

**REDWOODS COMMUNITY COLLEGE DISTRICT
EUREKA, CALIFORNIA**

FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, 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.

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, 2021, 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 4 through 10 and the required supplementary information on pages 44 to 50 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 51 to 60 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 51 to 60 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2022, 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.

CWDL, Certified Public Accountants

San Diego, California
February 17, 2022

FINANCIAL SECTION

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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 2020-21, 2019-20 and 2018-19, 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, 2021, the ending fund balance increased to 19.6%.

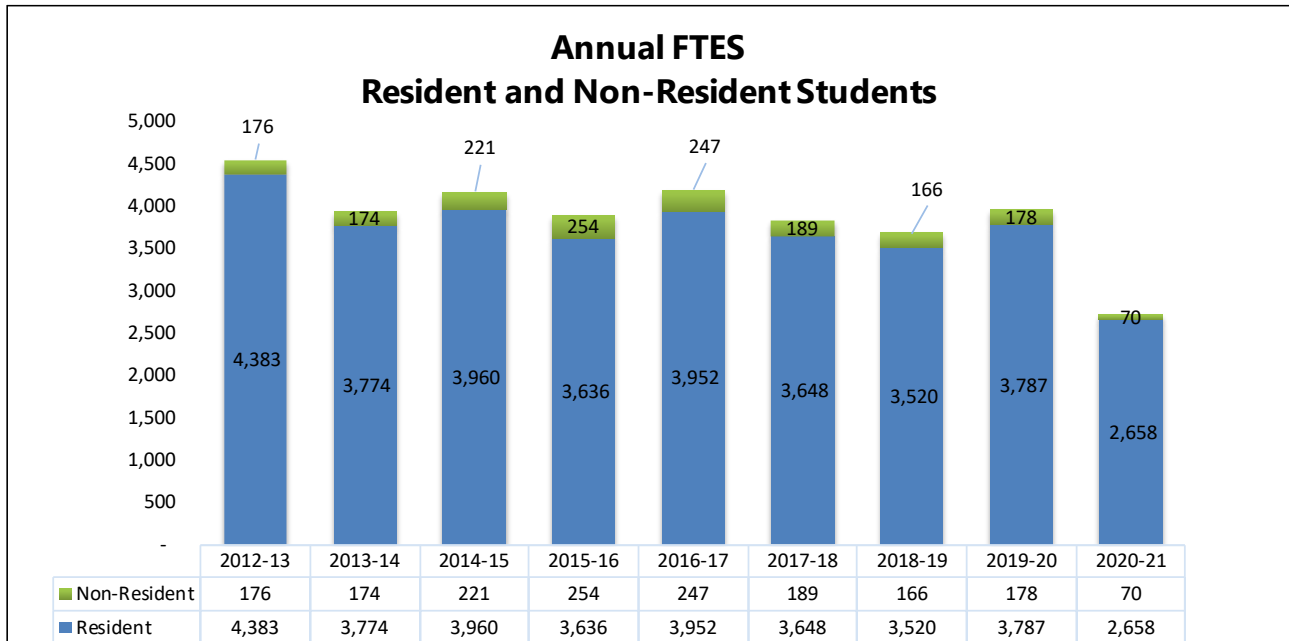
ATTENDANCE HIGHLIGHTS

The District's resident Full-Time Equivalent Students (FTES) for fiscal year 2020-21 stood at 2,737 per the District's recal 320 report. Since fiscal year 2011-12, enrollments have fallen to a cumulative 40% loss of students by fiscal year 2020-21. Non-resident enrollments have decreased to 72 in 2020-21. Non-residents represented approximately 2.5% of total enrollments for the District.

Credit/Non-Credit Resident and Non-Resident Students						
Academic Year	Resident	Non-Resident	Total	Percent Change		
				Resident	Non-Resident	Total
2011-12	4,535	198	4,733	-5.8%	0.9%	-5.5%
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%
2018-19	3,533	168	3,701	-3.2%	-11.1%	-3.5%
2019-20	3,768	178	3,946	6.7%	6.0%	6.6%
2020-21	2,737	72	2,809	-27.4%	-59.6%	-28.8%

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

ATTENDANCE HIGHLIGHTS, continued



STATEMENT OF NET POSITION

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2021	2020	Change
Current assets	\$ 31,368,365	\$ 22,668,441	\$ 8,699,924
Non-current assets	119,602,809	111,644,331	7,958,478
Deferred outflows of resources	8,282,835	11,020,164	(2,737,329)
Total Assets and Deferred Outflows of Resources	159,254,009	145,332,936	13,921,073

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current liabilities	18,281,714	13,527,479	4,754,235
Non-current liabilities	67,285,243	67,601,762	(316,519)
Deferred inflows of resources	1,853,036	2,988,599	(1,135,563)
Total Liabilities and Deferred Inflows of Resources	87,419,993	84,117,840	3,302,153

NET POSITION

Invested in capital assets, net of related debt	94,020,046	84,256,342	9,763,704
Restricted	4,903,537	5,208,003	(304,466)
Unrestricted	(27,089,567)	(28,249,249)	1,159,682
Total Net Position	\$ 71,834,016	\$ 61,215,096	\$ 10,618,920

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

STATEMENT OF NET POSITION, continued

The \$16.7 million increase in total assets was caused primarily by an increase in both current and non-current assets. The increase in current assets is primarily related to an increase in federal and state revenues in the General Fund. The increase in non-current assets was the result of increases to capital assets primarily related to the District's utility infrastructure project

Total liabilities increased by \$4.4 million, which is centered on changes to the total OPEB liability and net pension liability, as well as changes in advances from grantors and students. The primary increase for final year 2020-21 was due to the issuance \$4.0 million of Tax And Revenue Anticipation Notes (TRAN).

During fiscal years 2020-21, 2019-20 and 2018-19, 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, 2021, the ending fund balance grew to 19.6%.

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, 2021. The unfunded liability is estimated to be approximately \$5.7 million. During fiscal year 2020-21, the District provided \$2.65 million in non-operating revenues and transfers to the employee benefit fund. The fund balance set aside to pay future benefits stood at \$3.3 million at June 30, 2021.

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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.

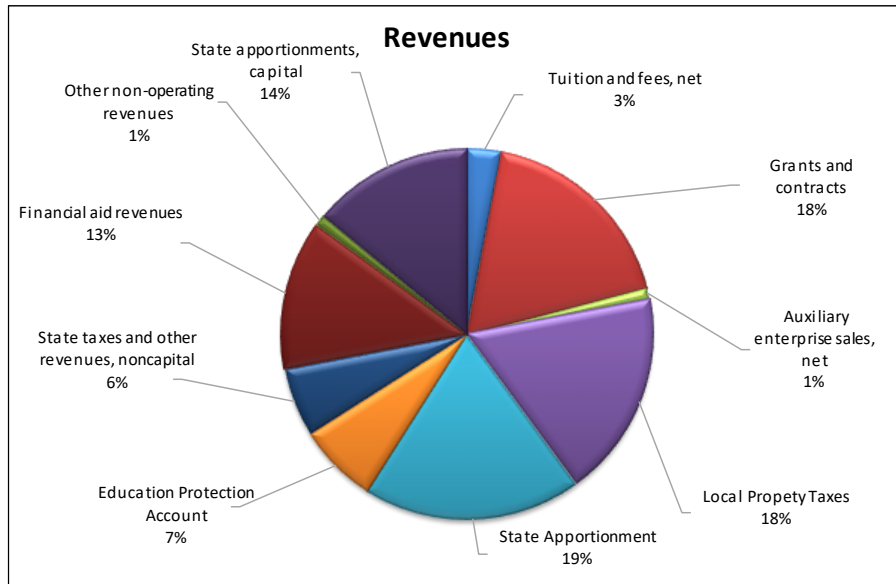
	2021	2020	Change
OPERATING REVENUES			
Tuition and fees, net	\$ 1,819,458	\$ 3,155,509	\$ (1,336,051)
Grants and contracts	12,683,729	9,115,341	3,568,388
Auxiliary enterprise sales, net	663,280	1,025,120	(361,840)
Total Operating Revenues	15,166,467	13,295,970	1,870,497
OPERATING EXPENSES			
Salaries and benefits	37,293,607	37,364,917	(71,310)
Supplies, materials, and other operating expenses	7,763,225	6,433,978	1,329,247
Payments to students	1,468,748	961,169	507,579
Depreciation	3,382,687	3,461,415	(78,728)
Total Operating Expenses	49,908,267	48,221,479	1,686,788
Operating Loss	(34,741,800)	(34,925,509)	183,709
NON-OPERATING REVENUES (EXPENSES)			
State apportionments, noncapital	13,715,926	16,719,399	(3,003,473)
Education protection account revenues, noncapital	5,126,463	1,818,788	3,307,675
Local property taxes, noncapital	10,267,993	9,835,929	432,064
State taxes and other revenues, noncapital	4,389,187	3,371,698	1,017,489
Financial aid revenues	9,372,576	13,003,667	(3,631,091)
Financial aid expenses	(9,372,574)	(13,003,669)	3,631,095
Investment income	135,908	216,225	(80,317)
Interest expense	(948,452)	(978,682)	30,230
Transfer from (to) foundation	(732,535)	21,888	(754,423)
Other non-operating revenues	384,983	572,403	(187,420)
Total Non-Operating Revenues (Expenses)	32,339,475	31,577,646	761,829
OTHER REVENUES (EXPENSES)			
State apportionments, capital	10,231,265	18,504,999	(8,273,734)
Local property taxes and revenues, capital	2,821,144	2,991,131	(169,987)
Gain (loss) on disposal of asset	(340,895)	(6,047)	(334,848)
CHANGE IN NET POSITION	10,309,189	18,142,220	(7,833,031)
NET POSITION -- BEGINNING OF YEAR	61,215,096	43,070,128	18,144,968
PRIOR PERIOD ADJUSTMENT (SEE NOTE 14)	309,731	2,748	306,983
NET POSITION -- END OF YEAR	\$ 71,834,016	\$ 61,215,096	\$ 10,618,920

The net position increased by \$10.3 million, including and adjust of \$309.7 thousand, or about 17.3% from fiscal year 2019-20 to fiscal year 2020-21. This is primarily based on increase in grants and contracts for federal and state revenues offset by an increase in overall operating expenses during 2020-21.

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

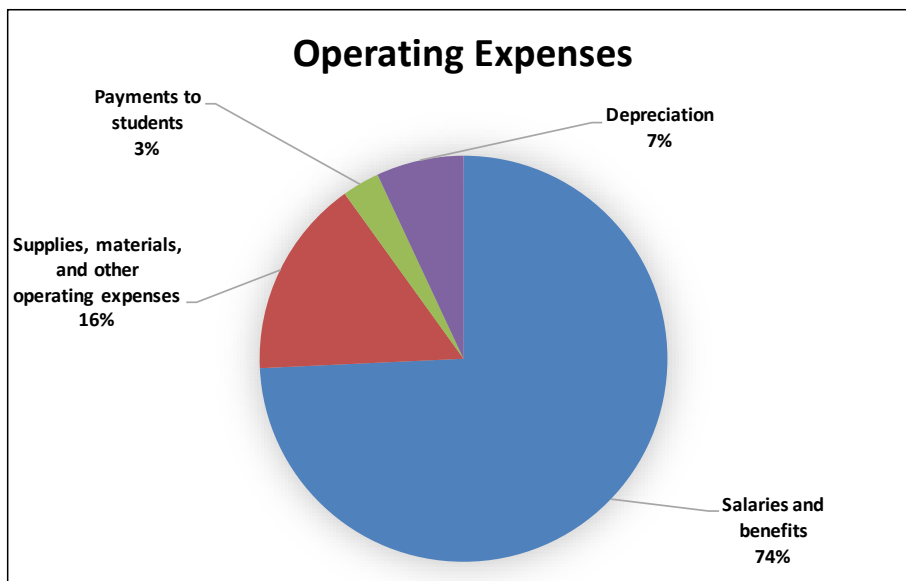
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, continued

Below is a chart that shows the distribution of the District's revenue, with state apportionment accounting for 19% of total revenues, which is a decrease from 4% in the prior year.



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

Total operating expenses increased by \$1.7 million, or 3%, primarily due to a \$1.3 million, or 21%, increase in supplies, materials, and other operating expenses and services. Employee benefits decreased due to a decrease in recognized expense related to the State's share of the net pension liability. Below is a chart showing the breakout of operating expenses as of June 30, 2021.



**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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.

	2021	2020	Change
CASH PROVIDED BY (USED IN)			
Operating activities	\$ (28,151,332)	\$ (28,127,674)	\$ (23,658)
Noncapital financing activities	36,598,171	27,833,023	8,765,148
Capital financing activities	(1,106,431)	(720,401)	(386,030)
Investing activities	135,908	216,225	(80,317)
Net Increase (decrease) in Cash and Cash Equivalents	\$ 7,476,316	\$ (798,827)	\$ 8,275,143

The District's cash and cash equivalents balance increased by \$7.5 million to \$22.1 million. The increase in cash and cash equivalents reflects an overall increase to state and federal revenues of \$3.6 million and the issuance of a Tax and Revenue Anticipation Note (TRAN) program of \$4.0 million during the year.

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The State implemented a new funding formula for California Community Colleges in 2018-19. This new formula, referred to as the Student Centered Funding Formula (SCFF), no longer bases California Community College Apportionment Revenue only on FTES. The SCFF also factors in several Student Success and Supplemental metrics for total apportionment. This new formula is favorable for some districts, but not all. To minimize the impact of the new formula, for the first few years of the SCFF, a Hold Harmless provision will apply so that a district will not receive less than 2017-18 Total Computational Revenue adjusted for COLA each year. COLA was 2.71% in 2018-19 and 1.3% in 2019-20, and 0% for 2020-21. The Hold Harmless provision is currently set to expire after the 2024-25 fiscal year.

Based on actual 2018-19 and 2019-20 FTES, Supplemental, and Student Success counts, the SCFF has been favorable for the District. However, due to the COVID-19 pandemic, the District experienced a significant enrollment decline in the 2020-21 academic year. Fortunately, the Chancellor's Office provided districts the opportunity to participate in an Emergency Conditions Allowance provision for FTES. The provision allow districts to utilize 2019-20 FTES for the 2020-21 FTES figures in the SCFF 3-year calculation. The provision was extended through 2021-22, but there is no indication it will be extended any further. In an attempt to avoid a decline in SCFF revenue in future years, the District has engaged in outreach efforts to recover enrollment, and has focused efforts on student success and retention.

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE, continued

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

While there are several factors that indicate the State has recovered economically from the initial impacts of the pandemic, there is still uncertainty about the future impacts on the budget as the pandemic continues. The uncertainty of the duration of the pandemic and the ability of the District to recover FTES create significant challenges for multi-year budget planning. The District will continue to build annual budgets assuming conservative state revenue amounts, ensuring that staff salaries and benefits and operational needs are met. PERS and STRS increases are built into the annual budget, as are funds to cover OPEB obligations.

The District's economic condition is driven primarily by the level of state support provided to the California community colleges system, by the District's enrollment and performance results, and by the District 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 and the fund balance continues to increase. 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.

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

In addition, the District received working drawings and construction phase funds for a new Creative Arts building, Physical Education Complex, and Fieldhouse. The District has updated the Educational Master Plan, which resulted in identifying strategies to ensure the District maintains relevancy in the educational market, and is working on updating the Facilities Master Plan. As a result of these updated plans, leadership may continue to pursue state capital outlay funds to replace the Law Enforcement Academy, Academy of the Redwoods, and Student Resource Center buildings. Leadership has also applied for a Student Housing Grant in the attempt to secure funds to build a new Student Housing Facility. 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, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$ 17,673,336
Restricted cash and cash equivalents	4,446,219
Accounts receivable, net	8,137,014
Inventory	1,082,717
Prepaid expenditures and other assets	29,079
Total Current Assets	31,368,365

Noncurrent Assets:

Capital assets, net	119,602,809
Total Noncurrent Assets	119,602,809

TOTAL ASSETS

150,971,174

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	315,507
Deferred outflows related to pensions	7,967,328
	8,282,835

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 159,254,009

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 2,586,165
Unearned revenue	9,771,264
Current loans	4,006,944
Long-term debt, current portion	1,917,341
Total Current Liabilities	18,281,714

Noncurrent Liabilities:

Compensated absences	855,490
Net OPEB liability	5,646,979
Net pension liability	37,156,775
Long-term debt, non-current portion	23,625,999
Total Noncurrent Liabilities	67,285,243

TOTAL LIABILITIES

85,566,957

DEFERRED INFLOWS OF RESOURCES

Deferred gain on refunding	39,423
Deferred inflows related to OPEB	189,098
Deferred inflows related to pensions	1,624,515

NET POSITION

Net investment in capital assets	94,020,046
Restricted for:	
Debt service	3,734,014
Capital projects	998,796
Other restrictions	170,727
Unrestricted	(27,089,567)
Total Net Position	71,834,016

TOTAL NET POSITION

71,834,016

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 159,254,009

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

OPERATING REVENUES

Tuition and fees (gross)	\$ 3,910,273
Less: Scholarship discounts and allowances	(2,090,815)
Net tuition and fees	<u>1,819,458</u>
Grants and contracts, noncapital:	
Federal	5,012,726
State	7,472,407
Local	198,596
Auxiliary enterprise sales, net	<u>663,280</u>
TOTAL OPERATING REVENUES	<u><u>15,166,467</u></u>

OPERATING EXPENSES

Salaries	21,492,905
Employee benefits	15,800,702
Supplies, materials, and other operating expenses and services	7,763,225
Payments to students	1,468,748
Depreciation	<u>3,382,687</u>
TOTAL OPERATING EXPENSES	<u><u>49,908,267</u></u>

OPERATING INCOME (LOSS)

(34,741,800)

NON-OPERATING REVENUES (EXPENSES)

State apportionments, noncapital	13,715,926
Education protection account revenues, noncapital	5,126,463
Local property taxes, noncapital	10,267,993
State taxes and other revenues, noncapital	4,389,187
Financial aid revenues	9,372,576
Financial aid expenses	(9,372,574)
Investment income	135,908
Interest expense	(948,452)
Transfer from (to) Foundation	(732,535)
Other non-operating revenues	<u>384,983</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u><u>32,339,475</u></u>

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

(2,402,325)

State apportionments, capital	10,231,265
Local property taxes and revenues, capital	2,821,144
Gain (loss) on disposal of asset	<u>(340,895)</u>

CHANGE IN NET POSITION

10,309,189

NET POSITION -- BEGINNING OF YEAR

61,215,096

PRIOR PERIOD ADJUSTMENT (SEE NOTE 14)

309,731

NET POSITION -- END OF YEAR

\$ 71,834,016

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 1,994,965
Federal grants and contracts	5,594,145
State grants and contracts	8,392,282
Local grants and contracts	18,969
Payments to or on behalf of employees	(33,662,144)
Payments to vendors for supplies and services	(9,374,350)
Payment to students	(1,778,479)
Auxiliary enterprise sales	663,280
Net Cash Used by Operating Activities	<u>(28,151,332)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	13,155,134
Education protection account revenue	5,126,463
Property taxes	10,267,993
State taxes and other revenues	4,389,187
Financial aid disbursements	(9,372,574)
Financial aid receipts	9,372,576
Proceeds from issuance of TRANs	4,006,944
Other non-operating	(347,552)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>36,598,171</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(11,341,165)
Gain (Loss) on disposal of capital assets	(340,895)
State revenue, capital projects	10,540,996
Local revenue, capital	2,821,144
Principal paid on capital debt	(1,630,000)
Interest paid on capital debt	(1,156,511)
Net Cash Provided by Capital Financing Activities	<u>(1,106,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>135,908</u>
Net Cash Provided by Investing Activities	<u>135,908</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	7,476,316
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,643,239</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 22,119,555</u>

See accompanying notes to the financial statements.

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

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

Operating loss	\$ (34,741,800)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	3,382,687
Changes in Assets and Liabilities:	
Receivables, net	(1,090,963)
Inventory	(131,805)
Prepaid items	(840)
Deferred outflows of resources	2,737,329
Accounts payable and accrued liabilities	(1,224,831)
Deferred revenue	2,588,137
Amounts held for others	(309,731)
Compensated absences	16,448
Net OPEB liability	103,501
Net pension liability	1,648,214
Deferred inflows of resources	(1,127,678)
Total Adjustments	<u>6,590,468</u>
Net Cash Flows Used by Operating Activities	<u>\$ (28,151,332)</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
COLLEGE OF THE REDWOODS FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS	
Cash and cash equivalents	\$ 3,222,195
Cash held by trust	4,121,251
Investments	1,702,478
Accounts receivable, net	94,330
Total assets	<u>\$ 9,140,254</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 114,977
Deferred revenue	249,590
Total current liabilities	<u>364,567</u>
Noncurrent liabilities:	
Long-term debt	1,500,000
Total noncurrent liabilities	<u>1,500,000</u>
Total liabilities	<u>1,864,567</u>
NET ASSETS	
Net assets without donor restrictions	5,325,047
Net assets with donor restrictions	1,950,640
Total net assets	<u>7,275,687</u>
Total liabilities and net assets	<u>\$ 9,140,254</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
COLLEGE OF THE REDWOODS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations	\$ 91,434	\$ 258,461	\$ 349,895
Auxiliary enterprise sales, net	772,658	-	772,658
Investment Income	1,030,788	-	1,030,788
Special projects	50,928	-	50,928
Student fees	210,914	-	210,914
Miscellaneous revenue	94,254	-	94,254
Transfers	732,535	-	732,535
Total Support and Revenue	2,983,511	258,461	3,241,972
EXPENSES			
Operating expenses	908,073	-	908,073
Program expenses	12,606	-	12,606
Fundraising expenses	5,012	-	5,012
Total Expenses	925,691	-	925,691
Change in Net Assets	2,057,820	258,461	2,316,281
Net Assets - Beginning of Year	3,383,402	1,692,179	5,075,581
Prior Period Adjustment	(116,175)	-	(116,175)
Net Assets - End of Year	\$ 5,325,047	\$ 1,950,640	\$ 7,275,687

See accompanying notes to the financial statements.

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT
COLLEGE OF THE REDWOODS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,316,281
Reconciliation to net cash provided (used) by operating activities:	
Net gain in the fair value of investments	(957,122)
Change in Assets and Liabilities	
Accounts receivable	(67,168)
Other current assets	276,390
Accounts payable	76,997
Deferred revenue	(459,098)
Net Cash Provided (Used) by Operating Activities	<u>1,186,280</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,186,280
Cash and Cash Equivalents - Beginning of Year	<u>2,035,915</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,222,195</u>

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

Exceptions to the accrual basis of accounting are as follows:

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

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

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

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

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Humboldt County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of less than three years. As of June 30, 2021, the fair value of the County pool was 100.08% 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.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

Accounts Receivable Accounts receivable consists mainly of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the state of California. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. The allowance for uncollectible accounts is calculated by applying certain percentages to each aging group. The allowance was estimated at \$1,060,672 and \$241,731 for the year ended June 30, 2021, 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.

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.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2021.

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.

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.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including state appropriations, local property taxes, and investment income.

Revenues are classified according to the following criteria:

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

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

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

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

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

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

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2021, was \$1,391,448.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2019. The District has implemented GASB Statement No. 84 for the year ended June 30, 2021.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after June 15, 2021. The District has not determined the impact on the financial statements.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

The cash and cash equivalents were as follows:

	Primary	
	Government	Foundation
Cash and cash equivalents	\$ 17,673,336	\$ 9,159,992
Restricted cash and cash equivalents	4,446,219	-
Total cash and cash equivalents	\$ 22,119,555	\$ 9,159,992

The carrying amount of the cash is summarized as follows:

	District	Foundation
Cash in county treasury	\$ 21,407,032	\$ 2,867,278
Cash on hand and in banks	712,523	354,917
Investments	-	5,823,729
Totals	\$ 22,119,555	\$ 9,045,924

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

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

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

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

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

	Level 1	Level 2	Level 3
County treasury pool	\$ -	\$ 21,407,032	\$ -

**REDWOODS COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021**

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

The Foundation’s investments were as follows:

	Level 1	Level 2	Level 3
Certificate of deposit	\$ 75,050	\$ -	\$ -
Assets held by others	-	-	5,748,679
Totals	\$ 75,050	\$ -	\$ 5,748,679

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

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

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

Custodial Credit Risk - Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned. The District and Foundation do not have a deposit policy for custodial credit risk. As of June 30, 2021, the District and Foundation’s bank balances were fully insured.

**REDWOODS COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS, 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, 2021, the District had no investments with maturities greater than five years.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	Primary	
	Government	Foundation
Tuition and fees, net	\$ 846,987	\$ 94,330
Federal grants and contracts	707,547	-
State grants and contracts	1,635,157	-
State grants - capital	2,685,331	-
Other sources	2,261,992	-
Total	\$ 8,137,014	\$ 94,330

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – CAPITAL ASSETS

Capital asset activity is summarized as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 267,612	\$ -	\$ -	\$ 267,612
Construction in progress	23,468,110	10,439,000	1,796,892	32,110,218
Total Capital Assets Not Being Depreciated	<u>23,735,722</u>	<u>10,439,000</u>	<u>1,796,892</u>	<u>32,377,830</u>
Capital Assets Being Depreciated				
Site improvements	10,141,981	-	-	10,141,981
Buildings and improvements	120,375,849	1,257,613	-	121,633,462
Equipment	11,604,876	1,298,734	-	12,903,610
Vehicles	1,632,170	142,710	-	1,774,880
Library books and film	464,948	-	-	464,948
Total Capital Assets Being Depreciated	<u>144,219,824</u>	<u>2,699,057</u>	<u>-</u>	<u>146,918,881</u>
Less: Accumulated depreciation	56,311,215	3,382,687	-	59,693,902
Net Capital Assets	<u>\$ 111,644,331</u>	<u>\$ 9,755,370</u>	<u>\$ 1,796,892</u>	<u>\$ 119,602,809</u>

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	Primary Government	Foundation
Accrued payroll and related liabilities	\$ 899,673	\$ 5,850
Accrued interest	458,591	-
Construction projects	163,570	109,127
Vendor and other payables	1,064,331	-
Totals	<u>\$ 2,586,165</u>	<u>\$ 114,977</u>

NOTE 6 – ADVANCES FROM GRANTORS AND STUDENTS

Advances from grantors and students consisted of the following:

	Primary Government	Foundation
Tuition and fees	\$ 672,163	\$ -
Federal grants and contracts	550,078	-
State grants and contract	2,194,487	-
Other	6,354,536	249,590
Totals	<u>\$ 9,771,264</u>	<u>\$ 249,590</u>

REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – LONG-TERM LIABILITIES

The following is a summary of changes in noncurrent liabilities:

	Balance			Balance	
	July 01, 2019	Additions	Deductions	June 30, 2020	Due Within One Year
General Obligation Bonds					
2014 Refunding Bonds	\$ 18,865,000	\$ -	\$ 1,360,000	\$ 17,505,000	\$ 1,420,000
2004 GO Bonds - Series 2013	6,630,000	-	270,000	6,360,000	330,000
Unamortized premium	1,845,681	-	167,341	1,678,340	167,341
Total general obligation bonds	27,340,681	-	1,797,341	25,543,340	1,917,341
Other Long-Term Liabilities					
Compensated absences	839,042	16,448	-	855,490	-
Total Other Long-Term Liabilities	839,042	16,448	-	855,490	-
Total Long-Term Obligations	\$ 28,179,723	\$ 16,448	\$ 1,797,341	\$ 26,398,830	\$ 1,917,341

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

The 2014 Refunding Bonds mature as follows:

Fiscal year	Principal	Interest	Total
2022	330,000	284,488	614,488
2023	380,000	270,288	650,288
2024	445,000	256,013	701,013
2025	510,000	236,588	746,588
2026	580,000	209,338	789,338
2027-2031	4,115,000	543,456	4,658,456
Total	6,360,000	1,800,171	8,160,171

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

Fiscal year	Principal	Interest	Total
2022	1,420,000	788,231	2,208,231
2023	1,475,000	730,056	2,205,056
2024	1,545,000	654,556	2,199,556
2025	1,615,000	575,556	2,190,556
2026	1,705,000	492,556	2,197,556
2027-2031	8,695,000	1,129,653	9,824,653
2032	1,050,000	22,313	1,072,313
Total	17,505,000	4,392,921	21,897,921

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing, multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS and classified employees are members of CalPERS.

For the fiscal year ended June 30, 2021, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 19,068,686	\$ 4,679,989	\$ 666,425	\$ 2,225,286
CalPERS	18,088,089	3,287,339	958,090	2,916,415
Total	\$ 37,156,775	\$ 7,967,328	\$ 1,624,515	\$ 5,141,701

California State Teachers’ Retirement System (CalSTRS)

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

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

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

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows.

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

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

Contributions Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the District's total contributions were \$1,626,031.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided by to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 19,068,686
State's proportionate share of the net pension liability associated with the District	9,829,830
Total	\$ 28,898,516

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0197 percent and 0.0194 percent, respectively, resulting in a net increase of 0.0003 in the proportionate share.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

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

For the year ended June 30, 2021, the District recognized pension expense of \$2,225,286. In addition, the District recognized pension expense and revenue of \$1,002,468 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 452,845	\$ -
Differences between expected and actual experience	33,648	537,433
Changes in assumptions	1,859,130	-
Net changes in proportionate share of net pension liability	708,335	128,992
District contributions subsequent to the measurement date	1,626,031	-
Total	<u>\$ 4,679,989</u>	<u>\$ 666,425</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 336,414
2023	932,856
2024	898,329
2025	268,143
2026	(50,064)
Thereafter	1,855
	<u>\$ 2,387,533</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015, through June 30, 2018
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 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, 2021, as summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

Discount Rate

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	\$ 28,810,128	\$ 19,068,686	\$ 11,025,753

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

California Public Employees’ Retirement System

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

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

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.500%
Required employer contribution rate	20.700%	20.700%

Contributions Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above, and the total District contributions were \$1,625,536.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$18,088,089. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2020 and June 30, 2019, was 0.0590 percent and 0.0618 percent, respectively, resulting in a net decrease in the proportionate share of 0.0028 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$2,916,415. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 376,538	\$ -
Differences between expected and actual experience	897,114	-
Changes in assumptions	66,330	-
Net changes in proportionate share of net pension liability	321,821	958,090
District contributions subsequent to the measurement date	1,625,536	-
Total	\$ 3,287,339	\$ 958,090

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 330,604
2023	122,699
2024	216,736
2025	33,674
	\$ 703,713

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

Actuarial Assumptions Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

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

Asset Class*	Assumed Asset Allocation	Real Return Years 1 - 10**	Real Return Years 11+***
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	100%		

*In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

**An expected inflation of 2.0% used for this period

***An expected inflation of 2.92% used for this period

**REDWOODS COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS, continued

Discount Rate The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	\$ 26,004,926	\$ 18,088,089	\$ 11,517,511

NOTE 9 – STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

NOTE 10 – JOINT POWERS AUTHORITIES (JPA)

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

The District participates in a health insurance benefits program organized by the Self-Insured Schools of California (SISC), which is a JPA, created to provide self-insurance programs for school districts.

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 – JOINT POWERS AUTHORITIES (JPA), continued

The JPAs are independently accountable for their fiscal matters, and as such, are not component units of the District for financial reporting purposes. Each District member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. For the last three years, settled claims have not exceeded insurance coverage, nor has there been any reduction in insurance coverage.

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

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

Plan Description

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

Benefits Provided

Following is a description of the current retiree benefit plan:

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

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

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

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Employees Covered

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

	Number of Participants
Inactive Employees Receiving Benefits	34
Active Employees	70
	<u>104</u>

Contributions

The contribution requirements are established and may be amended by the District and the District’s bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually. For the fiscal year ended June 30, 2021, the District made no contributions to the OPEB trust.

Total OPEB Liability

The District’s total OPEB liability for the Plan is measured as the total OPEB liability, less the Plan’s fiduciary net position. The total OPEB liability of the Plan is measured as of June 30, 2020, using an actuarial valuation as of June 30, 2020. The June 30, 2021, total OPEB liability was based on the actuarial methods and assumptions as shown below:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	2.20%
Salary Increase	2.75%
Healthcare cost trend rate	4.00%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

Discount Rate

The discount rate used to measure the total OPEB liability was 2.20%. The discount rate is based on the Bond Buyer 20 Bond Index.

Changes in the Total OPEB Liability

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

	Increase/(Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2019	\$ 5,543,478	\$ -	\$ 5,543,478
Changes for the year:			
Service cost	230,878	-	230,878
Interest	185,963	-	185,963
Employer contributions	-	689,803	(689,803)
Experience gains/losses	(1,575)	-	(1,575)
Changes of assumptions	378,038	-	378,038
Expected benefit payments	(689,803)	(689,803)	-
Net change	103,501	-	103,501
Balance June 30, 2020	\$ 5,646,979	\$ -	\$ 5,646,979

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB), continued

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

The following presents the District’s total OPEB liability calculated using the discount rate of 2.20%, as well as the District’s total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

	Discount Rate 1% Lower (1.20%)	Current Discount Rate (2.20%)	Discount Rate 1% Higher (3.20%)
Net OPEB liability	\$ 5,837,547	\$ 5,646,979	\$ 5,345,484

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

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

	Trend Rate 1% Lower (3.00%)	Current Trend Rate (4.00%)	Trend Rate 1% Higher (5.00%)
Net OPEB liability	\$ 5,412,337	\$ 5,646,979	\$ 5,887,216

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,471,232. At June 30, 2021, the District’s deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 165,173
Change in assumptions	315,507	23,925
	<u>\$ 315,507</u>	<u>\$ 189,098</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 4,394
2023	35,139
2024	86,876
	<u>\$ 126,409</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 – 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, 2021, the District had no construction commitments. The California Division of the State Architect has informed the District that since some of the District's buildings are located near active earthquake faults, the best mitigation is avoidance of those areas.

The District is constructing comparable new building space on adjacent sites and is considering potential nonstudent uses of the existing affected buildings, if possible. At June 30, 2021, the District's affected assets have a net book value of \$247,068 and have been reported without adjustment. Community college districts receive state funding based on the number of eligible student enrollments, as well as student success and supplemental counts. In a year where a district's calculated revenue falls below the prior year's revenue level, the State Chancellor's Office provides a "hold harmless" provision so that a district will receive the same revenue as the prior year. The "hold harmless" provision didn't apply to the District in 2020-21, but may in future years.

NOTE 13 – PRIOD PERIOD ADJUSTMNET – FOUNDATION

Beginning net position decreased by \$116,175. This is a result of the termination of a beneficial trust during a prior fiscal year

NOTE 14 – PRIOD PERIOD ADJUSTMNET

Beginning net position increased by \$309,731 due to the implementation of GASB Statement No. 84, *Fiduciary Activities* for implementation of a change in accounting principal.

REQUIRED SUPPLEMENTARY INFORMATION

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 230,878	\$ 294,270	\$ 286,394	\$ 278,729
Interest	185,963	220,245	232,200	223,133
	(1,575)	(343,734)	-	
Changes of assumptions	378,038	70,618	(95,709)	-
Benefit payments	(689,803)	(693,419)	(789,420)	(759,077)
Net change in total OPEB liability	103,501	(452,020)	(366,535)	(257,215)
Total OPEB liability, beginning of year	5,543,478	5,995,498	6,362,033	6,619,248
Total OPEB liability, end of year (a)	\$ 5,646,979	\$ 5,543,478	\$ 5,995,498	\$ 6,362,033
Plan fiduciary net position				
Employer contributions	\$ 689,803	\$ 700,515	\$ 789,420	\$ 759,077
Expected benefit payments	(689,803)	(700,515)	(789,420)	(759,077)
Change in plan fiduciary net position	-	-	-	-
Fiduciary trust net position, beginning of year	-	-	-	-
Fiduciary trust net position, end of year (b)	\$ -	\$ -	\$ -	\$ -
Net OPEB liability (asset), ending (a) - (b)	\$ 5,646,979	\$ 5,543,478	\$ 5,995,498	\$ 6,362,033
Covered payroll	\$ 4,543,733	\$ 10,399,154	\$ 15,941,094	\$ 15,941,094
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0%	0%	0%	0%
Net OPEB liability (asset) as a percentage of covered payroll	124%	53%	38%	40%

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – OPEB
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018
Actuarially determined contribution	\$ 630,867	\$ 691,378	\$ 693,419	\$ 789,420
Contributions in relations to the actuarially determined contribution	566,070	1,739,803	700,514	695,640
Contribution deficiency (excess)	\$ 64,797	\$ 691,378	\$ (7,095)	\$ 93,780
Covered-employee payroll	\$ 4,543,733	\$ 10,399,154	\$ 15,941,094	\$ 15,941,094
Contribution as a percentage of covered-employee payroll	12%	17%	4%	4%

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
CalSTRS				
District's proportion of the net pension liability	0.020%	0.019%	0.019%	0.018%
District's proportionate share of the net pension liability	\$ 19,068,686	\$ 17,503,494	\$ 17,808,029	\$ 16,646,400
State's proportionate share of the net pension liability associated with the District	9,829,830	9,549,402	10,196,419	6,187,467
Total	\$ 28,898,516	\$ 27,052,896	\$ 28,004,448	\$ 22,833,867
District's covered - employee payroll	\$ 10,322,488	\$ 10,896,493	\$ 9,914,134	\$ 10,338,658
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	185%	161%	163%	168%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%
	Reporting Fiscal Year (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
CalPERS				
District's proportion of the net pension liability	0.059%	0.062%	0.060%	0.065%
District's proportionate share of the net pension liability	\$ 18,088,089	\$ 18,005,067	\$ 16,122,049	\$ 15,580,588
District's covered - employee payroll	\$ 8,501,993	\$ 8,594,502	\$ 8,307,409	\$ 8,307,648
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	213%	209%	188%	188%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
CalSTRS			
District's proportion of the net pension liability	0.019%	0.021%	0.021%
District's proportionate share of the net pension liability	\$ 15,367,390	\$ 12,642,644	\$ 11,410,991
State's proportionate share of the net pension liability associated with the District	5,575,289	4,890,772	4,620,321
Total	\$ 20,942,679	\$ 17,533,416	\$ 16,031,312
District's covered - employee payroll	\$ 9,923,684	\$ 9,664,013	\$ 9,408,594
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	149%	127%	118%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
CalPERS			
District's proportion of the net pension liability	0.066%	0.066%	0.059%
District's proportionate share of the net pension liability	\$ 13,074,541	\$ 10,630,428	\$ 6,500,027
District's covered - employee payroll	\$ 7,997,047	\$ 7,216,731	\$ 7,367,413
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	157%	133%	90%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2021**

CalSTRS	Reporting Fiscal Year			
	2021	2020	2019	2018
Statutorily required contribution	\$ 1,626,031	\$ 1,871,467	\$ 1,773,949	\$ 1,510,996
District's contributions in relation to the statutorily required contribution	1,626,031	1,871,467	1,773,949	1,510,996
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,068,303	\$ 10,322,488	\$ 10,896,493	\$ 9,914,134
District's contributions as a percentage of covered-employee payroll	16.15%	18.13%	16.28%	15.24%

CalPERS	Reporting Fiscal Year			
	2021	2020	2019	2018
Statutorily required contribution	\$ 1,625,536	\$ 1,676,678	\$ 1,552,339	\$ 1,272,690
District's contributions in relation to the statutorily required contribution	1,625,536	1,676,678	1,552,339	1,272,690
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,852,831	\$ 8,501,993	\$ 8,594,502	\$ 8,307,409
District's contributions as a percentage of covered-employee payroll	20.70%	19.72%	18.06%	15.32%

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CONTRIBUTIONS – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

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

Schedule of Contributions – OPEB

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

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

Changes of Assumptions – The discount rate decreased from 3.50% to 2.20% since the previous valuation.

Schedule of Proportionate Share of the Net Pension Liability

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

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

Changes of Assumptions – There were no changes in assumptions since the previous valuations for both CalSTRS and CalPERS.

Schedule of Contributions – Pensions

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

SUPPLEMENTARY INFORMATION

**REDWOODS COMMUNITY COLLEGE DISTRICT
DISTRICT ORGANIZATIONAL STRUCTURE
JUNE 30, 2021**

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

GOVERNING BOARD

NAME	OFFICE	TERM EXPIRES
Dr. Colleen Mullery	President	December 2024
Mr. Daniel Kelley	Vice President	December 2022
Mr. Richard Dorn	Clerk	December 2024
Dr. Rebecca Robertson	Member	December 2024
Ms. Carol Mathews	Member	December 2022
Ms. Sally Biggin	Member	December 2024
Mr. Tracy Coppini	Member	December 2022
Ms. Brianna Rimmey	Student Member (Nonvoting)	June 2022

DISTRICT ADMINISTRATION

Dr. Keith Flamer
President/Superintendent

Dr. Angelina Hill
Vice President, Instruction & Student Services

Ms. Julia Morrison
Vice President, Administrative Services

AUXILIARY ORGANIZATIONS IN GOOD STANDING

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT –
ANNUAL/ACTUAL ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2021**

The full-time equivalent resident students (FTES) eligible for 2020-21 state apportionment reported to the state of California as of June 30, 2021 are summarized below:

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2020 only)			
1. Noncredit	2.03	-	2.03
2. Credit	169.84	-	169.84
B. Summer Intersession (Summer 2021 - Prior to July 1, 2021)			
1. Noncredit	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	1,110.94	-	1,110.94
(b) Daily Census Contact Hours	33.38	-	33.38
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	5.81	-	5.81
(b) Credit	297.92	-	297.92
3. Alternative Attendance Accounting Procedure Courses			
(a) Weekly Census Contact Hours	963.48	-	963.48
(b) Daily Census Contact Hours	55.14	-	55.14
(c) Noncredit Independent Study/Distance Education Courses	19.93	-	19.93
D. Total FTES	2,658.47	-	2,658.47
Supplemental Information (subset of above information)			
E. In-service Training Courses			
	-	-	-
F. Basic Skills Courses and Immigrant Education			
1. Credit	1.47	-	1.47
2. Noncredit	18.16	-	18.16
Total Basic Skills FTES	19.63	-	19.63

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplement Education Opportunity Grant (FSEOG)	84.007	*	\$ 267,992
Federal Direct Student Loans	84.268	*	1,349,175
Federal Work Study Program (FWS)	84.033	*	34,666
Federal Pell Grants (PELL)	84.063	*	5,071,658
Total Student Financial Assistance Cluster			<u>6,723,491</u>
Passed through State Department of Education			
Career and Technical Education - Basic Grants to States	84.048	*	146,619
TRIO Cluster			
Student Support Services	84.042	*	582,072
Upward Bound	84.047A	*	541,838
Total TRIO Cluster			<u>1,123,910</u>
Child Care Access Means Parents in School	84.116	*	83,103
Higher Education Emergency Relief Funds			
Student Aid Portion	84.425E	*	1,252,245
Institutional Portion	84.425F	*	3,100,010
Total Higher Education Emergency Relief Funds			<u>4,352,255</u>
Total U.S. Department of Education			<u>12,429,378</u>
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Veteran's Education	64.117	*	9,911
Total U.S. Department of Veterans Affairs			<u>9,911</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education			
Child and Adult Care Food Program	10.558	04129-CACFP-12-CC-IC	16,320
Total U.S. Department of Agriculture			<u>16,320</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through State Department of Education			
AmeriCorps	94.006	95550001	15,091
Total Corporation for National and Community Service			<u>15,091</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through State Department of Education			
Child Development Cluster			
Child Development - Federal Child Care, Center Based CSPP	93.596	13609	20,075
Child Development - Federal Child Care, Center Based CCTR	93.575	15136	2,168
Total Child Development Cluster			<u>22,243</u>
Early Head Start - Child Care Partnership	93.600	01039	188,522
Total U.S. Department of Health and Human Services			<u>210,765</u>
NATIONAL SCIENCE FOUNDATION			
Faculty Development in Design, Construction, Assembly and Analysis of a Solid Body Guitar	47.076	*	4,648
Total National Science Foundation			<u>4,648</u>
U.S. DEPARTMENT OF TREASURY			
Passed through California Community Colleges Chancellor's Office			
Coronavirus Relief Funds	21.019	*	172,682
Total U.S. Department of Treasury			<u>172,682</u>
U.S. DEPARTMENT OF INTERIOR BUREAU OF INDIAN AFFAIRS			
Indian Loans - Economic Development	15.124	*	87,500
Total U.S. Department of Interior Bureau of Indian Affairs			<u>87,500</u>
Total Federal Expenditures			<u>\$ 12,946,295</u>

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Revenues				Total	Total Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Deferred Income		
State Mandated Costs	\$ 110,751	\$ -	\$ -	\$ -	110,751	\$ 110,751
Part-Time Faculty Allowance	125,526	-	-	-	125,526	125,526
Full-Time Faculty Hiring	162,035	-	-	-	162,035	162,035
Extended Opportunity Program and Services	981,923	-	-	(44,550)	937,373	937,373
Cooperative Agencies Resources for Education	166,659	-	-	(23,072)	143,587	143,587
Lottery - Prop 20	291,589	-	-	(190,085)	101,504	101,504
Disabled Student Program and Services + Access to Print	592,875	-	-	(50,558)	542,317	542,317
TANF	14,714	31,994	-	(14,214)	32,494	32,494
CalWORKS	255,052	-	1,782	(23,536)	233,298	231,517
Student Equity & Achievement	149,157	1,513,328	-	(277,945)	1,384,540	1,384,540
Student Financial Aid Administration	203,284	-	-	(5,593)	197,691	197,691
Financial Aid Technology	42,359	-	-	24,381	66,740	66,740
State Maintenance Allowance	3,449	(3,449)	3,449	-	3,449	3,449
Equal Employment Opportunity	50,000	-	-	(46,005)	3,995	3,995
Foster Parent Training	115,139	49,542	-	(12,541)	152,140	152,140
Strong Workforce - Local	1,386,372	-	-	(801,060)	585,312	585,312
Guided Pathways	66,048	-	-	(57,564)	8,484	8,484
Strong Workforce - Regional	1,330,687	-	-	(790,055)	540,632	540,632
California College Promise	177,226	-	-	(70,091)	107,135	107,135
North Far North Reg Consortium	93,000	-	-	(51,967)	41,033	41,033
Nursing Education	120,921	(27,265)	-	(42,713)	50,943	78,208
AEBG	1,142,085	-	-	(128,341)	1,013,744	1,013,744
Innovations Grant Pelican Bay	-	-	-	359,574	359,574	359,574
Report Streamlining Pilot Program	200,000	-	-	(162,320)	37,680	37,680
Veteran's Grant	54,851	-	-	(25,485)	29,366	29,366
Credit for Prior Learning	2,000	-	-	(1,625)	375	375
Veteran's Program	23,405	-	-	(23,405)	-	-
Grove	500,000	-	-	318,587	818,587	818,587
Disaster Relief ER Stud F. Aid	7,238	-	-	(7,238)	-	-
COVID-19 Response Block Grant	211,969	-	-	(30,596)	181,373	181,373
Undocumented Res Liaisons	34,725	-	-	(34,725)	-	-
CalFresh Outreach (SB85)	30,066	-	-	(14,078)	15,988	15,988
Retention & Enrollment (SB85)	89,447	-	-	(89,447)	-	-
IEPI Grant	-	-	-	74,014	74,014	74,014
2018-19 Rural Technology Grant	-	-	-	23,746	23,746	23,746
2019 Nursing Education Grant	-	-	-	38,580	38,580	38,580
Childcare Tax Bailout	18,414	-	-	-	18,414	18,414
State Preschool Program (CSPP)	353,972	-	-	35,275	389,247	409,322
Infant & Toddler (CCTR)	203,519	-	-	6,720	210,239	212,406
Caltrans Infrastructure	-	71,007	-	-	71,007	71,007
Schdl. Maint. & Repairs	-	-	-	71,989	71,989	71,989
Cal Grant	927,471	-	-	(3,639)	923,832	923,832
Student Success Completion	510,077	-	-	(124,905)	385,172	385,172
Misc State Grants	2,000	-	-	-	2,000	-
Total	\$ 10,750,005	\$ 1,635,157	\$ 5,231	\$ (2,194,487)	\$ 10,195,906	\$ 10,241,632

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2021

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF THE ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

	Object/ TOP Codes	Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 5,884,849	\$ -	\$ 5,884,849	\$ 5,884,849	\$ -	\$ 5,884,849
Other	1300	3,767,656	-	3,767,656	3,767,656	-	3,767,656
Total Instructional Salaries		9,652,505	-	9,652,505	9,652,505	-	9,652,505
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	1,487,558	-	1,487,558
Other	1400	-	-	-	175,954	-	175,954
Total Non-Instructional Salaries		-	-	-	1,663,512	-	1,663,512
Total Academic Salaries		9,652,505	-	9,652,505	11,316,017	-	11,316,017
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	4,202,524	-	4,202,524
Other	2300	-	-	-	177,211	-	177,211
Total Non-Instructional Salaries		-	-	-	4,379,735	-	4,379,735
Instructional Aides							
Regular Status	2200	194,954	-	194,954	194,954	-	194,954
Other	2400	142,326	-	142,326	142,326	-	142,326
Total Instructional Aides		337,280	-	337,280	337,280	-	337,280
Total Classified Salaries		337,280	-	337,280	4,717,015	-	4,717,015
Employee Benefits	3000	3,271,340	-	3,271,340	6,664,671	-	6,664,671
Supplies and Materials	4000	-	-	-	157,036	-	157,036
Other Operating Expenses	5000	105,570	-	105,570	3,465,241	-	3,465,241
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		13,366,695	-	13,366,695	26,319,980	-	26,319,980
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Svcs. Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	-	-	-
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	-	-	-
Non-inst. Supplies & Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-
Other Operating Expenses and Services	5000	-	-	-	696,692	-	696,692
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	-	-	-
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	-	-	-
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay		-	-	-	-	-	-
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		\$ -	\$ -	\$ -	\$ 696,692	\$ -	\$ 696,692
Total for ECS 84362, 50% Law		\$ 13,366,695	\$ -	\$ 13,366,695	\$ 25,623,288	\$ -	\$ 25,623,288
Percent of CEE (Instructional Salary Cost/Total CEE)		52.17%	0.00%	52.17%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 12,811,644	\$ -	\$ 12,811,644

**REDWOODS COMMUNITY COLLEGE DISTRICT
 RECONCILIATION OF THE EDUCATION PROTECTION ACCOUNT EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2021**

EPA Revenue	5,126,463
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	5,126,463	-	-	5,126,463
Total		5,126,463	-	-	5,126,463

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF FUND EQUITY TO IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Total Fund Equity - District Funds Included in the Reporting Entity		
General Fund	\$ 4,997,433	
Debt Service Fund	3,734,014	
Special Revenue Funds	697,648	
Capital Project Funds	998,796	
Enterprise Funds	1,334,904	
Student Financial Aid Fund	5	
Other Funds	<u>3,699,783</u>	\$ 15,462,583
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 32,377,830	
Depreciable capital assets	146,918,881	
Accumulated depreciation	<u>(59,693,902)</u>	119,602,809
Unmatured Interest		(458,591)
Deferred outflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred outflows related to OPEB	\$ 315,507	
Deferred outflows related to pensions	<u>7,967,328</u>	8,282,835
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Compensated absences		(855,490)
Net OPEB liability		(5,646,979)
Net pension liability		(37,156,775)
Long-term debt		(25,543,340)
Deferred inflows recorded within the statement of net position not included in the District fund financial statements:		
Deferred gain on refunding	\$ 39,423	
Deferred inflows related to OPEB	189,098	
Deferred inflows related to pensions	1,624,515	(1,853,036)
Net Position Reported Within the Statements of Net Position		<u>\$ 71,834,016</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF CHANGE IN FUND EQUITY TO CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Change in Fund Equity - District Funds Included in the Reporting Entity in the Reporting Entity	\$ 3,890,466
Compensated absence expense	(16,448)
Depreciation expense	(3,382,687)
Accrued interest	32,833
Amortization of bond premiums	167,341
Amortization of deferred gain on refunding	7,885
Capital outlay expense	11,341,165
Pension expense	(1,890,134)
Other postemployment benefits expense	(1,471,232)
Principal Payments on debt	<u>1,630,000</u>
Change in Net Position Reported Within the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 10,309,189</u>

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

District Organizational Structure

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

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

The schedule of workload measures for state general apportionment annualized attendance as of June 30, 2021, 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, 2021. 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, 2021. The information in this schedule is presented in accordance with the requirements of the *California Community Colleges Contracted District Audit Manual 2020-21*.

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

Reconciliation of Annual Financial and Budget Report (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 the ECS 84362 (50 Percent Law) Calculation

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES, continued

Reconciliation of the Education Protection Account Expenditures

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

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

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

NOTE 2 – LOAN PROGRAM

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. Accordingly, the value of these outstanding loans is not reflected in the District's financial statements. It is not practical to determine the balance of loans outstanding to students of the District under this program as of June 30, 2021.

OTHER INDEPENDENT AUDITORS' REPORTS

Opinion of State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2021.

Procedures Performed

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

- Section 411 – SCFF Data Management Control Environment
- Section 412 – SCFF Supplemental Allocation Metrics
- Section 413 – SCFF Success Allocation Metrics
- Section 421 – Salaries of Classroom Instructors (50 Percent Law)
- Section 423 – Apportionment for Activities Funded From Other Sources
- Section 424 – Student Centered Funding Formula Base Allocation: FTES
- Section 425 – Residency Determination for Credit Courses
- Section 426 – Students Actively Enrolled
- Section 427 – Dual Enrollment (CCAP and Non-CCAP)
- Section 430 – Scheduled Maintenance Program
- Section 431 – Gann Limit Calculation
- Section 435 – Open Enrollment
- Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
- Section 475 – Disabled Student Programs and Services (DSPS)
- Section 479 – To Be Arranged Hours (TBA)
- Section 490 – Propositions 1D and 51 State Bond Funded Projects
- Section 491 – Education Protection Account Funds
- Section 499 – COVID-19 Response Block Grant Expenditures

Purpose of this Report

The purpose of this report on state compliance is solely to describe the results of testing based on the requirements of the *California Community Colleges Contracted District Audit Manual (CDAM) 2020-21*. Accordingly, this report is not suitable for any other purpose.

San Diego, California
February 17, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I – Schedule of Audit Findings and Questioned Costs

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Noted</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Aid Cluster</u>
<u>84.042, 84.047A</u>	<u>TRIO Cluster</u>
<u>84.425E, 84.425F</u>	<u>Higher Education Emergency Relief Funds</u>
<u>21.019</u>	<u>Coronavirus Relief Funds</u>

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

STATE AWARDS

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

**REDWOODS COMMUNITY COLLEGE DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

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

There were no financial statement findings for the year ended June 30, 2021.

**REDWOODS COMMUNITY COLLEGE DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section III – Federal Award Findings and Questioned Costs

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

There were no federal award findings or questioned costs for the year ended June 30, 2021.

**REDWOODS COMMUNITY COLLEGE DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section IV – State Award Findings and Questioned Costs

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

There were no state award findings or questioned costs for the year ended June 30, 2021.

**REDWOODS COMMUNITY COLLEGE DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

There were no audit findings or questioned costs for the year ended June 30, 2020.