FEATHER RIVER COMMUNITY COLLEGE DISTRICT
Quincy, California

FINANCIAL STATEMENTS
June 30, 2014

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

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FINANCIAL STATEMENTS
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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Feather River Community College District
Quincy, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities of Feather River Community College District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Feather River Community College 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.

Auditor's 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. Our audit of the financial statements of Feather River Community College Foundation, Inc., a discretely presented component unit, was not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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, the discretely presented component unit and the fiduciary activities of Feather River Community College District, as of June 30, 2014, and the respective changes in its financial position and, where applicable, 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 3 to 15 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of Feather River Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Feather River Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 26, 2014

Feather River Community College District
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2014

This discussion and analysis of Feather River Community College District's financial statements provides an overview of the District's financial activities for the year ended June 30, 2014. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. These financial statements and this discussion and analysis reflect the financial activities of the Feather River Community College District. In accordance with Statement No. 14, as amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB), the financial data of the Foundation have been discretely presented with that of the District in these financial statements.

Overview of the Financials

Financial statements communicate the financial condition and operational results of Feather River Community College District. Our statements are presented using the terminology and classifications of activity that conform to the Governmental Accounting Standards Board's Statements of Financial Accounting.

Financial Statements

The three basic financial statements included in this report are: the Statement of Net Position; the Statement of Revenues, Expenses, and Change in Net Position; and the Statement of Cash Flows.

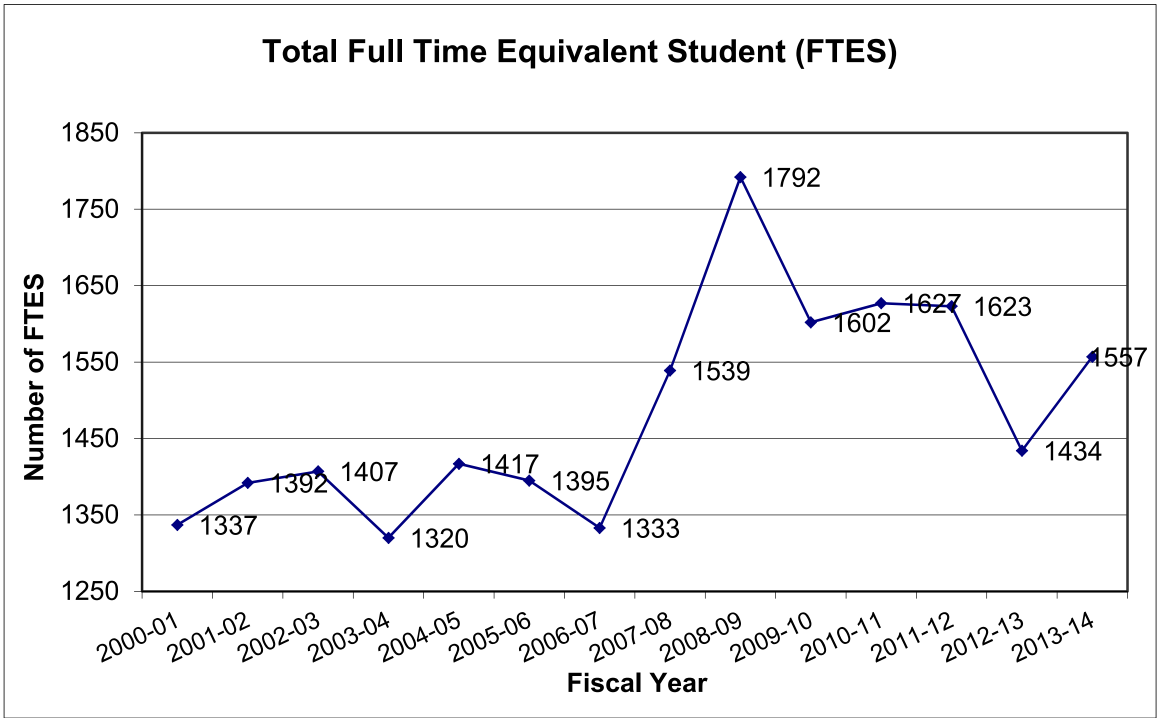
- Statement of Net Position. This report presents the financial position as of the end of the fiscal year (June 30th) including assets, liabilities, and net position (formerly fund balance). It should help the reader obtain information on the College's ongoing ability to provide services, as well as liquidity, financial flexibility (ability to respond to unexpected needs and opportunities), ability to meet obligations, and needs for external financing.

- Statement of Revenue, Expenses, and Change in Net Position. This report presents financial activity during the fiscal year, thereby reconciling the beginning and end-of-year net position contained in the Statement of Net Position. It provides profit and loss information and helps to distinguish profit and loss from operations and capital activities.

- Statement of Cash Flows. This report presents cash-related activities during the fiscal year, thereby reconciling the beginning and end-of-year cash balances contained in the Statement of Net Position. Like those required of for-profit entities, this statement segregates the activities of the organization into three categories: cash flows from operations, investing, and financing activities. This statement provides data that supplements information contained in the Statement of Revenues, Expenses, and Change in Net Position (e.g., it adjusts for the effects of accrual accounting, removes certain non-cash activities such as depreciation, and discloses cash generated or used by operating activities, investments, and new financing).

Financial and Enrollment Highlights

Full-time Equivalent Students (FTES) increased in the 2013-14 fiscal year. This increase represented 8.6% of the total FTES stabilization workload base of 1,434 FTES. The overall increase in FTES was 123 FTES from the prior year. The District went into stabilization in the 2012-13 fiscal year. The decline of 189 FTES (1,627 less 1,434) will need to be restored within three years. The first year of restoration was the 2013-14 fiscal year where 123 FTES's were restored. This leaves two years to restore the remaining 66 FTES (189 less 123). In the year when FTES decline from the measured workload base, this is referred to as stabilization. Feather River College had an established workload base of 1,627 FTES in the 2010-11 fiscal year. When FTES increase the following year bringing the workload base back to the level before the decline, this is termed restoration.



Revenues are recorded in three categories; operating revenues, non-operating revenues and capital revenues. Operating revenues include tuition and fees, grants and contracts, revenues from auxiliary enterprises and interest. Non-operating revenues are comprised of state apportionment, local property taxes, state taxes, interest income, and other. Capital revenues consist of state apportionments, local property taxes and grants & gifts. Overall revenues were $20,414,939 ($6,424,705 in operating revenues, $12,952,752 in non-operating revenues, and $1,037,482 in capital revenues). This was a net increase of approximately $696,149 which was primarily due to the increase in out of state tuition paying students.

Expenses are recorded as operating and non-operating expenses. All expenses except some debt related capital expenses are categorized as operating expenses. Operating expenses reflect depreciation and financial aid expenses. Overall expenses were $19,940,047. This was $244,504 more than expenses for the prior year. Salaries and Benefits increased by $582,477 due to COLA, step increases, and filling the majority of open positions. Supplies, Material & Other decreased by $197,064, and Student Financial Aid decreased by $325,118 when compared with the prior year.

The District paid down $473,941 in long-term lease/debt obligations during the 2013-14 fiscal year.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions.

- Cash and cash equivalents reflects operating cash on hand. Restricted cash and cash equivalents reflects cash held for restricted purposes by legislation, by contract, or by grantor agency. This includes cash for capital outlay projects, debt repayment, and future post retirement benefits. Most of the cash and cash equivalents balances are held at the Plumas County Treasurer's office in accordance with Education Code Section 84000. The Plumas County Treasury's average rate of return was .257% for the fiscal year ended June 30, 2014. Other cash and cash equivalents are held by bank trustees as reserves for debt instruments. More information on cash can be found in the footnotes to the financial statements.

- Receivables include state apportionments, student fees, federal and state grants and contracts, among other various operating receivables. The decrease in the 2013-14 year receivables in comparison to the prior year was due primarily to the receipt and timing of the June, 2014, payment of the apportionment deferrals by the State of California and the payment of the Prop 30 Education Protection Account (EPA). The total State deferrals were less in the 2013-14 fiscal year in comparison to the prior year. In June, 2014 the Prop 30 EPA funds were received. These funds were received in lieu of state apportionment receipts.

- Restricted Cash & Cash Equivalents experienced an increase from the prior year which reflects the Capital Outlay Fund only.

- Capital assets are those fixed assets for which the acquisition cost exceeds the thresholds set forth in the District's Board Policies regarding depreciable assets. Such assets are then depreciated over their useful lives. The financial statements reflect the cost of capital assets, net of accumulated depreciation.

- Accounts payable consist mainly of amounts owed to suppliers for various operating purchases, to employees for accrued vacation, and to vendors for purchases of capital assets.

- Deferred revenues are amounts received but not yet earned by the District. The deferred revenues were made up of mostly state categorical programs with allowable carryover. The grant funds were spent at a higher rate than the prior year, thus leaving fewer funds to defer to the subsequent year.

- Long-term debt in total, which includes both current and non-current portions, decreased from the prior year. The decrease in comparison to prior year was due to a decrease of compensated absences payable of approximately $99K. There were no additional long term leases recorded in the year.

The breakdown of net assets by category for the District is displayed in the following charts:

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (Condensed)
As of June 30, 2014 and 2013
(Thousands)

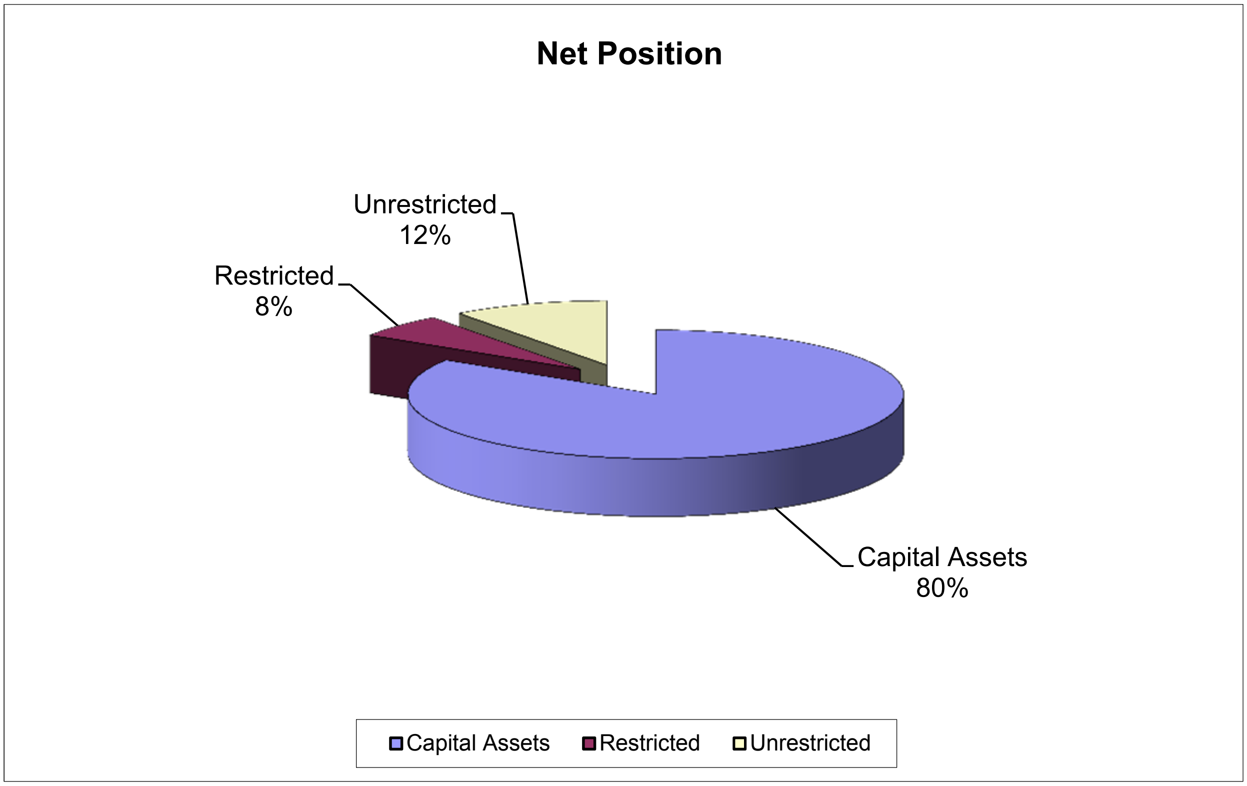
	2013-2014	2012-2013	Dollar Change	Percent Change
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	$ 4,455	$ 3,492	$ 963	27.6%
Receivables	1,778	2,621	(844)	-32.2%
Inventories & Other Assets	325	234	91	38.9%
TOTAL CURRENT ASSETS	**$ 6,558**	**$ 6,347**	$ 211	3.3%
NON-CURRENT ASSETS				
Restricted Cash & Cash Equivalents	$ 1,157	$ 941	$ 216	23.0%
Capital Assets, Net	12,586	12,979	(393)	-3.0%
TOTAL NON-CURRENT ASSETS	**$ 13,743**	**$ 13,920**	$ (177)	-1.3%
TOTAL ASSETS	**$ 20,301**	**$ 20,267**	$ 34	0.2%
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	$ 1,002	$ 1,016	$ (14)	-1.4%
Unearned Revenue	1,442	1,646	(204)	-12.4%
Long-term Debt-Current Portion	625	664	(39)	-5.9%
TOTAL CURRENT LIABILITIES	**$ 3,069**	**$ 3,326**	$ (257)	-7.7%
NON-CURRENT LIABILITIES				
Long-term Debt - Non-Current Portion	$ 1,891	$ 2,075	$ (184)	-8.9%
TOTAL LIABILITIES	**$ 4,960**	**$ 5,401**	$ (441)	-8.2%
NET POSITION				
Net Investment in Capital Assets	$ 12,243	$ 12,474	$ (231)	-1.9%
Restricted	1,202	885	316	35.8%
Unrestricted	1,896	1,507	389	25.8%
TOTAL NET POSITION	**$ 15,341**	**$ 14,866**	$ 474	3.1%
TOTAL LIABILITIES AND NET POSITION	**$ 20,301**	**$ 20,267**	$ 34	0.2%

Net Position – the difference between assets and liabilities – are one way to measure the financial health of the District. The Districts net position consist of the following:

- Unrestricted net position are funds received to support the general mission of the college. At June 30, 2014 the District had $1,896,172 in unrestricted net assets. This represents an increase of $389,795 from the prior year.

- Net investment in capital assets represents the District's investment in physical facilities, land, and capital improvements. The 2013-14 year balance reflected a slight decrease from the prior year balance in the amount of $231,098.

- Net positions set aside for capital projects was $919,081 at June 30, 2014.

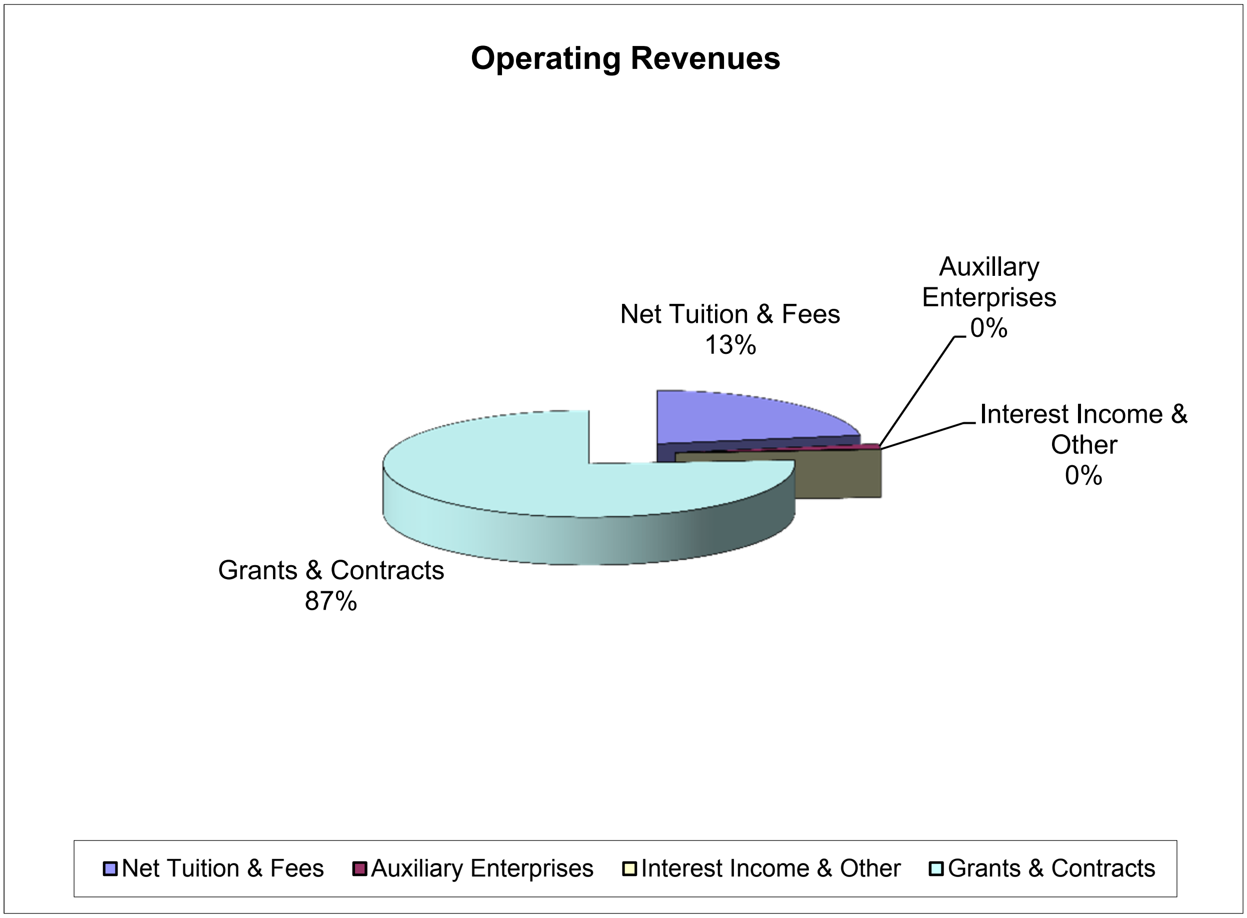


Statement of Revenues, Expenses, and Change in Net Assets

The Statement of Revenues, Expenses, and Change in Net Assets present the operating results of the District, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to Generally Accepted Accounting Principles (GAAP). The breakdown of revenues and expenses by category are depicted in the following charts:

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2014 and 2013
(Thousands)

	2013-2014	2012-2013	Dollar Change	Percent Change
OPERATING REVENUES				
Net Tuition & Fees	$ 821	$ 1,831	$ (1,010)	-55.2%
Grants & Contracts	5,572	5,280	292	5.5%
Auxiliary	32	69	(37)	-53.6%
Interest	-	-	-	0%
TOTAL OPERATING REVENUES	**$ 6,425**	**$ 7,180**	$ (755)	-10.5%
OPERATING EXPENSES				
Salaries & Benefits	$ 10,497	$ 9,945	$ 552	5.6%
Supplies, Material & Other	8,770	9,273	(503)	-5.4%
Depreciation	673	477	196	41.1%
TOTAL OPERATING EXPENSES	**$ 19,940**	**$ 19,695**	$ 245	1.2%
NON-OPERATING ACTIVITY				
State Revenues	$ 5,681	$ 4,986	$ 695	13.9%
Local Property Taxes	4,942	4,862	80	1.6%
State Taxes & Other Revenue	322	383	(61)	-15.9%
Interest Income (Net)	(7)	(6)	(1)	16.7%
Other Non-Operating Revenue	2,014	2,298	(284)	-12.4%
TOTAL NON-OPERATING ACTIVITY	**$ 12,952**	**$ 12,523**	$ 429	3.4%
CAPITAL REVENUES				
Local Property Taxes & Revenues	$ 14	$ 16	$ (2)	-13%
Grant & Gifts	1,023	-	1,023	0%
TOTAL CAPITAL REVENUES	**$ 1,037**	**$ 16**	$ 1,021	6381.3%
CHANGE IN NET POSITION	$ 474	$ 24	$ 450	1875.0%
BEGINNING NET POSITION	$ 14,866	$ 14,842	$ 24	0.2%
ENDING NET POSITION	$ 15,340	$ 14,866	$ 474	3.2%

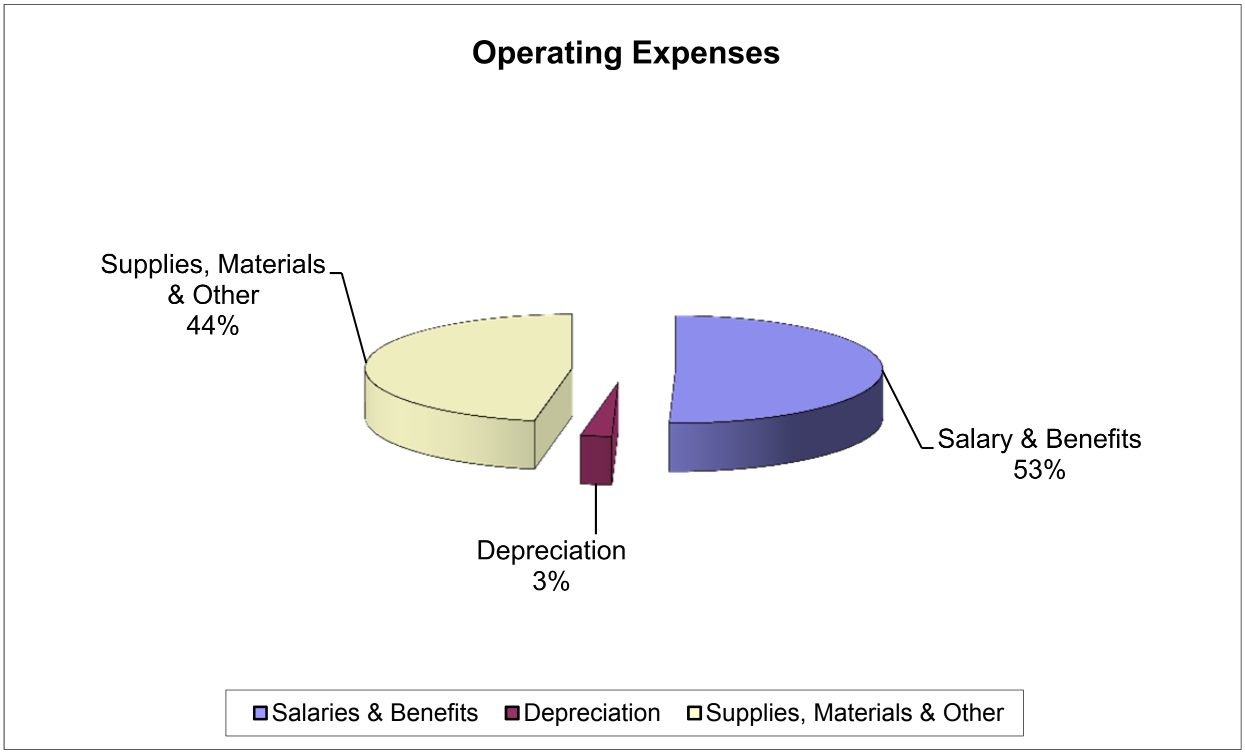


Operating and Non-Operating Revenues grew in fiscal year 2013-2014 as follows:

- State general apportionments increased due to the expected Re-Development Agency (RDA) backfill shortfall. The final exact impact of the RDA backfill shortfall for the 2013-14 fiscal year remains unknown at this time. The estimated shortfall is included in the deficit coefficient noted below. Local property tax apportionment increased slightly by $80,271 in comparison to the prior year. The state limited the 2013-14 fiscal year workload adjustment to total FTES funding of approximately 1,557 FTES.

- The District's apportionment was not fully funded which resulted in a deficit coefficient of 1.7181583% which represents approximately $189,707 which was applied as a reduction to the Total Computation Revenue calculation. The majority of this deficit is due to the lack of a complete RDA backfill. This amount does not represent the final recalc amounts for the 2013-14 fiscal year which will take place in the second half of December 2014.

- The District received a cost of living adjustment (COLA) representing 1.57% based on the Total Base Revenue provided by the State. The District did not participate in any growth funding.



Operating expenses increased in 2013-2014 in comparison to prior year as follows:

- Expenses for employee salaries and statutory benefits increased due to employee step and column changes which were impacted by the 1.57% cost of living adjustment (COLA). The comparison of the prior year salaries and benefits reflect an increase due to filling the majority of the unrestricted budgeted positions and increases in most payroll benefits. The increases resulted in additional expense of $552,477.

- The cost of supplies, materials, and other operating expenses and services decreased by $197,064.

- Depreciation expense increased from the prior year by $195,831.

Statement of Cash Flows

The Statement of Cash Flows presents changes in cash from the sources and uses of funds related to operating activities, capital asset acquisitions, and activity from debt instruments.

The District typically participates in a Tax Revenue Anticipation Notes (TRAN) program each year provided through Community College League of California (CCLC). The District's apportionment funding is primarily through property taxes which are paid twice a year in December and April. This program provides access to a short-term loan funds to assist with cash flow needs during the fiscal year. For the 2013-14 fiscal year the District had adequate cash on hand so participation in the TRAN was not required.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT STATEMENT OF CASH FLOWS (Condensed) For the Years Ended June 30, 2014 and 2013 (Thousands)				
	2013-2014	2012-2013	Dollar Change	Percent Change
CASH (USED IN) PROVIDING BY:				
Operating Activities	$ (13,329)	$ (11,377)	$ (1,952)	17.2%
Non-Capital Financing Activities	13,913	12,318	1,595	12.9%
Capital and Related Financing Activities	595	(294)	889	-302.4%
Investing Activities	-	-	-	0.0%
NET INCREASE IN CASH	$ 1,179	$ 647	$ 532	82.2%
CASH - BEGINNING OF THE FISCAL YEAR	$ 4,212	$ 3,565	$ 647	18.1%
CASH - END OF THE FISCAL YEAR	$ 5,391	$ 4,212	$ 1,179	28.0%

In accordance with GAAP, the District recorded $673,337 in depreciation expense for the fiscal year and reflected a liability for compensated absences (accrued vacation not used at June 30) of $414,315.

The District Supplemental Employee Retirement Plan (SERP) liability was accrued for $226,752.

For additional information concerning Capital Assets and Long-Term Debt, see footnotes to the financial statements.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary, for certain amounts held on behalf of students, clubs, donors and employees. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Asset and Changes in Fiduciary Net Assets. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary funds include Post Retiree Health Benefits and Associated Students Trust Fund.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45 which requires governmental agencies, including community colleges, to recognize other postemployment benefits (OPEB). As of June 30, 2014, the District has recorded $1,532,507, which represents two separate groups – Peralta and Other. The District is currently paying the pay-as-you-go liability portion on a yearly basis. An updated actuarial study as of April, 2012 was completed and received in September, 2012. Another actuarial study will be conducted in the 2014-15 fiscal year.

Economic Factors That Will Affect the Future

The State budget was passed on time by June 20, 2014. Proposition 30 was passed by the voters in November, 2012. It should be noted that the funding from Proposition 30 is only temporary. Sales tax increase attributable to Prop 30 terminates at the end of 2016 and income tax increase terminates at the end of 2018. The State of California is reluctant to identify funding sources for the significant increase for the state retirement system STRS which is projecting an employer contribution of over 19% in the next several years. There still seems to be exposure in the area of property tax shortfalls due to statewide forecast of property values. As Proposition 30 funds sunset there will be a significant need to replace that funding source for education and the impact and uncertainty it will have on the ability for students to obtain a quality education.

As noted last year, the 2008-09 fiscal year two thirds of the overall funding was comprised of funds from the General Fund. The General Fund is considered a dependable source. In the 2013-14 fiscal year the contribution from the General Fund is just slightly more than one third. The rest of the funds in the budget come from unpredictable sources. Even the current funding sources will sunset in 2016-17 related to the Education Protection Account.

Uncertainty continues regarding the exact amount of Redevelopment Agency funds that will be available, which will impact the 2013-14 fiscal year. The potential financial impact was incorporated into the 2013-14 fiscal year financial statements.

Feather River Community College District remains responsive to these variables and financial pressures with sound fiduciary practices, integrated strategic planning, and a collaborative governance approach to the budget process. The District evaluates its strategic planning and processes and incorporates these priorities as they relate to the college's mission. This integrated planning process along with the necessary supporting and prioritized budget requests will offer funding for quality educational programs that students need to further their educational pursuits. This integrated process will also enhance the financial health and viability of the District going into the future. A strong fund balance, prudent expenditure decisions, and flexibility, will certainly help the District in continuing to provide a quality educational experience for the students that are seeking degrees, transfers, and job enhancing skills.

The State of California will continue to face budget challenges due to the dependency related to the national and state economic recovery. The uncertainties are not as prominent as prior years but remain a presence as to the ability to fund community colleges. Examples of these uncertainties include annual deficit factors, limited or unfunded growth funding, and cost of living adjustments (COLA) that were never funded in the prior six years.

Proposition 30, The Schools and Local Public Safety Protection Act of 2012 passed in November 2012. This proposition temporarily raises the sales and use tax by .25 percent for four years and raises the income tax rate for high income earners ($250,000 for individuals and $500,000 for couples) for seven years to provide continuing funding for local school districts and community colleges. The Education Protection Account (EPA) is created in the State General Fund to receive and disburse these temporary tax revenues. The funds received from the EPA prohibit the use of these funds for administrative salaries and benefits or any other administrative costs. Feather River Community College District used these funds for direct instructional related expenditures. The total amount of funds received from the State EPA for the fiscal year 2013-14 was $1,687,934.

The State economy continues to show encouraging signs of a stable and sustained recovery which should improve the stability of the overall State budget. The prioritization of the available funds to restore student access, improve student success, focus on low income and disadvantaged populations, and reducing the wall of debt which constitutes deferrals and mandated costs is essential. This trend will hopefully give those citizens the opportunity to acquire, improve, and expand their education pursuits, and contribute to the economic recovery.

Historical Perspective: 2013-2014 Fiscal Year

Revenues for the 2013-2014 fiscal year remained rather flat due to the fact that the actual FTES generated was only 1,557. The total FTES's restoration from the 2012-13 fiscal year workload base did not restore the District back to the 1,623 FTES. The District will have two more years to restore the overall FTES back to the workload base of 1,623 FTES. The District made the decision to more the census enrollment for summer classes into the 2013-2014 fiscal year. Some of the decline in enrollment was due to lingering effect of the elimination of the Good Neighbor agreement. The out of state tuition revenue increased significantly from prior years which partially offset the decline in the workload base FTES revenues. Since the District declined in reported FTES in the 2012-2013 fiscal year, this action put the District into stabilization whereby the State makes up the difference in revenue due to the decline in enrollment (FTES) in the year of decline. The District plan is to restore the declined FTES by the end of the 2015-16 fiscal year.

Operating costs continued to rise due to salary step increases and overall non-discretionary expenditures. The District did receive a cost of living adjustment (COLA) of 1.57% for approximately $160K. These additional funds were used to pay increases to employees' salaries and benefits. There was a significant impact of not having any State funded COLA's for the past five years. This resulted in reduced available funds to offset operational increases. As in the past years, effective District management of expenses during the fiscal year helped to offset some of the increases to non-discretionary expenditures.

Net position, formerly classified as fund balance, is an indicator of the District's financial position. For the past six fiscal years, the District's fund balance for the general fund has been strong with adequate reserves to offset operating expenditures as needed due to any short term emergency. Even during challenging financial times, the District has remained structurally balanced. In 2013-2014, the District reflected .1 percent increase in the total net position reported.

Projected 2014-2015 Fiscal Year

The Board of Trustees for Feather River Community College District adopted a balanced final budget for the 2014-15 fiscal year, in September 2014. The current general fund operating budget approved by the Board of Trustees, projects revenues equaling expenses of $18.4 million. The balanced budget required that $1,298,184 of Beginning Fund Balance be used to accomplish this position. The District's budgeted revenue was projected based on 1,627 FTES with the difference between the revenue and expenses being supported with the use of Beginning Fund Balance.

Revenues for the 2014-2015 fiscal year will be funded based on the 1,627 FTES base established in the prior years. This represents expected total computational revenue of approximately $11.4 million for the unrestricted general fund.

The District which began the 2010-11 fiscal period with an agreement with the Feather River Foundation to assume the management of the Fitness Center continues to manage the facility in the 2014-15 fiscal year. The District also manages the Feather River Residence Hall for the Foundation owned facility which requires occupancy guarantees as well as repairs and support staffing. The 2014-15 fiscal year offered challenges regarding the availability for student housing. The anticipated shortage of student housing prompted the District to purchase an apartment complex which required significant repairs.

The State of California maintained most categorical funding with only selected moderate increases from the prior year. The District's apportionment revenue per FTES did receive a cost of living adjustment (COLA) of 1.57% for the 2013-2014 fiscal year, after five consecutive years without any adjustments. The 2014-15 fiscal year budget included a COLA of .85%.

Student enrollment fees are currently at $46 per credit unit.

The District offered and implemented an incentive based retirement plan, Supplemental Employee Retirement Plan (SERP) which included eleven employees who retired effective June 30, 2012. This included both unrestricted as well as restricted funded employees. The annual cost to the District represents $75,584 for each of the next three years.

Beyond Fiscal Year 2014-2015

With the economy showing signs of sustainability for the past two years, the State budget for the current fiscal year 2014-15, the State Budget is balanced for the second year in a row. Not all the problems are behind us because cautiously the possibility of a derailment of the current delicate economy could certainly happen. Forces that are out of our control like international events, government shutdowns, interest rates, federal and state debt, and unrealistic revenue projections are but a few things that could severely impact the economic recovery. Any potential slowdown in the economy in turn lowers the revenue forecast assumed in the current year budget as well as the subsequent year budgets. Overall the budget challenges are fewer and less severe looking forward to the next couple of years but prudent and conservative optimism should be maintained.

Revenues received from out-of-state tuition have increased since the Nevada Good Neighbor tuition agreement between California and Nevada which expired in November of 2011. Out-of-state students are not counted towards any apportionment funding from the State. There has been a decline in FTES due to this California/Nevada agreement which reduces the State apportionment that the District receives but revenues for out-of-state tuition collected has increased when compared to prior years. This increase in out-of-state tuition revenue received is forecasted to continue in the near future.

Budget assumptions going through the 2016 year would indicate potentially small increases as well as the elimination of all deferrals from the State of California. The impact on the District's reserve and the required expenditures to meet the Strategic Plan and the District's mission and goals in providing necessary instructional and student support services, will require constant attention and prioritization.

The District is faced with many funding challenges as we strive to serve a growing population in our county with aged facilities. The District has completed a Library Resource Center which provides an outstanding learning environment to our students, which was funded by a state bond measure. The District is pursuing potential funding for additional structure renovations and new construction to replace the aging buildings. The District has submitted proposals to the State of California so that prioritization and evaluations of the District's construction needs can be addressed if future state funds become available. The District continues to evaluate effective ways to meet the challenges of not only our aging facilities but the desire to upgrade our technology infrastructure, and expand our services to additional areas in the county. We continue to evaluate ways to most effectively allocate our resources to meet these demands.

Public employers in the United States are subject to a new Governmental Accounting Standard. Feather River Community College District pays all of the health insurance costs for eligible employees hired prior to 1994. A second retiree medical plan was established for employees hired after 1994 that limits OPEB liability by providing a defined contribution plan. Feather River Community College District pays its post-1994 retiree health insurance costs on an accrual basis. The pre-1994 plan is paid on a "pay as you go" basis. GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions) requires community college districts to report retiree benefits on an accrual basis. Though GASB 45 requires districts with OPEB plans for 200 or more members to obtain an actuarial valuation at least biennially, far less than 200 employees are eligible under Feather River Community College District's OPEB plans. Beginning in fiscal year 2008-2009, the actuarial accrued liability for OPEB plans was booked and recognized on the balance sheet and operating statement of the District's financial statements.

Feather River Community College District will continue to experience success with the leadership of our Board of Trustees, Superintendent/President, our outstanding faculty, and dedicated support staffs. With key plans in place such as the District's Strategic Plan, Educational Plan, Operational Plan, Comprehensive/Annual Program Reviews, and a supportive Operating Budget, the District is in a position to support and enhance the direction of our Mission Statement. As the Mission Statement reads, "Feather River College provides high-quality, comprehensive student learning and education and workforce preparation in a small college environment. The College provides general education, Associate's Degrees, transfer programs, and life-long learning for a diverse student population. The College serves as a community, cultural, and economic leader encompassing all communities that lie within the District and embraces the opportunities afforded by its natural setting".

The District is in a strong financial position with the ability to provide effective and responsive decisions to meet the challenges that will be faced on a unified front by students and management. The challenges that lie ahead will be replaced with successes and yet more challenges of the future. The Feather River Community College District will continue to identify fiscally responsible ways to serve our student body and communities with quality educational programs.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents	$ 4,454,840
Receivables, net	1,778,088
Stores inventories	42,945
Prepaid expenses	282,129
Total current assets	6,558,002
Noncurrent assets:	
Restricted cash and cash equivalents	935,987
Note receivable from Foundation	220,649
Non-depreciable capital assets	277,099
Depreciable capital assets, net	12,308,941
Total noncurrent assets	13,742,676
Total assets	$ 20,300,678
LIABILITIES	
Current liabilities:	
Accounts payable	$ 1,001,927
Unearned revenue	1,441,754
Compensated absences payable	414,315
Long-term debt - current portion	211,242
Total current liabilities	3,069,238
Noncurrent liabilities:	
Long-term debt - noncurrent portion	1,890,957
Total liabilities	4,960,195
NET POSITION	
Net investment in capital assets	12,243,100
Restricted for:	
Expendable:	
Capital projects	919,081
Unrestricted	2,178,302
Total net position	15,340,483
Total liabilities and net position	$ 20,300,678

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
FEATHER RIVER COMMUNITY COLLEGE FOUNDATION, INC.
(A Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS		
Current assets:		
Cash and cash equivalents	$	568,223
Investments, current		565,806
Receivables		38,484
Total current assets		1,172,513
Noncurrent assets:		
Investments, noncurrent		376,081
Non-depreciable capital assets		332,884
Depreciable capital assets, net		3,009,445
Other assets:		
Deposits		1,900
Horses, net of accumulated depreciation of $153,901		84,069
Bond issuance costs, net of accumulated amortization of $153,076		111,331
Total assets	$	5,088,223
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$	52,733
Current portion of long-term debt		210,604
Total current liabilities		263,337
Noncurrent liabilities:		
Long-term debt, less current portion		2,296,382
Total liabilities		2,559,719
NET ASSETS		
Unrestricted		2,111,234
Temporarily restricted		366,683
Permanently restricted		50,587
Total net assets		2,528,504
Total liabilities and net assets	$	5,088,223

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

For the Year Ended June 30, 2014

Operating revenues:	
Tuition and fees	$ 1,721,803
Less: scholarship discounts and allowances	(901,278)
Net tuition and fees	820,525
Grants and contracts, non-capital:	
Federal	2,845,849
State	1,770,053
Local	956,462
Auxiliary enterprise sales and charges	31,816
Total operating revenues	6,424,705
Operating expenses:	
Salaries	7,966,422
Employee benefits	2,530,728
Supplies, materials, and other operating expenses and services	4,231,176
Utilities	434,923
Depreciation	673,337
Student financial aid and scholarships	4,103,461
Total operating expenses	19,940,047
Loss from operations	(13,515,342)
Non-operating revenues (expenses):	
State apportionment, non-capital	5,681,287
Local property taxes	4,942,320
State taxes and other revenues	321,922
Interest expense on capital asset related debt	(21,559)
Interest income	15,226
Pell grants	2,013,556
Total non-operating revenues (expenses)	12,952,752
Loss before capital revenues	(562,590)
Capital revenues:	
Local property taxes and revenues	1,037,482
Change in net position	474,892
Net position, July 1, 2013	14,865,591
Net position, June 30, 2014	$ 15,340,483

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
FEATHER RIVER COMMUNITY COLLEGE FOUNDATION, INC.
(A Nonprofit Organization)

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 21,000	$ 113,978	$ -	$ 134,978
Registration fees	11,600	-	-	11,600
Contributions by Feather River College	54,000	-	-	54,000
Rental income	628,620	-	-	628,620
Interest and investment income	3,240	7,927	-	11,167
Other operating income	169,462	-	-	169,462
Gain on sale of horses	36,800	115,962	-	152,762
Fish sales, net	-	2,307	-	2,307
Fundraising income, net	-	65,086	-	65,086
Net assets released from restrictions	195,098	(195,098)	-	-
Total revenues, gains and other support	1,119,820	110,162	-	1,229,982
Expenses:				
Program services:				
Fitness center operations	28,996	-	-	28,996
College housing operations	684,539	-	-	684,539
Purchases on behalf of Feather River College	47,795	-	-	47,795
Scholarships granted	46,151	-	-	46,151
Supporting services:				
Management and general	215,808	-	-	215,808
Total expenses	1,023,289	-	-	1,023,289
Change in net assets	96,531	110,162	-	206,693
Net assets, July 1, 2013	2,014,703	256,521	50,587	2,321,811
Net assets, June 30, 2014	$ 2,111,234	$ 366,683	$ 50,587	$ 2,528,504

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:	
Tuition and fees	$ 861,774
Federal grants and contracts	3,014,440
State grants and contracts	1,283,971
Local grants and contracts	921,050
Payments to suppliers	(4,337,285)
Payment for utilities	(434,923)
Payments to employees	(10,557,565)
Payments to students	(4,103,461)
Auxiliary enterprises sales and charges	66,290
Net cash used in operating activities	(13,285,709)
Cash flows from noncapital financing activities:	
State appropriations	6,597,882
Local property taxes	4,942,320
State taxes and other revenues	321,922
Investment income - non capital	15,226
Pell grants	2,013,556
Net cash provided by noncapital financing activities	13,890,906
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	1,037,482
Purchase of capital assets	(280,180)
Principal paid on capital debt	(162,058)
Interest expense on capital debt	(21,559)
Net cash provided by capital and related financing activities	573,685
Change in cash and cash equivalents	1,178,882
Cash balance, beginning of year	4,211,945
Cash balance, end of year	$ 5,390,827

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2014

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$ (13,515,342)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	673,337
Changes in assets and liabilities:	
Receivables, net	(73,291)
Inventory and prepaids	(91,562)
Accounts payable	(14,547)
Unearned revenue	(203,889)
Compensated absences	(11,584)
Retiree health benefits	(48,831)
Net cash used in operating activities	$ (13,285,709)

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

DISCRETELY PRESENTED COMPONENT UNIT -
FEATHER RIVER COMMUNITY COLLEGE FOUNDATION, INC.
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014

Cash flows from operating activities:		
Change in net assets	$	206,693
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		181,462
Amortization		13,915
Donated horses included in contributions		(21,000)
Gain on sale of horses		(152,762)
Increase in accounts receivable		(18,596)
Decrease in accounts payable and accrued expenses		(1,170)
Net cash provided by operating activities		208,542
Cash flows from investing activities:		
Purchase of investments		(5,579)
Proceeds from the sale of investments		2,667
Purchase of horses		(8,500)
Proceeds from sale of horses		179,237
Net cash provided by investing activities		167,825
Cash flows used in financing activities:		
Payments on long-term debt		(198,916)
Change in cash and cash equivalents		177,451
Cash and cash equivalents - beginning of year		390,772
Cash and cash equivalents - end of year	$	568,223
Supplemental disclosure of cash flow information:		
Interest paid	$	129,387

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Agency Fund	Trust Fund
	Associated Students Fund	**Retiree Benefit Fund**
ASSETS		
Cash and cash equivalents	$ 8,446	$ 1,640,142
Accounts receivable	-	3,142
Total assets	$ 8,446	$ 1,643,284
LIABILITIES AND NET POSITION		
Accounts payable	$ -	$ 27,932
Amounts held for others	8,446	-
Total liabilities	8,446	27,932
Net position held in trust	-	1,615,352
Total liabilities and net position	$ 8,446	$ 1,643,284

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2014

	Retiree Benefits Fund
Additions:	
District contributions	$ 195,866
Interest income	2,936
Total additions	198,802
Deductions:	
Benefits	224,714
Net decrease	(25,912)
Net position held in trust:	
Net position, July 1, 2013	1,641,264
Net position, June 30, 2014	$ 1,615,352

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Feather River Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of the surrounding area. While the District is a political subdivision of the state, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is therefore exempt from federal taxes.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100.101 as amended by GASB Cod. Sec. 2100.138. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District identified the Feather River Community College Foundation, Inc. (the "Foundation") as its potential component unit.

The Foundation is a nonprofit, tax-exempt organization. The purpose of the Foundation is to provide supportive services and specialized programs for the general benefit of the District and the District's various organizations. The Foundation's funds consist of the following:

General - As a service to college affiliated organizations and projects, the Foundation performs fund-raising activities, provides scholarships, and acts as a collecting and disbursing agent for special activities of certain campus organizations.

Feather River Fitness and Recreation - As a service to students and the community, the Fitness and Recreation Center provides exercise facilities on a fee basis.

Feather River College Residence Halls - As a service to students, the Feather River College Residence Halls provide housing for students.

The District applied the criteria for identifying component units in accordance with GASB Cod. Sec. 2100.138 and, therefore, the District has classified the Foundation as a component unit that will be discretely presented in the District's financial statements. The Foundation also issues a stand-alone audited financial report, which can be obtained from the District or the Foundation.

Basis of Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective of the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when the obligation has been incurred. All significant intra-agency transactions have been eliminated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Fiduciary funds for which the District acts only as an agent are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

The Foundation's financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of financial position as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions. The Foundation's financial statements were prepared in accordance with the pronouncements of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the District's report for these differences.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Plumas County Treasury are considered cash equivalents.

Restricted Cash, Cash Equivalents and Investments

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as non current assets in the Statement of Net Position.

Fair Value of Investments

The District records its investment in funds held by Plumas County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Position. The fair value of investments, including the Plumas County Treasury external investment pool, at June 30, 2014 approximated their carrying value.

The Foundation's investments are valued at their fair value based upon quoted market prices, when available, or estimates of fair value in the Statement of Financial Position and unrealized and realized gains and losses are included in the Statement of Activities. Fair values of investments in county and state investment pools are determined by the pool sponsor.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist 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. Receivables also include amounts due from the Federal Government, State and Local Governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides an allowance for doubtful accounts as an estimation of amounts that may not be received. The allowance is based on management's estimates and historical analysis.

Inventory

Inventory consists of cafeteria food, textbooks and educational supplies at the Campus Center, which are valued using the retail method. Inventories are stated at the lower of cost (first in, first out) or market.

Capital Assets

Capital assets are recorded at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the District's capitalization policy included 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 is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 – 30 years depending on asset type.

Compensated Absences

Compensated absences are recorded as a liability of the District. This liability is for earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or 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 for certain STRS and PERS employees, when the employee retires.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Revenues from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Net Position

The District's net position are classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated 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: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consist 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 either be expended or added to principal. At June 30, 2014, there is no balance of nonexpendable restricted net position.

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

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District first applies the expense toward restricted resources, then to unrestricted resources.

Net Assets

The Foundation's net assets are classified as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets consisting of cash and other assets received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.
- *Permanently restricted net assets* - Net assets that are nonexpendable and consist of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

The Foundation's endowment currently consists of two individual donor-restricted endowment funds established for the purpose of supporting education at the District. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows the Foundation's adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income and equity instruments with the objective of maintaining a balanced portfolio in accordance with the Foundation's investment policy.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

On-Behalf Payments

GASB Cod. Sec. N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of $95,829 (3.041%) of salaries subject to CalSTRS.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue and Expense

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. 2200.190-.191, including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses 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. All expenses are considered operating expenses except for interest expense on capital asset related debt.

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income. Interest expense on capital related debt is the only non-operating expense.

Contributions

Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period as the events occur.

Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of the Board of Governors fee waiver and allowances in the Statement of Revenues, Expenses and Change 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. Certain governmental grants, such as Pell grants and other federal, state and nongovernmental programs, are recorded as revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

Tax Status of the Foundation

The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation does not expect the total amount of unrecognized total benefits to significantly change in the next 12 months. Interest and penalties on tax assessments are classified as an expense when incurred. For the year ended June 30, 2014, the Foundation did not incur any interest or penalties.

Income tax returns for the Foundation are filed in the U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The provisions of this Statement are effective for the District's fiscal year ended June 30, 2014, with earlier application encouraged. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This Statement is effective for the District's financial period ended June 30, 2014. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District’s financial period ended June 30, 2015. Management expects this GASB statement to have a material impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This liability should be reported until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units by specifying the information required to be disclosed by governments that extend nonexchange financial guarantee as well as new information to be disclosed by governments that receive nonexchange financial guarantees. This statement was adopted for the District's fiscal year ended June 30, 2014 with no material impact on the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's financial period ending June 30, 2015. Management expects that this GASB statement along with GASB statement No. 68 will have a material impact on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2014, consisted of the following:

	District	Foundation	Agency Funds	Trust Fund
Pooled Funds:				
Cash in County Treasury	$ 5,220,005	$ -	$ -	$ 1,640,142
Deposits:				
Cash on hand and in banks	170,822	568,223	8,446	-
Total cash and cash equivalents	5,390,827	568,223	8,446	1,640,142
Less: restricted cash	935,987	-	-	-
Net cash and cash equivalents	$ 4,454,840	$ 568,223	$ 8,446	$ 1,640,142
Investments	$ -	$ 941,887	$ -	$ -

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District and fiduciary accounts in banks was $179,268 and the bank balance totaled $286,038, all of which was fully insured.

The Foundation limits custodial credit risk by ensuring uninsured balances are collateralized by respective financial institution. Cash balances held in banks are insured up to $250,000 by the FDIC and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the Foundation's cash on hand and in banks was $568,223 and the bank balance was $714,984, of which $250,000 was FDIC insured and $464,984 remained uninsured.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Plumas County Treasury. The County pools and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

Custodial Credit Risk

In accordance with applicable state laws, the Plumas County Treasurer may invest in derivative securities. However, at June 30, 2014, the Plumas County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the District. All cash held by financial institutions is entirely insured or collateralized.

Under provision of the District's policy, and in accordance with Sections 53601 and 53602 of the California Government Code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District has no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentrations of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentrations of credit risk.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments

Investments are stated at fair value as of June 30, 2014 and consist of revenue bond proceeds invested in the following mutual fund, community foundation, and guaranteed investment contract:

First American Treasury Obligations Fund, short-term	$	565,806
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher), long-term		55,054
Bayerische Landesbank Investment Agreement, long-term		321,027
	$	941,887

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC. At June 30, 2014, the Foundation investment in pool consisted of 5% cash and short term investments, 24% fixed income securities, and 71% equity securities.

The following presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2014, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 - Quoted market prices for identical instruments traded in active exchange markets.

Level 2 - Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments (Continued)

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

Description	Fair Value	Level 1	Level 2	Level 3
Investment securities:				
FCCC/Osher	$ 55,054	$ -	$ -	$ 55,054
Guaranteed investment contract	321,027	-	-	321,027
Mutual fund	565,806	565,806	-	-
	$ 941,887	$ 565,806	$ -	$ 376,081

There were no significant transfers between the fair value levels during the year ending June 30, 2014.

Mutual Funds - The Foundation's mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Guaranteed Investment Contract ("GIC") - The fair value of the GIC, classified as Level 3, is the amount payable on demand, at the measurement date, subject to the surrender provisions of the contract.

FCCC/Osher - The fair value of the investments held by FCCC were based upon the net asset values (“NAVs”) of the assets at June 30, 2014. The fair value of the funds held by FCCC is based upon the Foundation’s proportionate share of the FCCC/Osher pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of fair value inputs. Investments that are redeemable in greater than 90 days are considered a Level 3 fair value measurement due to the inability to redeem the asset at NAV in the near term (Level 3 inputs).

There were no changes in the valuation techniques used during the year ended June 30, 2014.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table presents changes in Level 3 instruments measured on a recurring basis for the year ended June 30, 2014. Net gains/losses are recorded in the statement of activities.

Foundation Investments (Continued)

	Guaranteed Investment Contract	FCCC/ Osher
Balance, July 1, 2013	$ 324,983	$ 49,981
Distributions	-	(2,667)
Management fees	-	(187)
Realized gain	-	945
Investment income	-	2,606
Change in fair value	(3,956)	4,376
Balance, June 30, 2014	$ 321,027	$ 55,054

Amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held as of June 30, 2014	$ 420

The Foundation had no non recurring assets and no liabilities at June 30, 2014, which were required to be disclosed using the fair value hierarchy.

3. RECEIVABLES

Receivables:	
Federal	$ 73,073
State	1,375,020
Local and other, net of allowance	329,995
	$ 1,778,088

The allowance for doubtful accounts of $162,791 is maintained at an amount that management considers sufficient to fully reserve and provide for possible uncollectibility of student fees receivable. Student fees receivable, net of the allowance, included in local and other receivables, totaled $51,137 at June 30, 2014.

At June 30, 2014, the Foundation had $38,484 in receivables due from local sources.

4. NOTE RECEIVABLE FROM FOUNDATION

The District entered into a unsecured loan agreement up to the amount of $350,000 with the Foundation for the purpose of financing repairs for the Feather River College Residence Halls, dated May 27, 2010. Effective December 15, 2010, the loan agreement was modified reducing the maximum loan agreement to the amount of $300,000. The note accrues interest, tied to the Plumas County Pooled Money Investment Account combined rate of return on county funds, with interest only payments for the first five years. As of June 30, 2014, the nominal interest rate was at 2%. Principal and interest payments will be made for the remaining 15 years, with the final installment due August 1, 2030. As of June 30, 2014, the Foundation had drawn down $220,649.

5. CAPITAL ASSETS

District capital asset activity consists of the following:

	Balance July 1, 2013	Additions and Transfers	Deletions and Transfers	Balance June 30, 2014
Non-depreciable:				
Land	$ 277,099	$ -	$ -	$ 277,099
Depreciable:				
Land improvements	476,563	-	-	476,563
Buildings	17,312,975	-	-	17,312,975
Equipment	3,886,597	280,180	-	4,166,777
Total	21,953,234	280,180	-	22,233,414
Less accumulated depreciation:				
Land improvements	(373,560)	(15,162)	-	(388,722)
Buildings	(5,489,920)	(451,800)	-	(5,941,720)
Equipment	(3,110,557)	(206,375)	-	(3,316,932)
Total	(8,974,037)	(673,337)	-	(9,647,374)
Capital assets, net	$ 12,979,197	$ (393,157)	$ -	$ 12,586,040

5. CAPITAL ASSETS (Continued)

Foundation capital asset activity consists of the following:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable:				
Land	$ 332,884	$ -	$ -	$ 332,884
Depreciable:				
Buildings and improvements	4,317,762	-	-	4,317,762
Machinery and equipment	201,894	-	-	201,894
Furniture and fixtures	142,008	-	-	142,008
Total	4,994,548	-	-	4,994,548
Less accumulated depreciation:				
Buildings and improvements	(1,160,782)	(147,535)	-	(1,308,317)
Machinery and equipment	(196,523)	(5,371)	-	(201,894)
Furniture and fixtures	(142,008)	-	-	(142,008)
Total	(1,499,313)	(152,906)	-	(1,652,219)
Capital assets, net	$ 3,495,235	$ (152,906)	$ -	$ 3,342,329

6. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	$ 17,385
Unearned student fees	842,772
Unearned tuition and other student fees	581,597
Total unearned revenue	$ 1,441,754

7. LONG-TERM LIABILITIES

SERP Liability

During the year ended June 30, 2012, the District provided the option of a Supplemental Employee Retirement Plan ("SERP") to the District employees. As of June 30, 2014, there were 11 employees under the SERP. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

The annual requirements to amortize the SERP liability outstanding as of June 30, 2014 are as follows:

Year Ending June 30,	
2015	$ 75,584
2016	75,584
2017	75,584
	$ 226,752

Capitalized Lease Obligations

The District leases certain equipment and software with a net book value of approximately $91,140 under long-term lease purchase agreements. The following is a schedule of future minimum lease payments for capitalized lease obligations as of June 30, 2014:

Year Ending June 30,	Lease Payments
2015	$ 151,094
2016	151,126
2017	24,703
2018	23,841
2019	23,841
Total payments	374,605
Less amount representing interest	(31,665)
Net minimum lease payments	$ 342,940

7. LONG-TERM LIABILITIES (Continued)

District Changes in Long-Term Debt

A schedule of changes in the District's long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
SERP Liability	$ 302,336	$ -	$ 75,584	$ 226,752	$ 75,584
Capitalized lease obligations	504,998	-	162,058	342,940	135,658
Compensated absences	425,899	-	11,584	414,315	414,315
Other postemployment benefits (Note 10)	1,505,754	251,468	224,715	1,532,507	-
	$ 2,738,987	$ 251,468	$ 473,941	$ 2,516,514	$ 625,557

Foundation Student Housing Bonds

On May 1, 2003, the California Community College Financing Authority issued Student Housing Revenue Bonds in the amount of $3,415,000, comprised of $3,250,000 Series A Tax-exempt bonds and $165,000 Series B Taxable bonds, to fund a loan to the Foundation to acquire and improve a 110-bed student housing facility located on property adjacent to the main campus of Feather River Community College District, and to fund a debt service fund for the bonds and pay a portion of the costs of issuing the bonds. The bonds, with interest rates from 3.56% to 5.3% will mature in varying amounts through July 1, 2022. Future payments are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 170,000	$ 112,095	$ 282,095
2016	175,000	102,953	277,953
2017	185,000	93,413	278,413
2018	195,000	83,342	278,342
2019	210,000	72,610	282,610
2020-2023	1,265,000	162,577	1,427,577
	$ 2,200,000	$ 626,990	$ 2,826,990

7. LONG-TERM LIABILITIES (Continued)

Foundation Fitness Center Mortgage

On December 17, 2001, the Foundation entered into a commercial real estate loan agreement for $400,000 to purchase the Feather River Fitness and Recreation property. The loan is secured by a first deed of trust on the property, has a variable interest rate of 3.75% above the 5 Year Treasury Security, Adjusted to Constant Maturities index, and matures in July 2016. Interest rate changes will not occur more often than each five years. Future payments, are scheduled as follows:

Year Ending June 30,	Principal	Interest	Total
2015	$ 40,604	$ 7,396	$ 48,000
2016	44,287	3,713	48,000
2017	1,446	382	1,828
	$ 86,337	$ 11,491	$ 97,828

Foundation Changes in Long-Term Debt

A schedule of changes in the Foundation's long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Student housing bonds	$ 2,360,000	$ -	$ 160,000	$ 2,200,000	$ 170,000
Feather River Fitness and Recreation mortgage	125,253	-	38,916	86,337	40,604
Feather River Community College District loan (Note 4)	220,649	-	-	220,649	-
	$ 2,705,902	$ -	$ 198,916	$ 2,506,986	$ 210,604

The Foundation is subject to certain covenants in accordance with its long-term liability agreements. As of June 30, 2014, management believes the Foundation was in compliance with these covenants.

8. PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Plumas and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year.

9. EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System ("CalSTRS")

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan) of CalSTRS, a multiple employer cost-sharing plan. Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active members of the DB Plan are required to contribute 8% of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the CB Benefit Program is always a minimum of 4% with the sum of the District and employee contribution always being equal or greater than 8%.

Annual Pension Cost

The District's total contributions to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were $261,565, $246,774 and $252,326, respectively, and equals 100% of the required contributions for each year. On June 30, 2014, the Governor of California signed Assembly Bill 1469, which will increase the member contribution to 19.1% over the next seven years.

9. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System ("CalPERS")

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the district is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $407,793, $355,509 and $347,624, respectively, and equaled 100 percent of the required contributions for each year.

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the District provides retiree and dependent medical coverage to eligible employees who retire from the District. Duration of benefits is calculated on a prorated basis, up to a maximum of 10 years, based on years of service. The District operates the Plan on a pay-as-you-go basis and pays a set amount each month towards the cost of the medical coverage. Any costs in excess of this amount will be paid by the retiree. If the eligible employee remains in the Plan after the age of 64, the retirees must pay 100% of their premiums resulting in no liability for the District. although the plan has no segregated assets, for employees hired before August 1, 1994, a fund was established in 1995-96 to accumulate funds to pay for the District's share of future medical premiums of eligible future retirees. At June 30, 2014 the assigned fund balance for retiree benefits was $435,959.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	$ 112,567
Interest on net OPEB obligation	7,293
Adjustment to annual required contribution	(44,675)
Annual OPEB cost (expense)	75,185
Contributions made	(95,033)
Decrease in net OPEB obligation	(19,848)
Net OPEB liability - beginning of year	364,650
Net OPEB liability - end of year	$ 344,802

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 79,400	66.1%	$ 393,264
June 30, 2013	$ 82,793	134.6%	$ 364,650
June 30, 2014	$ 75,185	126.4%	$ 344,802

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of April 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $846,874, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $846,874. As of the last actuarial, covered payroll (annual payroll of active employees covered by the Plan) was $826,522, and the ratio of the UAAL to the covered payroll was 102 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the April 1, 2012, actuarial valuation the entry age normal cost method was used. The actuarial assumptions included a 2 percent discount rate, which is based on assumed long-term investment returns on employer assets, an annual healthcare cost trend rate and payroll increase of 2, and 3 percent, respectively. The UAAL is being amortized utilizing the flat dollar amount method on a closed basis. The remaining amortization period at June 30, 2014, was 7 years.

"Peralta" Group

In addition to the pension benefits described in Note 9, the District provides retiree and dependent benefits to employees and retirees, eligible under the Peralta 18 Agreement. The Peralta 18 Agreement obligates District funds for the ten years following an eligible employee's retirement. In each eligible fiscal year, the District allocates a set amount of funds to the Peralta fund. These funds are calculated based on the difference of the vacating faculty member's salary and their replacement or equivalent. The annual obligation is subject to change based upon employee turnover. After ten years of payment, per eligible retiree, the District's obligation is absolved. The District contributions are put into a separate County Treasury fund which is managed by the Peralta Trustee. The fund is not an irrecovable trust and therefore are not considered assets of the Peralta Group Plan. At June 30, 2014, the fund balance was $1,179,393. The District serves as a processing center for monthly health benefit costs as well as individual payments for Medicare Part B.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

"Peralta" Group (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed, and changes in the District's net OPEB obligation:

Annual required contribution	$ 194,116
Interest on net OPEB obligation	51,350
Adjustment to annual required contribution	(69,183)
Annual OPEB cost (expense)	176,283
Contributions made	(129,682)
Increase in net OPEB obligation	46,601
Net OPEB liability - beginning of year	1,141,104
Net OPEB liability - end of year	$ 1,187,705

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 179,091	81.7%	$ 994,125
June 30, 2013	$ 277,631	47.1%	$ 1,141,104
June 30, 2014	$ 176,283	73.6%	$ 1,187,705

As of April 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $1,497,695, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $1,497,695. As of the last actuarial, the covered payroll (annual payroll of active employees covered by the Plan) was $241,950, and the ratio of the UAAL to the covered payroll was 619 percent.

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

"Peralta" Group (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included as Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the April 1, 2012, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on assumed long-term investment returns on employer assets, and an annual healthcare cost trend rate and payroll increase of 4 and 3 percent, respectively. The UAAL is being amortized utilizing the flat dollar amount method on a closed basis. The remaining amortization period at June 30, 2014, was 8 years.

11. COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial statements.

12. JOINT POWERS AGREEMENTS

The District is a member of Northern California Community Colleges Self Insurance Authority (NCCCSIA), a joint powers authority established to provide workers' compensation and property/liability insurance. The following is a summary of current financial information available for NCCCSIA at June 30, 2013 (the most recent information available):

Total assets	$	3,669,605
Total liabilities	$	1,093,142
Net position	$	2,576,463
Total revenues	$	7,758,102
Total expenses	$	8,138,887
Change in net position	$	(380,785)

The District is also a member of Tri-County Schools Insurance Group (TRI-SIG). This is a joint powers authority providing health insurance. The following is a summary of current financial information for June 30, 2013 (the most recent information available):

Total assets	$	23,516,814
Total liabilities	$	10,830,643
Net position	$	12,686,171
Total revenues	$	59,239,629
Total expenses	$	61,063,082
Change in net position	$	(1,823,453)

In addition, the District is a member of Statewide Association of Community Colleges (SWACC). This is a joint powers authority, which provides excess liability coverage. The following is a summary of financial information at June 30, 2013 (the most recent information available):

Total assets	$	52,337,870
Total liabilities	$	21,094,905
Net position	$	31,242,965
Total revenues	$	10,051,708
Total expenses	$	6,417,336
Change in net position	$	3,634,372

The relationship between the District and the joint powers authorities are such that the joint powers authorities are not component units of the District for financial reporting purposes.

The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board. The District pays a premium commensurate with the level of coverage requested.

12. JOINT POWERS AGREEMENTS (Continued)

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

13. OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and change in net position for the year ended June 30, 2014.

	Salaries	Employee Benefits	Supplies Materials and Other Operating Expenses	Utilities	Depreciation	Student Financial Aid and Scholar-ships	Total
Instruction	$ 4,155,319	$ 1,025,117	$ 2,079,260	$ -	$ -	$ -	$ 7,259,696
Academic Support	455,860	159,820	247,642	-	-	-	863,322
Student Services	1,386,451	505,712	404,896	-	-	-	2,297,059
Operations and Mainten-ance of Plant	795,153	332,077	442,187	-	-	-	1,569,417
Institution Support	694,767	340,576	907,376	434,923	-	-	2,377,642
Community Services and Economic Development	4,533	458	10,497	-	-	-	15,488
Auxiliary Operations	474,339	166,968	139,318	-	-	-	780,625
Student Aid	-	-	-	-	-	4,103,461	4,103,461
Physical Property and Related Acquisitions	-	-	-	-	673,337	-	673,337
	$ 7,966,422	$ 2,530,728	$ 4,231,176	$ 434,923	$ 673,337	$ 4,103,461	$ 19,940,047

14. RELATED PARTY TRANSACTIONS

The Foundation is economically dependent on the District and the financial statements of the Foundation may not necessarily be indicative of the conditions or results of operations which would have existed had the Foundation been operated as an unaffiliated entity.

The Foundation and the District have entered into an agreement regarding Feather River Fitness and Recreation whereby the District shall reimburse the Foundation for the cost of insurance and to repay the debt created by its purchase. For the fiscal year ended June 30, 2014, the value of the contributions totaled $54,000.

15. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 3,677	$ 50,587	$ 54,264
Investment income	-	945	-	945
Change in fair value of investments	-	6,982	-	6,982
Appropriation of endowment assets for expenditure	-	(6,530)	-	(6,530)
Endowment net assets, end of year	$ -	$ 5,074	$ 50,587	$ 55,661

At June 30, 2014, endowment net assets were donor restricted funds. Thee were no board restricted endowments.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There was no individual endowment funds with such deficiencies as of June 30, 2014.

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2014, Feather River Community College District purchased additional apartments for the Feather River College Foundation. We note that the apartments were purchased on August 29, 2014 by the District, and sold to the Foundation on September 11, 2014 for $351,348.

REQUIRED SUPPLEMENTARY INFORMATION

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Non-Peralta Group						
September 18, 2009	$ -	$ 899,168	$ 899,168	0%	$ 644,953	139%
April 1, 2012	$ -	$ 846,874	$ 846,874	0%	$ 826,522	102%
Peralta Group						
September 18, 2009	$ -	$ 1,630,087	$ 1,630,087	0%	$ 169,759	960%
April 1, 2012	$ -	$ 1,497,695	$ 1,497,695	0%	$ 241,950	619%

Only two years of actuarial valuation is provided because the District has only had two valuations performed.

See independent auditor's report on required supplementary information.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULE

Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

ORGANIZATION
(Unaudited)

June 30, 2014

The Feather River Community College District is located in Quincy, California. Geographically, the District encompasses all of Plumas County with the exception of the southeastern corner of the County, near Calpine, California.

The District provides the first two years of instruction transferable to accredited four-year colleges and universities as well as vocational and technical education.

The Board of Trustees and District Administration for the fiscal year ended June 30, 2014 were composed of the following members:

BOARD OF TRUSTEES

Members	Office	Term Expires
Mr. William Elliott	President	December 2014
Mr. John Sheehan	Vice President	December 2016
Mr. Guy McNett	Member - Provisional	December 2014
Ms. Leah West	Member	December 2014
Dr. Dana Ware	Member - Provisional	December 2014

DISTRICT ADMINISTRATION

Dr. Kevin Trutna
President/District Superintendent

Mr. James Scoubes
Chief Financial Officer

Dr. Derek Lerch
Chief Instructional Officer

Dr. Karen Pierson
Chief Student Services Officer

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF NET POSITION BY FUND
(Unaudited)
June 30, 2014

	General	Capital Outlay Projects Fund	Child Development Fund	Student Financial Aid Fund	Bookstore Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Position
Assets								
Current assets:								
Cash and cash equivalents	$ 3,906,203	$ -	$ 17,264	$ 335,407	$ 195,966	$ 4,454,840	$ -	$ 4,454,840
Receivables, net	1,718,225	1,312	1,601	25,618	31,332	1,778,088	-	1,778,088
Due from other funds	287,298	-	1,591	-	-	288,889	(288,889)	-
Stores inventories	-	-	-	-	42,945	42,945	-	42,945
Prepaid expenses	282,129	-	-	-	-	282,129	-	282,129
Total current assets	6,193,855	1,312	20,456	361,025	270,243	6,846,891	(288,889)	6,558,002
Noncurrent assets:								
Restricted cash and cash equivalents	-	935,987	-	-	-	935,987	-	935,987
Note receivable from Foundation	220,649	-	-	-	-	220,649	-	220,649
Non-depreciable capital assets	-	-	-	-	-	-	277,099	277,099
Depreciable capital assets, net	-	-	-	-	-	-	12,308,941	12,308,941
Total noncurrent assets	220,649	935,987	-	-	-	1,156,636	12,586,040	13,742,676
Total assets	$ 6,414,504	$ 937,299	$ 20,456	$ 361,025	$ 270,243	$ 8,003,527	$ 12,297,151	$ 20,300,678
Liabilities								
Current liabilities:								
Accounts payable	$ 985,367	$ -	$ 2,042	$ 11,394	$ 3,124	$ 1,001,927	$ -	$ 1,001,927
Unearned revenue	1,408,645	18,218	-	14,891	-	1,441,754	-	1,441,754
Compensated absences payable	-	-	-	-	-	-	414,315	414,315
Long-term debt - current portion	-	-	-	-	-	-	211,242	211,242
Due to other funds	1,591	-	-	287,298	-	288,889	(288,889)	-
Total current liabilities	2,395,603	18,218	2,042	313,583	3,124	2,732,570	336,668	3,069,238
Noncurrent liabilities:								
Long-term debt - noncurrent portion	-	-	-	-	-	-	1,890,957	1,890,957
Total liabilities	2,395,603	18,218	2,042	313,583	3,124	2,732,570	2,227,625	4,960,195
Net Position								
Net investment in capital assets	-	-	-	-	-	-	12,243,100	12,243,100
Restricted for:								
Expendable:								
Capital projects	-	919,081	-	-	-	919,081	-	919,081
Other special purposes	282,129	-	-	-	-	282,129	(282,129)	-
Unrestricted	3,736,772	-	18,414	47,442	267,119	4,069,747	(1,891,445)	2,178,302
Total net position	4,018,901	919,081	18,414	47,442	267,119	5,270,957	10,069,526	15,340,483
Total liabilities and net position	$ 6,414,504	$ 937,299	$ 20,456	$ 361,025	$ 270,243	$ 8,003,527	$ 12,297,151	$ 20,300,678

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND
(Unaudited)
For the Year Ended June 30, 2014

	General	Capital Outlay Projects Fund	Child Development Fund	Student Financial Aid Fund	Bookstore Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Revenues, Expenses and Change in Net Position
Operating revenues:								
Tuition and fees	$ 1,857,856	$ 151	$ -	$ -	$ -	$ 1,858,007	$ (136,204)	$ 1,721,803
Less: Scholarship discounts and allowance	-	-	-	-	-	-	(901,278)	(901,278)
Net tuition and fees	1,857,856	151	-	-	-	1,858,007	(1,037,482)	820,525
Grants and contracts, non-capital:								
Federal	1,001,365	-	9,637	1,834,847	-	2,845,849	-	2,845,849
State	1,584,883	292	71,491	113,387	-	1,770,053	-	1,770,053
Local	719,774	80,731	20,259	135,247	451	956,462	-	956,462
Auxiliary enterprise sales and charges	-	-	-	-	31,816	31,816	-	31,816
Total operating revenues	5,163,878	81,174	101,387	2,083,481	32,267	7,462,187	(1,037,482)	6,424,705
Operating expenses:								
Salaries	7,781,564	-	143,715	-	52,727	7,978,006	(11,584)	7,966,422
Employee benefits	2,514,948	-	50,280	-	14,331	2,579,559	(48,831)	2,530,728
Supplies, materials and other operating expenses and services	4,890,038	37,961	6,648	-	11,632	4,946,279	(715,103)	4,231,176
Utilities	-	-	-	-	-	-	434,923	434,923
Depreciation	-	-	-	-	-	-	673,337	673,337
Student financial aid and scholarships	109,690	-	-	3,993,771	-	4,103,461	-	4,103,461
Total operating expenses	15,296,240	37,961	200,643	3,993,771	78,690	19,607,305	332,742	19,940,047
(Loss) gain from operations	(10,132,362)	43,213	(99,256)	(1,910,290)	(46,423)	(12,145,118)	(1,370,224)	(13,515,342)
Non-operating revenues (expenses):								
State apportionment, non-capital	5,681,287	-	-	-	-	5,681,287	-	5,681,287
Local property taxes	4,942,320	-	-	-	-	4,942,320	-	4,942,320
State taxes and other revenues	321,922	-	-	-	-	321,922	-	321,922
Interest expense on capital asset related debt	(21,559)	-	-	-	-	(21,559)	-	(21,559)
Interest income	13,134	1,268	107	-	717	15,226	-	15,226
Debt reduction	(162,058)	-	-	-	-	(162,058)	162,058	-
Pell grants	103,266	-	-	1,910,290	-	2,013,556	-	2,013,556
Interfund transfers out	(235,486)	-	-	-	-	(235,486)	235,486	-
Interfund transfers in	-	166,603	68,883	-	-	235,486	(235,486)	-
Total non-operating revenues (expenses)	10,642,826	167,871	68,990	1,910,290	717	12,790,694	162,058	12,952,752

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND
(Unaudited)
(Continued)
For the Year Ended June 30, 2014

	General	Capital Outlay Projects Fund	Child Development Fund	Student Financial Aid Fund	Bookstore Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Revenues, Expenses and Change in Net Position
Income (loss) before capital revenues	510,464	211,084	(30,266)	-	(45,706)	645,576	(1,208,166)	(562,590)
Capital revenues:								
Local property taxes and other revenues, capital	-	-	-	-	-	-	1,037,482	1,037,482
Change in net position	510,464	211,084	(30,266)	-	(45,706)	645,576	(170,684)	474,892
Net position, July 1, 2013	3,508,437	707,997	48,680	47,442	312,825	4,625,381	10,240,210	14,865,591
Net position, June 30, 2014	$ 4,018,901	$ 919,081	$ 18,414	$ 47,442	$ 267,119	$ 5,270,957	$ 10,069,526	$ 15,340,483

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268	P268K123097	$ 1,778,411
Federal Work Study Program	84.033	P033A100600	24,768
Higher Education Act:			
Federal Pell Grant Program	84.063	P063P101180	2,013,556
Federal Supplementary Educational Opportunity Grant	84.007	P007A070600	21,597
Subtotal Student Financial Aid Cluster			3,838,332
TRIO - Student Support Services	84.042A	P042A100546	245,172
TRIO - Talent Search	84.044	P044A110711	197,528
TRIO - Upward Bound	84.047	P047A120549	227,175
Subtotal TRIO Cluster			669,875
Career and Technical Education Programs:			
Passed through the California Community College Chancellor's Office:			
Career and Technical Education - Basic Grants to States	84.048		50,415
Passed through Butte Community College District:			
Career and Technical Education - Basic Grants to States	84.048		1,587
Subtotal Career and Technical Education Programs			52,002
Passed through the California Community College Chancellor's Office:			
Higher Education Institutional Aid	84.031A		72,602
Total U.S. Department of Education			4,632,811
U.S. Department of Agriculture			
Passed through the California Department of Education:			
Child and Adult Care Food Program	10.558		9,637
Passed through Plumas County:			
RAC Greenhouse Grant	10.666		14,506
Passed through Plumas County:			
Forest Reserve	10.665		177,361
Total U.S. Department of Agriculture			201,504

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Entity Identifying Number	Federal Expenditures
U.S. Department of Veteran Affairs			
Direct Program:			
Survivors and Dependents Educational Assistance	64.117		$ 10,839
U.S. Department of Health and Human Services			
Passed through Yosemite Community College District:			
Child Care and Development Block Grant	93.575		7,453
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families	93.667		6,798
Total U.S. Department of Health and Human Services			14,251
Total Federal Programs			$ 4,859,405

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2014

	Program Entitlements			Program Revenues				
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue/ Accounts Payable	Total	Program Expend-itures
Cal Grants	$ -	$ 125,000	$ 125,000	$ 112,636	$ -	$ -	$ 112,636	$ 112,636
Disabled Student Programs and Services	-	147,802	147,802	147,802	-	-	147,802	147,802
Extended Opportunity Programs and Services	-	189,721	189,721	189,721	-	16,738	172,983	172,983
Matriculation	-	101,600	101,600	101,806	-	12,865	88,941	88,941
IELM Black Grant	-	109,713	109,713	109,713	-	95,994	13,719	13,719
Cooperative Agency Resource Education	-	41,186	41,186	36,078	-	8,761	27,317	27,317
AB 1725 Staff Development	349	-	349	349	-	199	150	150
Equal Employment Opportunity	-	6,880	6,880	6,723	-	4,872	1,851	1,851
Child Development	-	99,543	99,543	70,558	1,791	1,466	70,883	70,883
Prop 39 Clean Energy	-	55,894	55,894	55,894	-	38,948	16,946	16,946
Child Care Food Program	-	600	600	608	-	-	608	608
Child Development Early Childhood Mentoring Program	-	972	972	972	-	225	747	747
Cal WORKs	-	117,716	117,716	56,767	-	4,711	52,056	52,056
NFNRC Mini-Grant	-	5,000	5,000	-	4,200	-	4,200	4,200
Telecommunications	-	8,298	8,298	8,298	-	8,298	-	-
Boating Safety	-	17,000	17,000	16,255	354	-	16,609	16,609
BFAP 2%	-	17,741	17,741	17,741	-	-	17,741	17,741
CTE Transitions	-	44,000	44,000	32,180	11,801	-	43,981	43,981
Deferred Maintenance	-	29,052	29,052	29,052	-	29,052	-	-
WIP E-Ship	-	351,778	351,778	275,216	21,457	95,355	201,318	201,318
AB 86 Adult Education	-	179,549	179,549	89,775	-	83,775	6,000	6,000
Basic Skills	-	111,444	111,444	111,444	-	22,570	88,874	88,874
PT Faculty Office Hours & Comp	-	35,507	35,507	35,507	-	-	35,507	35,507
YEP Grant	-	176,604	176,604	130,355	45,036	-	175,391	175,391
SB 70 Block Grant	-	513,683	513,683	425,802	330	118,964	307,168	307,168
SB 10 Block Grant	-	200,000	200,000	80,000	-	36,506	43,494	43,494
Mandated Cost	-	43,309	43,309	43,309	-	-	43,309	43,309
R2T4	-	750	750	750	-	-	750	750
Maintenance Allowance	-	7,545	7,545	-	7,545	-	7,545	7,545
Block Grant/Maintenance and Repairs	87,702	109,705	197,407	197,407	-	154,559	42,848	42,848
Block Grant/600 Remodel	25,757	-	25,757	24,852	-	17,891	6,961	6,961
Block Grant/Library Remodel	29,269	-	29,269	29,268	-	7,841	21,427	21,427
Unrestricted Lottery	-	206,446	206,446	180,137	26,309	-	206,446	206,446
Lottery/Instructional Materials	-	80,000	80,000	114,071	29,407	114,856	28,622	28,622
LRC Capital Outlay	-	292	292	292	-	-	292	292
Total State Programs	$ 143,077	$ 3,134,330	$ 3,277,407	$ 2,731,338	$ 148,230	$ 874,446	$ 2,005,122	$ 2,005,122

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT

Annual Attendance as of June 30, 2014

Categories	Reported Data	Audit Adjustments	Revised Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit	17	-	17
2. Credit	280	-	280
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit	6	-	6
2. Credit	135	-	135
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	534	-	534
b. Daily Census Contact Hours	60	-	60
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	84	-	84
b. Credit	175	-	175
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	262	-	262
b. Daily Census Contact Hours	2	-	2
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	1,555	-	1,555
Supplementary Information:			
E. In-Service Training Courses (FTES)	44	-	44
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	107	-	107
b. Credit	65	-	65
CCFS 320 Addendum			
CDCP	-	-	-
Centers FTES			
a. Noncredit	-	-	-
b. Credit	-	-	-

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

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

For the Year Ended June 30, 2014

There were no adjustments proposed to any funds of the District.

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION

For the Year Ended June 30, 2014

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional salaries:							
Contract or regular	1100	$ 2,151,439	-	$ 2,151,439	$ 2,151,439	-	$ 2,151,439
Other	1300	1,032,140	-	1,032,140	1,041,409	-	1,041,409
Total instructional salaries		3,183,579	-	3,183,579	3,192,848	-	3,192,848
Non-instructional salaries:							
Contract or regular	1200	-	-	-	721,066	-	721,066
Other	1400	-	-	-	4,000	-	4,000
Total non-instructional salaries		-	-	-	725,066	-	725,066
Total academic salaries		3,183,579	-	3,183,579	3,917,914	-	3,917,914
Classified Salaries							
Non-instructional salaries:							
Regular status	2100	-	-	-	723,218	-	723,218
Other	2300	-	-	-	5,139	-	5,139
Total non-instructional salaries		-	-	-	728,357	-	728,357
Instructional aides:							
Regular status	2200	211,033	-	211,033	211,003	-	211,003
Other	2400	15,151	-	15,151	15,151	-	15,151
Total instructional aides		226,184	-	226,184	226,154	-	226,154
Total classified salaries		226,184	-	226,184	954,511	-	954,511
Employee benefits	3000	705,706	-	705,706	1,963,105	-	1,963,105
Supplies and materials	4000	-	-	-	436,351	-	436,351
Other operating expenses	5000	580,612	-	580,612	2,157,815	-	2,157,815
Equipment replacement	6420	-	-	-	-	-	-
Total expenditures prior to exclusions		4,696,081	-	4,696,081	9,429,696	-	9,429,696

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
(Continued)
For the Year Ended June 30, 2014

		Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/TOP Codes	**Reported Data**	**Audit Adjustments**	**Revised Data**	**Reported Data**	**Audit Adjustments**	**Revised Data**
Exclusions							
Activities to exclude:							
Instructional staff-retirees' benefits and retirement incentives	5900	$ -	-	$ -	$ 84,148	-	$ 84,148
Student health services above amount collected	6441	-	-	-	69,107	-	69,107
Student transportation	6491	-	-	-	163,621	-	163,621
Noninstructional staff-retirees' benefits and retirement incentives	6740	-	-	-	111,718	-	111,718
Objects to exclude:							
Rents and leases	5060	-	-	-	153,690	-	153,690
Lottery expenditures		-	-	-	-	-	-
Academic salaries	1000	-	-	-	-	-	-
Classified salaries	2000	-	-	-	-	-	-
Employee benefits	3000	-	-	-	-	-	-
Supplies and materials:	4000						
Software	4100	-	-	-	-	-	-
Books, magazines and periodicals	4200	-	-	-	31,599	-	31,599
Instructional supplies and materials	4300	-	-	-	174,085	-	174,085
Noninstructional supplies and materials	4400	-	-	-	-	-	-
Total supplies and materials		-	-	-	205,684	-	205,684
Other operating expenses and services	5000	-	-	-	-	-	-
Capital outlay	6000	-	-	-	-	-	-
Library books	6300	-	-	-	763	-	763
Equipment:	6400						
Equipment - additional	6410	-	-	-	-	-	-
Equipment - replacement	6420	-	-	-	-	-	-
Total equipment		-	-	-	763	-	763
Total capital outlay		-	-	-	763	-	763
Other outgo	7000	-	-	-	-	-	-
Total exclusions		-	-	-	788,731	-	788,731
Total for ECS 84362, 50% Law		$ 4,696,081	$ -	$ 4,696,081	$ 8,640,965	$ -	$ 8,640,965
Percent of CEE (instructional salary cost /Total CEE)		54.35%	-	54.35%	100%	-	100%
50% of current expense of education		$ -	$ -	$ -	$ 4,320,483	$ -	$ 4,320,483

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2014

EPA Proceeds: $ 1,687,934

Activity Classification	Activity Code (0100-5900)	Salaries and Benefits (1000-3000)	Operating Expenses (4000-5000)	Capital Outlay (6000)	Total
Instructional Activities	-	$ 1,687,934	-	-	$ 1,687,934

See accompanying notes to supplementary information.

NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses and Change in Net Position by Fund

These statements report the financial position and operational results of the individual funds of the District, the reconciling adjusting entries under GASB Cod. Sec. C05.101.

B - Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditure of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133.

C - Schedule of State Financial Awards

The accompanying Schedule of State Financial Awards includes State grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented to comply with reporting requirements of the California Community Colleges Chancellor's Office.

D - Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

E - 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 CCFS-311 to the audited financial statements.

F - Reconciliation of ECS 84362 (50 Percent Law) Calculation

This schedule provides the information necessary to reconcile the 50 Percent Law Calculation reported on the CCFS-311 to the audited data.

G - Prop 30 EPA Expenditure Report

This schedule provides information about the District's EPA proceeds and summarizes how the EPA proceeds were spent.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Feather River Community College District
Quincy, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Feather River Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2014:

Salaries of Classroom Instructors (50 Percent Law)
Apportionment for Instructional Service Agreements/Contracts
State General Apportionment Funding System
Residency Determination for Credit Courses
Students Actively Enrolled
Concurrent Enrollment of K-12 Students in Community College Credit Courses
Scheduled Maintenance Program
Gann Limit Calculation
Open Enrollment
Student Fees - Health Fees and Use of Health Fee Funds
Proposition 39 Clean Energy
Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Disabled Student Programs and Services (DSPS)
To Be Arranged Hours (TBA)
Proposition 1D State Bond Funded Projects
Proposition 30 Education Protection Account Funds

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations, as listed above, of Feather River Community College District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the California State Chancellor's Office's California Community College Contracted District Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Feather River Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide legal determination of Feather River Community College District's compliance with those requirements.

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2014-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Feather River Community College District did not comply with the requirements regarding EOPS. Compliance with such requirements is necessary, in our opinion, for Feather River Community College District to comply with state laws and regulations applicable to EOPS.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance, described in the Basis for Qualified Opinion paragraph, Feather River Community College District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Feather River Community College District had not complied with the state laws and regulations.

Other Matters

Feather River Community College District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Feather River Community College District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of compliance and the results of that testing based on requirements of the *Contracted District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 26, 2014

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

Board of Trustees
Feather River Community College District
Quincy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities of Feather River Community College District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Feather River Community College District's basic financial statements, and have issued our report thereon dated November 26, 2014. The financial statements of Feather River Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Feather River Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 26, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Feather River Community College District
Quincy, California

Report on Compliance for Each Major Federal Program

We have audited Feather River Community College District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Feather River Community College District's major federal programs for the year ended June 30, 2014. Feather River Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Feather River Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Feather River Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Feather River Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 26, 2014

FINDINGS AND RECOMMENDATIONS

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______	Yes	X	None reported
Noncompliance material to financial statements noted?	______	Yes	X	No

FEDERAL AWARDS

Internal control over major programs:				
Material weakness(es) identified?	______	Yes	X	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?	X	Yes	______	No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Qualified

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2014-001 STATE COMPLIANCE - EXTENDED OPPORTUNITY PROGRAMS & SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE) (474)

Criteria

Per guidelines set forth by the California State Chancellor's Office, the EOPS student eligibility should be verified and documented. Required documents are: 1) EOPS application; 2) EOPS student educational plan; 3) EOPS mutual responsibility contract. The documentation in an EOPS student's file should have the necessary information cited above, and it should be signed by the appropriate college staff, i.e., EOPS director, EOPS counselor or regular college counselor, along with the signature of the student to whom services were provided.

Condition

Sample selections were made from the detailed listing of students receiving EOPS support and services for the 2013-2014 academic year.

Out of 16 students selected for testing, 8 did not have an application or a mutual responsibility contract signed by the appropriate college staff.

Effect

The District is not in compliance with State requirements for EOPS. Based on the total of 148 students receiving EOPS support and services and an error rate of 50 percent, the extrapolated error of this finding is 66 students, which results in a total potential error of 74 students.

Cause

Adequate procedures are not in place to ensure EOPS documentation signed by the appropriate college staff and student are maintained in the student's file.

Fiscal Impact

Not determinable.

Recommendation

The District should develop and implement procedures to ensure compliance with EOPS recordkeeping requirements.

Corrective Action Plan

Following the discovery that all EOPS/CARE applications were not properly signed by the counselor, the two counselors met with the Sr. Office Assistant to review our processes. It was suggested that the opportunity to initial the application at the top of the document was felt to be sufficient by some. However, it was clarified that all applications MUST be signed at the end of the application to officially approve the student’s eligibility for the program. This practice is now in place, and is double-checked by the Sr. Office Assistant.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Year Ended June 30, 2014

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
No matters were reported.		