-
Assets held by others		-		-		2,566,405
<b>Total Foundation Investments</b>	<b>\$</b>	<b>75,051</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>2,566,405</b>

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

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

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

The change in the level 3 investments were as follows:

<b>Balance - July 1, 2017</b>		\$	2,365,328
Contributions			-
Disbursements			(21,275)
Investment income			222,352
<b>Balance - June 30, 2018</b>		<b>\$</b>	<b>2,566,405</b>

### 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, 2018, the District's and the Foundation's bank balances were exposed to custodial credit risk as follows:

June 30, 2018		Primary Institution		Foundation
Uninsured and collateral held by pledging bank's trust department not in the District's name	\$	767,201	\$	1,693,096



# 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’s investment in the County investment pool is unrated.

### Interest Rate Risk – Investments

*California Government Code*, Section 53601, limits the District’s investments to maturities of five years. As of June 30, 2018, the District had no investments with maturities greater than five years.

## 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2018	Primary Institution	Foundation
Tuition and fees - net	\$ 2,813,534	\$ 707,409
Less: Allowance for doubtful accounts	(1,378,517)	(566,525)
<b>Tuition and Fees - Net</b>	<b>1,435,017</b>	<b>140,884</b>
Federal grants and contracts	618,526	-
State grants and contracts	608,909	-
Local grants and contracts	33,958	-
State apportionment - noncapital	1,416,598	-
State grants - capital	341,322	-
State taxes and other revenues	56,680	-
Other	291,128	-
<b>Total</b>	<b>\$ 4,802,138</b>	<b>\$ 140,884</b>

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

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**4. CAPITAL ASSETS**

Capital asset activity is summarized as follows:

June 30, 2018	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 2,071,923	\$ -	\$ -	\$ -	\$ 2,071,923
Construction in progress	7,712,112	1,227,409	-	(28,232)	8,911,289
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 9,784,035</b>	<b>\$ 1,227,409</b>	<b>\$ -</b>	<b>\$ (28,232)</b>	<b>\$ 10,983,212</b>
<b>Depreciable Capital Assets</b>					
Site improvements	\$ 10,141,982	\$ -	\$ -	\$ -	\$ 10,141,982
Buildings and improvements	116,507,598	81,068	(558,399)	-	116,030,267
Equipment	9,379,939	582,281	-	28,232	9,990,452
Vehicles	1,563,164	81,905	-	-	1,645,069
Library books and film	464,947	-	-	-	464,947
<b>Total Depreciable Capital Assets</b>	<b>138,057,630</b>	<b>745,254</b>	<b>(558,399)</b>	<b>28,232</b>	<b>138,272,717</b>
Less: Accumulated depreciation	(46,247,863)	(3,538,226)	558,399	-	(49,227,690)
<b>Total Depreciable Capital Assets - Net</b>	<b>\$ 91,809,767</b>	<b>\$ (2,792,972)</b>	<b>\$ -</b>	<b>\$ 28,232</b>	<b>\$ 89,045,027</b>

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 5. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2018		Primary Institution		Foundation
Amounts payable to vendors	\$	1,148,054	\$	25,143
Amounts payable to contractors		325,895		-
<b>Total</b>	\$	<b>1,473,949</b>	\$	<b>25,143</b>

#### 6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

June 30, 2018				
Accrued payroll and related liabilities			\$	939,957
Accrued interest				687,852
Other				161,921
<b>Total</b>			\$	<b>1,789,730</b>

#### 7. ADVANCES FROM GRANTORS AND STUDENTS

Advances from grantors and students consisted of the following:

June 30, 2018		Primary Institution		Foundation
Tuition and fees	\$	2,260,280	\$	-
Federal grants and contracts		28,725		-
State grants and contracts		2,506,732		-
Local grants and contracts		1,325,278		-
Other		47,165		864
<b>Total</b>	\$	<b>6,168,180</b>	\$	<b>864</b>

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 8. NONCURRENT LIABILITIES

The following is a summary of changes in noncurrent liabilities:

June 30, 2018	Beginning Balance	Additions	Amortization/ Reductions	Ending Balance	Current Portion
<b>Long-Term Debt</b>					
General obligation bonds	\$ 32,122,704	\$ -	\$ (1,502,341)	\$ 30,620,363	\$ 1,435,000
<b>Other Long-Term Liabilities</b>					
Compensated absences	\$ 652,053	\$ 44,267	\$ -	\$ 696,320	\$ -
Early retirement incentive program	207,102	-	(44,880)	162,222	77,473
<b>Total Other Long-Term Liabilities</b>	<b>\$ 859,155</b>	<b>\$ 44,267</b>	<b>\$ (44,880)</b>	<b>\$ 858,542</b>	<b>\$ 77,473</b>

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

June 30, 2018

#### GENERAL OBLIGATION BONDS

2004 General Obligation Bonds, Series 2013, issued in the original amount of \$7,320,000. Final maturity is August 1, 2030. Interest rates range from 2.00% to 5.25%.

\$ 7,020,000

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

279,405

#### **Total 2004 General Obligation Bonds, Series 2013**

7,299,405

2014 General Obligation Refunding Bonds issued in the original amount of \$25,140,000. Final maturity is August 1, 2031. Interest rates range from 2.00% to 4.25%.

21,420,000

Unamortized issuance premium on 2014 General Obligation Refunding Bonds.

1,900,958

#### **Total 2014 General Obligation Refunding Bonds**

23,320,958

#### **Total General Obligation Bonds**

30,620,363

Less: Current portion

(1,435,000)

#### **Total Long-Term Debt - Noncurrent Portion**

**\$ 29,185,363**

# 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:

Years Ending June 30	Bonds			Bond	
	Principal	Interest	Total	Premium	Total
2019	\$ 1,435,000	\$ 1,281,419	\$ 2,716,419	\$ 167,342	\$ 2,883,761
2020	1,510,000	1,252,719	2,762,719	167,342	2,930,061
2021	1,630,000	1,179,419	2,809,419	167,342	2,976,761
2022	1,750,000	1,100,619	2,850,619	167,342	3,017,961
2023	1,855,000	1,044,819	2,899,819	167,342	3,067,161
2024-2028	11,455,000	3,747,694	15,202,694	836,710	16,039,404
2029-2032	8,805,000	850,269	9,655,269	506,943	10,162,212
<b>Total</b>	<b>\$ 28,440,000</b>	<b>\$ 10,456,958</b>	<b>\$ 38,896,958</b>	<b>\$ 2,180,363</b>	<b>41,077,321</b>
Less: Current interest					(10,456,958)
<b>Net Principal</b>					<b>\$ 30,620,363</b>

The amount of interest cost incurred during the year ended June 30, 2018, was \$1,283,323, of which \$141,750 was capitalized.

Other long-term liabilities at June 30, 2018, include the following liability which required principal payments:

June 30, 2018

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%.

	\$ 162,222
Less: Current portion	(77,473)
<b>Early Retirement Incentive Program - Noncurrent Portion</b>	<b>\$ 84,749</b>

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

Years Ending June 30

2019	\$ 77,473
2020	84,749
<b>Total</b>	<b>\$ 162,222</b>

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 9. EMPLOYEE RETIREMENT SYSTEMS

#### 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 CalSTRS and classified employees are members of CalPERS.

#### Summary

Net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are as follows:

June 30, 2018	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 16,646,400	\$ 4,656,419	\$ 2,415,034	\$ 2,088,966
CalPERS School Employer Pool	15,580,588	5,187,500	512,653	2,576,579
<b>Total Net Pension Liability</b>	<b>\$ 32,226,988</b>	<b>\$ 9,843,919</b>	<b>\$ 2,927,687</b>	<b>\$ 4,665,545</b>

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of revenues, expenses, and changes in net position.

#### California State Teachers' Retirement System

**Plan Description** Certificated employees of the District participate in STRP, a cost-sharing, multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a publicly available financial report that can be obtained at [www.calstrs.com](http://www.calstrs.com).

**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.

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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- **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 of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2017-18 was 14.43% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 9.328% 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, 2018, was \$1,510,996.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** At June 30, 2018, 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, 2018

District's proportionate share of the net pension liability	\$	16,646,400
State's proportionate share of the net pension liability associated with the District		6,187,467
<b>Total</b>	\$	<b>22,833,867</b>

The District's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, 2018, the District's proportion was 0.018%.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$177,836 and revenue of \$177,836 for support provided by the state. For the year ended June 30, 2018, the District recognized pension expense of \$2,088,966. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between expected and actual experience	\$ 61,560	\$ 290,400
Net difference between projected and actual earnings on pension plan investments	-	443,384
Changes in assumptions	3,083,863	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,681,250
District contributions subsequent to the measurement date	1,510,996	-
<b>Total</b>	<b>\$ 4,656,419</b>	<b>\$ 2,415,034</b>

The \$1,510,996 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, 2019. 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	
2019	\$ (221,768)
2020	425,692
2021	187,057
2022	(247,047)
2023	180,580
Thereafter	405,875
<b>Total</b>	<b>\$ 730,389</b>



# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

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CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110%.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010, through June 30, 2015.

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary's (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of a 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, as summarized in the following table:

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Asset Class</b>		
Global equity	47%	6.30%
Fixed income	12%	30.00%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk mitigating strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%
<b>Total</b>	<b>100%</b>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes 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.

# 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 7.10%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

June 30, 2018	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 24,442,200	\$ 16,646,400	\$ 10,319,580

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

### 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, 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 that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 6.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2017-18 fiscal year was 15.531%. The District's contributions to CalPERS for the fiscal year ended June 30, 2018, was \$1,272,690.

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** At June 30, 2018, the District reported a net pension liability of \$15,580,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, 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, 2018, the District's proportion was .0651%.

For the year ended June 30, 2018, the District recognized pension expense of \$2,576,579. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between expected and actual experience	\$ 556,773	\$ -
Net difference between projected and actual earnings on pension plan investments	511,575	-
Changes in assumptions	2,270,020	182,977
Changes in proportion and differences between District contributions and proportionate share of contributions	576,442	329,676
District contributions subsequent to the measurement date	1,272,690	-
<b>Totals</b>	<b>\$ 5,187,500</b>	<b>\$ 512,653</b>

The \$1,272,690 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ending June 30</b>	
2019	\$ 1,150,923
2020	1,534,901
2021	1,017,241
2022	(300,908)
<b>Total</b>	<b>\$ 3,402,157</b>

# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Actuarial Assumptions** The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

---

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

---

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, 2016, 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 market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) 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.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

Asset Class	Target Allocation	Rate of Return Years 1-10	Rate of Return Years 1-10
Global equity	47%	4.90%	5.38%
Global debt securities	19%	0.80%	2.27%
Inflation assets	6%	0.60%	1.39%
Private equity	12%	6.60%	6.63%
Real estate	11%	2.80%	5.21%
Infrastructure and forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
<b>Total</b>	<b>100%</b>		

**Discount Rate** The discount rates used to measure the total pension liability was 7.15%. 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 the CalPERS Board in 2013 were used. Projections of expected benefit payments and contributions were 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.

**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 7.15%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2018	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 22,865,921	\$ 15,580,588	\$ 9,464,526

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

## **Redwoods Community College District**

### **NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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#### **10. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS**

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

#### **11. JOINT POWERS AUTHORITIES (JPA)**

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

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

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

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

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

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.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

#### 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

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

##### Plan Description

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

##### Benefits Provided

Following is a description of the current retiree benefit plan:

	Faculty	Classified	Management
Applies to employees hired before	01/01/2008	07/01/2006	09/01/2006*
Benefit types provided	Medical, dental, and vision	Medical, dental, and vision	Medical, dental, and vision
Duration of benefits	Six years, but not beyond age 65**	Six years, but not beyond age 65	To age 70
Required service	10 years	10 years	10 years
Minimum age	55	55	55
Dependent coverage	Yes	Yes	Yes
District contribution percentage	100%	100%	100%***
District cap	None	None	Post-65 benefits limited to a District cumulative contributions of \$13,500

\* Board members must have first served before 01/01/1995.

\*\* Certificated employees hired prior to 09/01/1994 receive benefits to age 70. Beyond age 65, 70% of premiums are covered to a maximum of \$13,500.

\*\*\* Post-65 premium costs are paid at 70%.



# Redwoods Community College District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### Employees Covered

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

June 30, 2018

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Inactive Plan members or beneficiaries currently receiving benefit payments	43
Active Plan members	91
<b>Total</b>	<b>134</b>

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### Contributions

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the fiscal year ended June 30, 2018, the District contributed \$759,077 representing premium payments on behalf of retired employees.

### Total OPEB Liability

The District's total OPEB liability for the Plan is measured as the total OPEB liability, less the Plan's fiduciary net position. The total OPEB liability of the Plan is measured as of June 30, 2017, using an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The June 30, 2017, total OPEB liability was based on the actuarial methods and assumptions as shown below:

---

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	3.50% <sup>(1)</sup>
Salary increases	2.75%
Consumer price inflation	2.75%
Healthcare cost trend rate - post	4.00%

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(1) Net of investment expenses, but gross of administrative expenses.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The mortality assumptions used in the June 30, 2017, valuation are as follows:

2009 CalSTRS Mortality	The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
2014 CalPERS Retiree Mortality for Miscellaneous Employees	The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
2014 CalPERS Active Mortality for Miscellaneous Employees	The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

#### Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The discount rate is based on the Bond Buyer 20 Bond Index.

#### Changes in the Total OPEB Liability

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

Year Ended June 30, 2018

<b>Total OPEB Liability</b>		
Service cost	\$	278,729
Interest		223,133
Benefit payments - including refunds of employee contributions		(759,077)
<b>Net Change in Total OPEB Liability</b>		(257,215)
<b>Total OPEB Liability - Beginning of Year</b>		6,619,248
<b>Total OPEB Liability - End of Year</b>		6,362,033
Covered-employee payroll	\$	15,941,094
District's total OPEB liability as a percentage of covered-employee payroll		39.91%

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.50%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

June 30, 2018	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 6,650,235	\$ 6,362,033	\$ 6,091,919

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

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

June 30, 2018	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 6,141,790	\$ 6,362,033	\$ 6,566,093

#### OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,383,556. At June 30, 2018, the District reported deferred outflows of resources of \$999,632 related to contributions made subsequent to the measurement date. The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense for the year ending June 30, 2019.

### 13. COMMITMENTS AND CONTINGENCIES

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

The District periodically enters into construction commitments which are funded through state grants and/or Measure Q Bond funding. At June 30, 2018, the District had unfinished contracts in the amount of \$2,505,360.

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, 2018, the District's affected assets have a net book value of \$247,068 and have been reported without adjustment.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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Community college districts receive state funding based on the number of eligible student enrollments. In a year where a district's enrollment falls below the prior year's enrollment level, the State Chancellor's Office provides enrollment "stability" funding based on the prior year's higher enrollment level for one year. The District received enrollment stability funding during fiscal years 2011-2012, 2012-2013, 2013-2014, 2015-2016, and 2017-2018 because enrollment dropped each year below the previous year's enrollment level. During fiscal year 2014-2015 and 2016-2017, the District's enrollment increased over the prior year, so no enrollment stability funding was provided.

#### 14. FUTURE GASB IMPLEMENTATION

In June 2017, GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2020, will have on the District's financial statements, if any.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings, and Direct Placements*. This statement improves the information disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2018, will have on the District's financial statements, if any.

## Redwoods Community College District

### NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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#### 15. 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.

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 3.4% at June 30, 2018. As described in note 1 to the financial statements, the Foundation implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, for the year ended June, 30, 2018. As a result, the Foundation has recorded a deferred inflow of resources to offset the beneficial interest in the charitable remainder annuity trust.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Redwoods Community College District

### SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Year Ended June 30, 2018

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<b>Total OPEB Liability</b>	
Service cost	\$ 278,729
Interest	223,133
Benefit payments - including refunds of employee contributions	(759,077)
<b>Net Change In Total OPEB Liability</b>	<b>(257,215)</b>
<b>Total OPEB Liability - Beginning of Year</b>	<b>6,619,248</b>
<b>Total OPEB Liability - End of Year</b>	<b>\$ 6,362,033</b>
Covered-employee payroll	\$ 15,941,094
District's total OPEB liability as a percentage of covered-employee payroll	39.91%

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

## Redwoods Community College District

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

Years Ended June 30	2018	2017	2016	2015
District's portion of the net pension liability	0.018%	0.019%	0.021%	0.021%
District's proportionate share of the net pension liability	\$ 16,646,400	\$ 15,367,390	\$ 12,642,644	\$ 11,410,991
State's proportionate share of the net pension liability associated with the District	6,187,467	5,575,289	4,890,772	4,620,321
<b>Total</b>	<b>\$ 22,833,867</b>	<b>\$ 20,942,679</b>	<b>\$ 17,533,416</b>	<b>\$ 16,031,312</b>
District's covered-employee payroll	\$ 9,914,134	\$ 10,338,658	\$ 9,923,684	\$ 9,664,013
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.91%	148.64%	127.40%	118.08%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.00%	74.00%	77.00%

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



## Redwoods Community College District

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

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	1,510,996	\$	1,247,198	\$	902,174	\$	864,028
Contributions in relation to the contractually required contribution		(1,510,996)		(1,247,198)		(902,174)		(864,028)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	9,914,134	\$	10,338,658	\$	9,923,684	\$	9,664,013
Contributions as a percentage of covered-employee payroll		15.24%		12.06%		9.09%		8.94%

See the accompanying notes 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

Years Ended June 30	2018	2017	2016	2015
District's portion of the net pension liability	0.065%	0.066%	0.066%	0.059%
District's proportionate share of the net pension liability	\$ 15,580,588	\$ 13,074,541	\$ 10,630,428	\$ 6,500,027
District's covered-employee payroll	\$ 8,307,409	\$ 8,307,648	\$ 7,997,047	\$ 7,216,731
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.32%	63.54%	75.23%	111.03%
Plan fiduciary net position as a percentage of the total pension liability	71.90%	73.90%	79.40%	83.50%

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

## Redwoods Community College District

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

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	1,272,690	\$	1,153,733	\$	546,053	\$	849,481
Contributions in relation to the contractually required contribution		(1,272,690)		(1,153,733)		(546,053)		(849,481)
<b>Contribution Deficiency (Excess)</b>	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	8,307,409	\$	8,307,648	\$	7,997,047	\$	7,216,731
Contributions as a percentage of covered-employee payroll		15.32%		13.89%		6.83%		11.77%

See the accompanying notes to the required supplementary information.

**1. SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**

**Changes in Benefit Terms**

There were no significant changes in benefit terms during the measurement period ended June 30, 2017.

**Changes in Assumptions**

There were no changes in major assumptions during the measurement period ended June 30, 2017.

**2. CHANGES OF BENEFIT TERMS**

**California State Teachers' Retirement System**

There were no significant changes of benefit terms during the measurement period ended **June 30, 2017**.

**California Public Employees' Retirement System**

There were no significant changes of benefit terms during the measurement period ended **June 30, 2017**.

**3. CHANGES OF ASSUMPTIONS**

**California State Teachers' Retirement System**

During fiscal year 2016-17, California State Teachers' Retirement System (CalSTRS) completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the net pension liability (NPL) of the State Teachers' Retirement Plan changed, including the price inflation, wage growth, discount rate, and the mortality tables used in the actuarial valuation of the NPL. The change in assumptions were as follows:

June 30	<b>2017</b>	<b>2016</b>
<b>Assumption</b>		
Consumer price index	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

## **Redwoods Community College District**

### **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

(Continued)

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CalSTRS changed its mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS' custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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

During fiscal year 2016-17, the financial reporting discount rate for the Schools Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (PERF B) was lowered from 7.65% to 7.15%.

**OTHER SUPPLEMENTARY INFORMATION SECTION**

# Redwoods Community College District

## ORGANIZATION STRUCTURE

June 30, 2018

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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>
Carol Mathews	President	December 2018
Bruce Emad	Vice President	December 2020
Sally Biggin	Member	December 2020
Richard Dorn	Member	December 2020
Dr. Colleen Mullery	Member	December 2020
Danny Kelley	Member	December 2022
Dr. Bonnie Deister	Member	December 2022
Zachary Awe	Student Member (Nonvoting)	

### DISTRICT ADMINISTRATION

Mr. Keith Snow-Flamer  
President/Superintendent

Dr. Angelina Hill  
Vice President, Instruction

Mr. Joe Hash  
Vice President, Student Development

Ms. Julia Morrison  
Vice President, Administrative Services

# Redwoods Community College District

## SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

June 30, 2018

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The full-time equivalent resident students (FTES) eligible for 2017-18 state apportionment reported to the state of California as of June 30, 2018, are summarized below:

	<b>Reported Data</b>
<hr/>	
<b>Summer Intersession (Summer 2017 only)</b>	
Noncredit	39.52
Credit	26.97
<b>Summer Intersession (Summer 2018 - Prior to July 1, 2018)</b>	
Noncredit	5.57
Credit	172.40
<b>Primary Terms (Exclusive of Summer Intersession)</b>	
Census Procedure Courses	
Weekly Census Contact Hours	2,464.27
Daily Census Contact Hours	40.58
Actual Hours of Attendance Procedure Courses	
Noncredit	125.41
Credit	371.33
Alternative Attendance Accounting Procedure	
Weekly Census Contact Hours	371.39
Daily Census Contact Hours	30.51
<hr/>	
<b>Total FTES</b>	<b>3,647.95</b>
<hr/>	
<b>Credit FTES</b>	<b>3,477.45</b>
<hr/>	
<b>Noncredit FTES</b>	<b>170.50</b>
<hr/>	
<b>SUPPLEMENTARY INFORMATION (Subset of Above Information)</b>	
<b>Basic Skills Courses and Immigrant Education</b>	
Noncredit	103.28
Credit	79.68
<b>CDCP Noncredit FTES</b>	<b>83.50</b>
<b>Centers FTES</b>	
Noncredit	30.41
Credit	550.85
<hr/>	

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



**Redwoods Community College District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2018

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass Through/Grant Number</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Student Financial Assistance Cluster</b>			
Federal Supplemental Education Opportunity Grants		84.007	\$ 164,100
Federal Direct Student Loans		84.268	1,798,757
Federal Work-Study Program		84.033	127,702
Federal Pell Grant Program		84.063	6,714,085
<b>Total Student Financial Assistance Cluster</b>			<b>8,804,644</b>
<b>TRIO Cluster</b>			
Student Support Services		84.042	508,498
Upward Bound		84.047	432,011
<b>Total TRIO Cluster</b>			<b>940,509</b>
Child Care Access Means Parents in School		84.116	7,026
<b>Passed Through State Department of Education</b>			
Career and Technical Education - Basic Grants to States	13-C01-043	84.048	178,530
<b>Total U.S. Department of Education</b>			<b>9,930,709</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	37,131
<b>Passed Through Humboldt County Office of Education</b>			
Schools and Roads - Grants to Counties	10044	10.666	78,041
<b>Total U.S. Department of Agriculture</b>			<b>115,172</b>
<b>U.S. Department of Interior</b>			
<b>Passed Through Various Tribes</b>			
Bureau of Indian Affairs	Unknown	15.124	117,472
<b>National Science Foundation</b>			
<b>Passed Through Sinclair Community College</b>			
Faculty Development in Design, Construction, Assembly, and Analysis of a Solid Body Guitar	Unknown	47.076	9,779
<b>U.S. Department of Veterans Affairs</b>			
Veteran's Education		64.117	27,191
<b>U.S. Department of Health and Human Services</b>			
<b>Passed Through State Office of Education</b>			
<b>Child Development Cluster</b>			
Child Development - Federal Child Care, Center Based CSPP	13609	93.596	18,600
Child Development - Federal Child Care, Center Based CCTR	15136	93.575	27,775
<b>Total Child Development Cluster</b>			<b>46,375</b>
Early Head Start - Child Care Partnership	01039	93.600	62,913
<b>Total U.S. Department of Health and Human Services</b>			<b>109,288</b>
<b>Corporation for National and Community Service</b>			
AmeriCorps		94.006	88,927
<b>Total Expenditures of Federal Awards</b>			<b>\$ 10,398,538</b>

See the accompanying notes to the other supplementary information.

**Redwoods Community College District**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
Year Ended June 30, 2018

	<b>Program Revenues</b>			
	<b>Cash Received</b>	<b>Accounts Receivable</b>	<b>Deferred Revenue</b>	<b>Total</b>
Extended Opportunity Programs and Services	\$ 968,823	\$ -	\$ (2,331)	\$ 966,492
Disabled Students Programs and Services	594,976	-	374	595,350
CalGrant	610,666	(419)	69	610,316
Student Success	1,475,726	-	(7,795)	1,467,931
Student Financial Aid Administration	203,135	-	-	203,135
CalWORKS	225,912	(78)	-	225,834
Foster Parent	209,615	16,745	-	226,360
Prop 20 Lottery	263,982	9,060	(35,308)	237,734
Nursing Education	10,040	115,460	4,952	130,452
Community Collaborative (CTE)	-	-	200	200
State Preschool	226,275	7,643	-	233,918
State Mandated Costs	223,757	-	-	223,757
Instructional Equipment and Materials	62,000	-	-	62,000
Scheduled Maintenance	194,096	(5,536)	(97,876)	90,684
Cooperative Agencies Resources for Education	164,047	733	-	164,780
Part-Time Faculty Allowance	152,969	-	-	152,969
Basic Skills	435,469	-	(137,505)	297,964
Guided Pathways	165,118	-	(135,470)	29,648
Adult Education block grant	1,060,306	-	150,831	1,211,137
Innovations grant	1,080,000	120,000	(1,199,460)	540
Infant and toddler	156,410	11,940	-	168,350
Strong Workforce	743,296	48,665	(172,727)	619,234
Clean Energy Prop 39	136,285	-	(11,812)	124,473
Other categorical aid programs	264,986	14,222	172,134	451,342
<b>Total State Programs</b>	<b>\$ 9,627,889</b>	<b>\$ 338,435</b>	<b>\$ (1,471,724)</b>	<b>\$ 8,494,600</b>

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

# Redwoods Community College District

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

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2018

	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>June 30, 2018 - Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 2,603,185	\$ 2,937,704	\$ -	\$ 187,917	\$ 5,728,806
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(2)	-	-	(1)	(3)
<b>Net Adjustments and Reclassifications</b>	(2)	-	-	(1)	(3)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 2,603,183	\$ 2,937,704	\$ -	\$ 187,916	\$ 5,728,803

	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
<b>June 30, 2018 - Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 5,728,806	\$ -	\$ (48)	\$ 864,209	\$ 6,592,967
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(3)	-	1	1	(1)
<b>Net Adjustments and Reclassifications</b>	(3)	-	1	1	(1)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 5,728,803	\$ -	\$ (47)	\$ 864,210	\$ 6,592,966

See the accompanying notes to the other supplementary information.

# Redwoods Community College District

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

### WITH AUDITED FINANCIAL STATEMENTS

June 30, 2018

(Continued)

	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Employee Benefit Fund	Balance Forward
<b>June 30, 2018 - Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 6,592,967	\$ 530,012	\$ 1,671,638	\$ 503,903	\$ 9,298,520
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	-	-	-
Rounding	(1)	-	(2)	-	(3)
<b>Net Adjustments and Reclassifications</b>	(1)	-	(2)	-	(3)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 6,592,966	\$ 530,012	\$ 1,671,636	\$ 503,903	\$ 9,298,517

	Balance Brought Forward	Cafeteria Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Total
<b>June 30, 2018 - Annual Financial and Budget Report (Form CCFS-311) Fund Balance</b>	\$ 9,298,520	\$ -	\$ 209,121	\$ 6	\$ 9,507,647
Adjustment and reclassifications increasing (decreasing) the fund balance:					
District posted adjustments	-	-	-	-	-
Reclassification of amounts held for others	-	-	(209,120)	-	(209,120)
Rounding	(3)	-	(1)	-	(4)
<b>Net Adjustments and Reclassifications</b>	(3)	-	(209,121)	-	(209,124)
<b>June 30, 2018 - District Accounting Records Fund Balance</b>	\$ 9,298,517	\$ -	\$ -	\$ 6	\$ 9,298,523

See the accompanying notes to the other supplementary information.

**Redwoods Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
**June 30, 2018**

	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	\$ 6,302,217	\$ -	\$ 6,302,217	\$ 6,302,217	\$ -	\$ 6,302,217	
Other	1300	4,711,490	-	4,711,490	4,806,282	-	4,806,282	
<b>Total Instructional Salaries</b>		<b>11,013,707</b>	<b>-</b>	<b>11,013,707</b>	<b>11,108,499</b>	<b>-</b>	<b>11,108,499</b>	
<b>Noninstructional Salaries</b>								
Contract or regular	1200	-	-	-	1,552,783	-	1,552,783	
Other	1400	-	-	-	122,734	-	122,734	
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,675,517</b>	<b>-</b>	<b>1,675,517</b>	
<b>TOTAL ACADEMIC SALARIES</b>		<b>11,013,707</b>	<b>-</b>	<b>11,013,707</b>	<b>12,784,016</b>	<b>-</b>	<b>12,784,016</b>	
<b>CLASSIFIED SALARIES</b>								
<b>Noninstructional Salaries</b>								
Regular status	2100	-	-	-	4,431,761	-	4,431,761	
Other	2300	-	-	-	342,181	-	342,181	
<b>Total Noninstructional Salaries</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,773,942</b>	<b>-</b>	<b>4,773,942</b>	
<b>Instructional Aides</b>								
Regular status	2200	327,357	-	327,357	329,070	-	329,070	
Other	2400	132,185	-	132,185	132,185	-	132,185	
<b>Total Instructional Aides</b>		<b>459,542</b>	<b>-</b>	<b>459,542</b>	<b>461,255</b>	<b>-</b>	<b>461,255</b>	
<b>TOTAL CLASSIFIED SALARIES</b>		<b>459,542</b>	<b>-</b>	<b>459,542</b>	<b>5,235,197</b>	<b>-</b>	<b>5,235,197</b>	
<b>Other</b>								
Employee benefits	3000	3,501,229	-	3,501,229	6,985,139	-	6,985,139	
Supplies and materials	4000	-	-	-	234,948	-	234,948	
Other operating expenses	5000	155,354	-	155,354	2,937,880	-	2,937,880	
Equipment replacement	6420	-	-	-	-	-	-	
<b>Total Other</b>		<b>3,656,583</b>	<b>-</b>	<b>3,656,583</b>	<b>10,157,967</b>	<b>-</b>	<b>10,157,967</b>	
<b>Total Expenditures Prior to Exclusions</b>		<b>\$ 15,129,832</b>	<b>\$ -</b>	<b>\$ 15,129,832</b>	<b>\$ 28,177,180</b>	<b>\$ -</b>	<b>\$ 28,177,180</b>	

See the accompanying notes to the other supplementary information.

**Redwoods Community College District**  
**RECONCILIATION OF 50% LAW CALCULATION**  
**June 30, 2018**  
**(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	\$ 41,733	\$ -	\$ 41,733	\$ -	\$ -	\$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff-Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
<b>Total Instructional Salaries</b>		<b>41,733</b>	<b>-</b>	<b>41,733</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Objects to Exclude</b>							
Rents and leases	5060	-	-	-	16,389	-	16,389
Lottery expenditures:							
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
<b>Subtotal</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16,389</b>	<b>-</b>	<b>16,389</b>
Supplies and materials:							
Software	4100	-	-	-	-	-	-
Books, magazines, and periodicals	4200	-	-	-	-	-	-
Instructional supplies and materials	4300	-	-	-	-	-	-
Noninstructional supplies and materials	4400	-	-	-	-	-	-
<b>Total Supplies and Materials</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other operating expenses and services	5000	-	-	-	715,054	-	715,054
Capital outlay:							
Library books	6300	-	-	-	-	-	-
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
<b>Total Capital Outlay</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other outgo	7000	-	-	-	-	-	-
<b>TOTAL EXCLUSIONS</b>		<b>41,733</b>	<b>-</b>	<b>41,733</b>	<b>731,443</b>	<b>-</b>	<b>731,443</b>
<b>Total for ECS 84362 - 50% Law</b>		<b>\$ 15,088,099</b>	<b>\$ -</b>	<b>\$ 15,088,099</b>	<b>\$ 27,445,737</b>	<b>\$ -</b>	<b>\$ 27,445,737</b>
<b>Percentage of CEE (Instructional Salary Cost/Total CEE)</b>		<b>54.97%</b>	<b>0.00%</b>	<b>54.97%</b>			
<b>50% of Current Expense of Education</b>					<b>\$ 13,722,869</b>	<b>\$ -</b>	<b>\$ 13,722,869</b>

See the accompanying notes to the other supplementary information.

# Redwoods Community College District

## RECONCILIATION OF EDUCATION PROTECTION ACCOUNT EXPENDITURES

June 30, 2018

	Object Code	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
<b>EPA Proceeds</b>	8630	\$ -	\$ -	\$ -	3,856,775
<b>Expenditures for EPA</b>					
Instructional activities	0100-5900	3,856,775	-	-	3,856,775
<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, 2018	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	\$ 9,532,456	\$ -	\$ -	\$ -	9,532,456
Restricted cash and cash equivalents	-	2,881,024	-	219,843	3,100,867
Accounts receivable - net	2,982,696	56,680	-	72,478	3,111,854
Inventories	46,846	-	-	-	46,846
Prepaid expenses	1,999	-	-	-	1,999
Due from Foundation	(2,730,191)	-	-	-	(2,730,191)
<b>Total Current Assets</b>	<b>9,833,806</b>	<b>2,937,704</b>	<b>-</b>	<b>292,321</b>	<b>13,063,831</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 9,833,806</b>	<b>\$ 2,937,704</b>	<b>\$ -</b>	<b>\$ 292,321</b>	<b>\$ 13,063,831</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ -	\$ -	\$ -	\$ -	-
Accounts payable	1,075,644	-	-	13,978	1,089,622
Accrued liabilities	1,051,407	-	-	10,611	1,062,018
Deferred revenue	5,103,572	-	-	79,816	5,183,388
Amounts held for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>7,230,623</b>	<b>-</b>	<b>-</b>	<b>104,405</b>	<b>7,335,028</b>
<b>Fund Equity</b>					
Retained earnings	-	-	-	-	-
Fund balances:					
Reserved for debt service	-	2,937,704	-	-	2,937,704
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	-	-	-	187,916	187,916
Unreserved:					
Undesignated	2,603,183	-	-	-	2,603,183
<b>Total Fund Equity</b>	<b>2,603,183</b>	<b>2,937,704</b>	<b>-</b>	<b>187,916</b>	<b>5,728,803</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 9,833,806</b>	<b>\$ 2,937,704</b>	<b>\$ -</b>	<b>\$ 292,321</b>	<b>\$ 13,063,831</b>

See the accompanying notes to the other supplementary information.



# Redwoods Community College District

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

(Continued)

June 30, 2018	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 9,532,456	\$ -	\$ -	\$ -	9,532,456
Restricted cash and cash equivalents	3,100,867	-	-	-	3,100,867
Accounts receivable - net	3,111,854	10,000	15,541	790,135	3,927,530
Inventories	46,846	-	-	166,700	213,546
Prepaid expenses	1,999	-	-	-	1,999
Due from Foundation	(2,730,191)	-	-	-	(2,730,191)
<b>Total Current Assets</b>	<b>13,063,831</b>	<b>10,000</b>	<b>15,541</b>	<b>956,835</b>	<b>14,046,207</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 13,063,831</b>	<b>\$ 10,000</b>	<b>\$ 15,541</b>	<b>\$ 956,835</b>	<b>\$ 14,046,207</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ -	\$ 8,120	\$ 14,888	\$ 18,845	\$ 41,853
Accounts payable	1,089,622	1,880	700	15,412	1,107,614
Accrued liabilities	1,062,018	-	-	13,945	1,075,963
Deferred revenue	5,183,388	-	-	44,423	5,227,811
Amounts held for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>7,335,028</b>	<b>10,000</b>	<b>15,588</b>	<b>92,625</b>	<b>7,453,241</b>
<b>Fund Equity</b>					
Retained earnings	-	-	(47)	-	(47)
Fund balances:					
Reserved for debt service	2,937,704	-	-	-	2,937,704
Reserved for capital projects	-	-	-	-	-
Reserved for special purposes	187,916	-	-	-	187,916
Unreserved:					
Undesignated	2,603,183	-	-	864,210	3,467,393
<b>Total Fund Equity</b>	<b>5,728,803</b>	<b>-</b>	<b>(47)</b>	<b>864,210</b>	<b>6,592,966</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 13,063,831</b>	<b>\$ 10,000</b>	<b>\$ 15,541</b>	<b>\$ 956,835</b>	<b>\$ 14,046,207</b>

See the accompanying notes to the other supplementary information.

# Redwoods Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY (Continued)

June 30, 2018	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	\$ 9,532,456	\$ 596,775	\$ -	\$ -	\$ 10,129,231
Restricted cash and cash equivalents	3,100,867	-	-	-	3,100,867
Accounts receivable - net	3,927,530	95,800	341,322	-	4,364,652
Inventories	213,546	-	-	-	213,546
Prepaid expenses	1,999	-	-	-	1,999
Due from Foundation	(2,730,191)	-	-	-	(2,730,191)
<b>Total Current Assets</b>	<b>14,046,207</b>	<b>692,575</b>	<b>341,322</b>	<b>-</b>	<b>15,080,104</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	-	-	-	1,922,781	1,922,781
<b>TOTAL ASSETS</b>	<b>\$ 14,046,207</b>	<b>\$ 692,575</b>	<b>\$ 341,322</b>	<b>\$ 1,922,781</b>	<b>\$ 17,002,885</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ 41,853	\$ -	\$ 168,696	\$ -	\$ 210,549
Accounts payable	1,107,614	30,352	61,982	263,913	1,463,861
Accrued liabilities	1,075,963	6,790	-	-	1,082,753
Deferred revenue	5,227,811	125,421	97,876	-	5,451,108
Amounts held for others	-	-	-	-	-
<b>Total Liabilities</b>	<b>7,453,241</b>	<b>162,563</b>	<b>328,554</b>	<b>263,913</b>	<b>8,208,271</b>
<b>Fund Equity</b>					
Retained earnings	(47)	-	-	-	(47)
Fund balances:					
Reserved for debt service	2,937,704	-	-	-	2,937,704
Reserved for capital projects	-	-	12,768	1,658,868	1,671,636
Reserved for special purposes	187,916	-	-	-	187,916
Unreserved:					
Undesignated	3,467,393	530,012	-	-	3,997,405
<b>Total Fund Equity</b>	<b>6,592,966</b>	<b>530,012</b>	<b>12,768</b>	<b>1,658,868</b>	<b>8,794,614</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 14,046,207</b>	<b>\$ 692,575</b>	<b>\$ 341,322</b>	<b>\$ 1,922,781</b>	<b>\$ 17,002,885</b>

See the accompanying notes to the other supplementary information.

# Redwoods Community College District

## COMBINING BALANCE SHEET – DISTRICT FUNDS INCLUDED IN THE REPORTING ENTITY (Continued)

June 30, 2018	Balance Brought Forward	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Balance Forward
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 10,129,231	\$ 517,599	\$ -	\$ 166,585	\$ 10,813,415
Restricted cash and cash equivalents	3,100,867	-	258,159	-	3,359,026
Accounts receivable - net	4,364,652	-	-	436,240	4,800,892
Inventories	213,546	-	-	-	213,546
Prepaid expenses	1,999	-	-	-	1,999
Due from Foundation	(2,730,191)	-	-	-	(2,730,191)
<b>Total Current Assets</b>	<b>15,080,104</b>	<b>517,599</b>	<b>258,159</b>	<b>602,825</b>	<b>16,458,687</b>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	1,922,781	-	-	-	1,922,781
<b>TOTAL ASSETS</b>	<b>\$ 17,002,885</b>	<b>\$ 517,599</b>	<b>\$ 258,159</b>	<b>\$ 602,825</b>	<b>\$ 18,381,468</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Deficit cash balance	\$ 210,549	\$ -	\$ -	\$ -	\$ 210,549
Accounts payable	1,463,861	-	1,874	844	1,466,579
Accrued liabilities	1,082,753	13,696	-	-	1,096,449
Deferred revenue	5,451,108	-	47,165	601,975	6,100,248
Amounts held for others	-	-	209,120	-	209,120
<b>Total Liabilities</b>	<b>8,208,271</b>	<b>13,696</b>	<b>258,159</b>	<b>602,819</b>	<b>9,082,945</b>
<b>Fund Equity</b>					
Retained earnings	(47)	-	-	-	(47)
Fund balances:					
Reserved for debt service	2,937,704	-	-	-	2,937,704
Reserved for capital projects	1,671,636	-	-	-	1,671,636
Reserved for special purposes	187,916	503,903	-	6	691,825
Unreserved:					
Undesignated	3,997,405	-	-	-	3,997,405
<b>Total Fund Equity</b>	<b>8,794,614</b>	<b>503,903</b>	<b>-</b>	<b>6</b>	<b>9,298,523</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 17,002,885</b>	<b>\$ 517,599</b>	<b>\$ 258,159</b>	<b>\$ 602,825</b>	<b>\$ 18,381,468</b>

See the accompanying notes to the other supplementary information.

# Redwoods Community College District

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

(Continued)

June 30, 2018	Balance Brought Forward	Cafeteria Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 10,813,415	\$ 79,485	\$ 10,892,900
Restricted cash and cash equivalents	3,359,026	-	3,359,026
Accounts receivable - net	4,800,892	1,246	4,802,138
Inventories	213,546	-	213,546
Prepaid expenses	1,999	-	1,999
Due from Foundation	(2,730,191)	-	(2,730,191)
<b>Total Current Assets</b>	<b>16,458,687</b>	<b>80,731</b>	<b>16,539,418</b>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	1,922,781	-	1,922,781
<b>TOTAL ASSETS</b>	<b>\$ 18,381,468</b>	<b>\$ 80,731</b>	<b>\$ 18,462,199</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities</b>			
Deficit cash balance	\$ 210,549	\$ -	\$ 210,549
Accounts payable	1,466,579	7,370	1,473,949
Accrued liabilities	1,096,449	5,429	1,101,878
Deferred revenue	6,100,248	67,932	6,168,180
Amounts held for others	209,120	-	209,120
<b>Total Liabilities</b>	<b>9,082,945</b>	<b>80,731</b>	<b>9,163,676</b>
<b>Fund Equity</b>			
Retained earnings	(47)	-	(47)
Fund balances:			
Reserved for debt service	2,937,704	-	2,937,704
Reserved for capital projects	1,671,636	-	1,671,636
Reserved for special purposes	691,825	-	691,825
Unreserved:			
Undesignated	3,997,405	-	3,997,405
<b>Total Fund Equity</b>	<b>9,298,523</b>	<b>-</b>	<b>9,298,523</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 18,381,468</b>	<b>\$ 80,731</b>	<b>\$ 18,462,199</b>

See the accompanying notes to the other 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, 2018	General Fund	Bond Interest and Redemption Fund	Other Debt Service Fund	Child Development Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 4,936,965	\$ -	\$ -	\$ 21,636	\$ 4,958,601
Less: Scholarship discount and allowance	(2,732,103)	-	-	-	(2,732,103)
<b>Net Tuition and Fees</b>	2,204,862	-	-	21,636	2,226,498
Grants and contracts - noncapital:					
Federal	1,218,714	-	-	153,445	1,372,159
State	7,301,506	-	-	415,731	7,717,237
Local	120,117	-	-	7,000	127,117
Auxiliary enterprise sales and charges	4,097	-	-	-	4,097
<b>Total Operating Revenues</b>	10,849,296	-	-	597,812	11,447,108
<b>Operating Expenditures/Expenses</b>					
Salaries	21,733,960	-	-	389,128	22,123,088
Employee benefits	8,584,598	-	-	256,569	8,841,167
Payments to students	617,265	-	-	-	617,265
Supplies, materials, and other services	5,168,608	1,870	-	64,748	5,235,226
Capital outlay	603,354	-	-	-	603,354
Utilities	787,865	-	-	2,849	790,714
<b>Total Operating Expenditures/Expenses</b>	37,495,650	1,870	-	713,294	38,210,814
<b>Operating Income (Loss)</b>	(26,646,354)	(1,870)	-	(115,482)	(26,763,706)
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	11,460,506	-	-	-	11,460,506
Education protection account revenues - noncapital	3,856,775	-	-	-	3,856,775
Local property taxes - noncapital	9,718,945	51,077	-	-	9,770,022
State taxes and other revenues	1,265,016	14,136	-	-	1,279,152
Investment income - noncapital	47,697	44,775	-	-	92,472
Financial aid revenues - federal	127,702	-	-	-	127,702
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	339,019	-	-	511	339,530
<b>Total Nonoperating Revenues (Expenditures)</b>	26,815,660	109,988	-	511	26,926,159
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	169,306	108,118	-	(114,971)	162,453
<b>Other Revenues and Expenditures</b>					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	-	2,712,436	-	-	2,712,436
Investment income - capital	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	169,306	2,820,554	-	(114,971)	2,874,889
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	897,230	-	-	90,000	987,230
Operating transfers out	(642,545)	-	-	-	(642,545)
Debt service	-	(2,648,494)	-	-	(2,648,494)
<b>Total Other Financing Sources (Uses)</b>	254,685	(2,648,494)	-	90,000	(2,303,809)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	423,991	172,060	-	(24,971)	571,080
<b>Fund Equity - Beginning of Year</b>	2,179,192	2,765,644	-	212,887	5,157,723
<b>Fund Equity - End of Year</b>	\$ 2,603,183	\$ 2,937,704	\$ -	\$ 187,916	\$ 5,728,803

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Farm Operations Fund	Bookstore Fund	Other Enterprise Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 4,958,601	\$ -	\$ -	\$ 173,734	\$ 5,132,335
Less: Scholarship discount and allowance	(2,732,103)	-	-	-	(2,732,103)
<b>Net Tuition and Fees</b>	2,226,498	-	-	173,734	2,400,232
Grants and contracts - noncapital:					
Federal	1,372,159	-	-	-	1,372,159
State	7,717,237	-	-	-	7,717,237
Local	127,117	-	-	355,878	482,995
Auxiliary enterprise sales and charges	4,097	11,108	-	661,363	676,568
<b>Total Operating Revenues</b>	11,447,108	11,108	-	1,190,975	12,649,191
<b>Operating Expenditures/Expenses</b>					
Salaries	22,123,088	17,647	34,972	380,224	22,555,931
Employee benefits	8,841,167	5,854	27,973	148,500	9,023,494
Payments to students	617,265	-	-	-	617,265
Supplies, materials, and other services	5,235,226	29,310	-	203,125	5,467,661
Capital outlay	603,354	-	-	524,427	1,127,781
Utilities	790,714	5,043	-	6,290	802,047
<b>Total Operating Expenditures/Expenses</b>	38,210,814	57,854	62,945	1,262,566	39,594,179
<b>Operating Income (Loss)</b>	(26,763,706)	(46,746)	(62,945)	(71,591)	(26,944,988)
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	11,460,506	-	-	-	11,460,506
Education protection account revenues - noncapital	3,856,775	-	-	-	3,856,775
Local property taxes - noncapital	9,770,022	-	-	-	9,770,022
State taxes and other revenues	1,279,152	-	-	-	1,279,152
Investment income - noncapital	92,472	-	-	-	92,472
Financial aid revenues - federal	127,702	-	-	-	127,702
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	339,530	-	56,561	63,045	459,136
<b>Total Nonoperating Revenues (Expenditures)</b>	26,926,159	-	56,561	63,045	27,045,765
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	162,453	(46,746)	(6,384)	(8,546)	100,777
<b>Other Revenues and Expenditures</b>					
State apportionments and grants - capital	-	-	-	-	-
Local property taxes - capital	2,712,436	-	-	-	2,712,436
Investment income - capital	-	-	-	-	-
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	2,874,889	(46,746)	(6,384)	(8,546)	2,813,213
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	987,230	38,258	-	-	1,025,488
Operating transfers out	(642,545)	-	-	-	(642,545)
Debt service	(2,648,494)	-	-	(16,493)	(2,664,987)
<b>Total Other Financing Sources (Uses)</b>	(2,303,809)	38,258	-	(16,493)	(2,282,044)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	571,080	(8,488)	(6,384)	(25,039)	531,169
<b>Fund Equity - Beginning of Year</b>	5,157,723	8,488	6,337	889,249	6,061,797
<b>Fund Equity - End of Year</b>	\$ 5,728,803	\$ -	\$ (47)	\$ 864,210	\$ 6,592,966

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Other Special Revenue Fund	Capital Outlay Projects Fund	Bond Construction Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 5,132,335	\$ 295,941	\$ -	\$ -	\$ 5,428,276
Less: Scholarship discount and allowance	(2,732,103)	-	-	-	(2,732,103)
<b>Net Tuition and Fees</b>	<b>2,400,232</b>	<b>295,941</b>	<b>-</b>	<b>-</b>	<b>2,696,173</b>
Grants and contracts - noncapital:					
Federal	1,372,159	-	-	-	1,372,159
State	7,717,237	-	84,484	-	7,801,721
Local	482,995	17,346	-	-	500,341
Auxiliary enterprise sales and charges	676,568	73,032	-	-	749,600
<b>Total Operating Revenues</b>	<b>12,649,191</b>	<b>386,319</b>	<b>84,484</b>	<b>-</b>	<b>13,119,994</b>
<b>Operating Expenditures/Expenses</b>					
Salaries	22,555,931	345,943	75,454	115,298	23,092,626
Employee benefits	9,023,494	123,150	30,838	53,735	9,231,217
Payments to students	617,265	-	-	-	617,265
Supplies, materials, and other services	5,467,661	342,860	80,501	1,149,516	7,040,538
Capital outlay	1,127,781	764	18,100	224,050	1,370,695
Utilities	802,047	66,055	(1)	2,465	870,566
<b>Total Operating Expenditures/Expenses</b>	<b>39,594,179</b>	<b>878,772</b>	<b>204,892</b>	<b>1,545,064</b>	<b>42,222,907</b>
<b>Operating Income (Loss)</b>	<b>(26,944,988)</b>	<b>(492,453)</b>	<b>(120,408)</b>	<b>(1,545,064)</b>	<b>(29,102,913)</b>
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	11,460,506	-	-	-	11,460,506
Education protection account revenues - noncapital	3,856,775	-	-	-	3,856,775
Local property taxes - noncapital	9,770,022	-	-	-	9,770,022
State taxes and other revenues	1,279,152	-	-	-	1,279,152
Investment income - noncapital	92,472	-	-	-	92,472
Financial aid revenues - federal	127,702	-	-	-	127,702
Financial aid revenues - state	-	-	-	-	-
Financial aid expenses	-	-	-	-	-
Other nonoperating revenues	459,136	337,951	8,069	-	805,156
<b>Total Nonoperating Revenues (Expenditures)</b>	<b>27,045,765</b>	<b>337,951</b>	<b>8,069</b>	<b>-</b>	<b>27,391,785</b>
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	<b>100,777</b>	<b>(154,502)</b>	<b>(112,339)</b>	<b>(1,545,064)</b>	<b>(1,711,128)</b>
<b>Other Revenues and Expenditures</b>					
State apportionments - capital	-	-	111,517	-	111,517
Local property taxes - capital	2,712,436	-	-	-	2,712,436
Investment income - capital	-	-	-	33,586	33,586
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	<b>2,813,213</b>	<b>(154,502)</b>	<b>(822)</b>	<b>(1,511,478)</b>	<b>1,146,411</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	1,025,488	27,958	-	-	1,053,446
Operating transfers out	(642,545)	-	(613,063)	-	(1,255,608)
Debt service	(2,664,987)	-	-	-	(2,664,987)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,282,044)</b>	<b>27,958</b>	<b>(613,063)</b>	<b>-</b>	<b>(2,867,149)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	<b>531,169</b>	<b>(126,544)</b>	<b>(613,885)</b>	<b>(1,511,478)</b>	<b>(1,720,738)</b>
<b>Fund Equity - Beginning of Year</b>	<b>6,061,797</b>	<b>656,556</b>	<b>626,653</b>	<b>3,170,346</b>	<b>10,515,352</b>
<b>Fund Equity - End of Year</b>	<b>\$ 6,592,966</b>	<b>\$ 530,012</b>	<b>\$ 12,768</b>	<b>\$ 1,658,868</b>	<b>\$ 8,794,614</b>

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Employee Benefit Fund	Associated Students Trust Fund	Student Financial Aid Trust Fund	Balance Forward
<b>Operating Revenues</b>					
Tuition and fees	\$ 5,428,276	\$ -	\$ -	\$ -	5,428,276
Less: Scholarship discount and allowance	(2,732,103)	-	-	-	(2,732,103)
<b>Net Tuition and Fees</b>	2,696,173	-	-	-	2,696,173
Grants and contracts - noncapital:					
Federal	1,372,159	-	-	228,141	1,600,300
State	7,801,721	-	-	9,000	7,810,721
Local	500,341	-	-	-	500,341
Auxiliary enterprise sales and charges	749,600	-	-	-	749,600
<b>Total Operating Revenues</b>	13,119,994	-	-	237,141	13,357,135
<b>Operating Expenditures/Expenses</b>					
Salaries	23,092,626	-	-	-	23,092,626
Employee benefits	9,231,217	999,632	-	-	10,230,849
Payments to students	617,265	-	-	-	617,265
Supplies, materials, and other services	7,040,538	2,162	-	-	7,042,700
Capital outlay	1,370,695	-	-	-	1,370,695
Utilities	870,566	-	-	-	870,566
<b>Total Operating Expenditures/Expenses</b>	42,222,907	1,001,794	-	-	43,224,701
<b>Operating Income (Loss)</b>	(29,102,913)	(1,001,794)	-	237,141	(29,867,566)
<b>Nonoperating Revenues (Expenditures)</b>					
State apportionments - noncapital	11,460,506	-	-	-	11,460,506
Education protection account revenues - noncapital	3,856,775	-	-	-	3,856,775
Local property taxes - noncapital	9,770,022	-	-	-	9,770,022
State taxes and other revenues	1,279,152	-	-	-	1,279,152
Investment income - noncapital	92,472	7,895	-	-	100,367
Financial aid revenues - federal	127,702	-	-	8,676,944	8,804,646
Financial aid revenues - state	-	-	-	895,482	895,482
Financial aid expenses	-	-	-	(9,809,567)	(9,809,567)
Other nonoperating revenues	805,156	195,640	-	-	1,000,796
<b>Total Nonoperating Revenues (Expenditures)</b>	27,391,785	203,535	-	(237,141)	27,358,179
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	(1,711,128)	(798,259)	-	-	(2,509,387)
<b>Other Revenues and Expenditures</b>					
State apportionments - capital	111,517	-	-	-	111,517
Local property taxes - capital	2,712,436	-	-	-	2,712,436
Investment income - capital	33,586	-	-	-	33,586
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	1,146,411	(798,259)	-	-	348,152
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	1,053,446	502,162	-	-	1,555,608
Operating transfers out	(1,255,608)	(300,000)	-	-	(1,555,608)
Debt service	(2,664,987)	-	-	-	(2,664,987)
<b>Total Other Financing Sources (Uses)</b>	(2,867,149)	202,162	-	-	(2,664,987)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	(1,720,738)	(596,097)	-	-	(2,316,835)
<b>Fund Equity - Beginning of Year</b>	10,515,352	1,100,000	-	6	11,615,358
<b>Fund Equity - End of Year</b>	\$ 8,794,614	\$ 503,903	\$ -	\$ 6	\$ 9,298,523

See the accompanying notes to the other 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, 2018	Balance Brought Forward	Cafeteria Fund	Total
<b>Operating Revenues</b>			
Tuition and fees	\$ 5,428,276	\$ -	\$ 5,428,276
Less: Scholarship discount and allowance	(2,732,103)	-	(2,732,103)
<b>Net Tuition and Fees</b>	2,696,173	-	2,696,173
Grants and contracts - noncapital:			
Federal	1,600,300	-	1,600,300
State	7,810,721	-	7,810,721
Local	500,341	-	500,341
Auxiliary enterprise sales and charges	749,600	210,915	960,515
<b>Total Operating Revenues</b>	13,357,135	210,915	13,568,050
<b>Operating Expenditures/Expenses</b>			
Salaries	23,092,626	141,399	23,234,025
Employee benefits	10,230,849	69,516	10,300,365
Payments to students	617,265	-	617,265
Supplies, materials, and other services	7,042,700	-	7,042,700
Capital outlay	1,370,695	-	1,370,695
Utilities	870,566	-	870,566
<b>Total Operating Expenditures/Expenses</b>	43,224,701	210,915	43,435,616
<b>Operating Income (Loss)</b>	(29,867,566)	-	(29,867,566)
<b>Nonoperating Revenues (Expenditures)</b>			
State apportionments - noncapital	11,460,506	-	11,460,506
Education protection account revenues - noncapital	3,856,775	-	3,856,775
Local property taxes - noncapital	9,770,022	-	9,770,022
State taxes and other revenues	1,279,152	-	1,279,152
Investment income - noncapital	100,367	-	100,367
Financial aid revenues - federal	8,804,646	-	8,804,646
Financial aid revenues - state	895,482	-	895,482
Financial aid expenses	(9,809,567)	-	(9,809,567)
Other nonoperating revenues	1,000,796	-	1,000,796
<b>Total Nonoperating Revenues (Expenditures)</b>	27,358,179	-	27,358,179
<b>Income (Loss) Before Other Revenues and Expenditures/Expenses</b>	(2,509,387)	-	(2,509,387)
<b>Other Revenues and Expenditures</b>			
State apportionments - capital	111,517	-	111,517
Local property taxes - capital	2,712,436	-	2,712,436
Investment income - capital	33,586	-	33,586
<b>Excess of Revenues Over (Under) Expenditures/Expenses</b>	348,152	-	348,152
<b>Other Financing Sources (Uses)</b>			
Operating transfers in	1,555,608	-	1,555,608
Operating transfers out	(1,555,608)	-	(1,555,608)
Debt service	(2,664,987)	-	(2,664,987)
<b>Total Other Financing Sources (Uses)</b>	(2,664,987)	-	(2,664,987)
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses</b>	(2,316,835)	-	(2,316,835)
<b>Fund Equity - Beginning of Year</b>	11,615,358	-	11,615,358
<b>Fund Equity - End of Year</b>	\$ 9,298,523	\$ -	\$ 9,298,523

See the accompanying notes to the other supplementary information.

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

June 30, 2018

<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>	\$	9,298,523
Assets recorded within the statement of net position not included in the District fund financial statements:		
Depreciable capitalized assets	\$	138,272,717
Accumulated depreciation		(49,227,690)
<b>Subtotal</b>		89,045,027
Nondepreciable capital assets		10,983,212
Deferred outflows of resources related to pensions		9,843,919
Deferred outflows of resources related to OPEB		999,632
Liabilities recorded within the statement of net position not recorded in the District fund financial statements:		
Accrued interest		(687,852)
Long-term debt - current	(1,435,000)	
Long-term debt - noncurrent	(29,185,363)	
<b>Subtotal</b>		(30,620,363)
Total OPEB liability		(6,362,033)
Net pension liability		(32,226,988)
Early retirement incentive program		(162,222)
Compensated absences		(696,320)
Deferred gain on refunding		(63,078)
Deferred inflows of resources related to pensions		(2,927,687)
<b>Net Position Reported Within the Statement of Net Position</b>	\$	46,423,770

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

## Redwoods Community College District

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

June 30, 2018

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<b>Total Net Change in Fund Equity - District Funds Included in Reporting Entity</b>	\$ (2,316,835)
Depreciation expense reported within the statements	(3,538,226)
Capital outlay expense not reported within the statements	1,830,912
Increase in compensated absences reported within the statements	44,267
Change in pension expenses as a result of GASB 68	(1,881,859)
Principal payments on debt not reported within the statements	1,335,000
Interest expense from change in accrued interest payable and amortization of bond premiums reported within the statements	204,796
Interest expense capitalized within the statements	141,751
Decrease in expense of other postemployment and retirement incentive benefits reported within the statements	330,273
<hr/>	
<b>Net Change in Net Position Reported Within the GASB 35 Statement of Revenues, Expenses, and Changes in Net Position</b>	<b>\$ (3,849,921)</b>

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

**1. PURPOSE OF SCHEDULES**

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

The schedule of workload measures for state general apportionment annualized attendance as of June 30, 2018, represents the basis of apportionment of the District's annual source of funding.

**Schedule of Expenditures of Federal Awards**

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

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

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

**Schedule of Expenditures of State Awards**

This schedule includes the state activity of the District under categorical programs of the state of California for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2017-18*.

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

**Reconciliation of Annual Financial and Budget Report (Form CCFS-311) With Audited Financial Statements**

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.

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

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

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

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable” and “available”). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon 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 revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Advance of revenue also arises 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.

**3. LOAN PROGRAM**

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District's financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2018.

## **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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Redwoods Community College District (the District) as of and for the year ended June 30, 2018; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 31, 2018.

***Internal Control Over Financial Reporting***

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

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

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

**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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Jam, LLP*

December 31, 2018  
Redding, California



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

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

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

We have audited Redwoods Community College District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

(Continued)

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

(Continued)

**Purpose of This Report**

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

*KCoe Team, LLP*

December 31, 2018  
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 2017-18*, published by the California Community Colleges Chancellor's Office, for the year ended June 30, 2018. 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 2017-18*, published by the California Community Colleges Chancellor's Office. Those standards and the *California Community Colleges Contracted District Audit Manual 2017-18*, 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)

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Salaries of classroom instructors: 50 percent law  
Apportionment for instructional service agreements/contracts  
State general apportionment funding system  
Residency determination for credit courses  
Students actively enrolled  
Dual enrollment (CCAP and Non-CCAP)  
Student equity  
Student success and support program funds  
Scheduled maintenance program  
Gann limit calculation  
Open enrollment  
Proposition 39 clean energy  
Disabled student programs and services (DSPS)  
To be arranged hours (TBA)  
Proposition 1D and 51 state bond funded projects  
Education protection account funds

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### ***Opinion on State Compliance***

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2018.

*KCae Team, LLP*

December 31, 2018  
Redding, California

**FINDINGS AND QUESTIONED COSTS SECTION**

**Redwoods Community College District**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2018

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**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 2 CFR 200.516(a)?	No

Identification of major programs:

Student Financial Assistance Cluster

CFDA No. 84.007	Federal Supplemental Education Opportunity Grants
CFDA No. 84.033	Federal Work-Study Program
CFDA No. 84.063	Federal Pell Grant Program
CFDA No. 84.268	Federal Direct Student Loans

TRIO Cluster

CFDA No. 84.042	Student Support Services
CFDA No. 84.047	Upward Bound

Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

**STATE AWARDS**

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state program:	Unmodified

**Redwoods Community College District**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2018  
(Continued)

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**SECTION II FINDINGS**  
**FINANCIAL STATEMENT AUDIT**

None.

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

None.

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

None.



**Redwoods Community College District**

CORRECTIVE ACTION PLAN

June 30, 2018

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

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

2017-001

**Significant Deficiency**

**Condition** During our testing of state general apportionment funding system, we noted that our independent FTES calculation did not match what was reported on the P2 320 Report. The differences for each semester are presented below. These differences were corrected on the Annual 320 Report; if we had not discovered these differences, the total net difference in full-time equivalent students (FTES) would have been underreported by 16.14 in the annual 320.

Summer 2016 – Under reporting by 10.17 FTES.

Fall 2016 – Under reporting by 3.06 FTES.

Spring 2017 – Under reporting by 2.91 FTES.

**Criteria** The totals per the Annual 320 Section Summary Report should be calculated correctly based on contact hours and census type.

**Cause** The District believes that the errors were caused by a misstatement of census type in their software.

**Effect** FTES were not under reported in the Annual 320 because we brought the error to the District's attention prior to the filing of the report.

**Recommendation** We recommend that the District review its input for census type to discover courses that have been input into their software system incorrectly.

**Response** Business Office staff performed an internal audit of their software system and corrected the error in census type.

**Status:** Fully implemented.