

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
Quincy, California

FINANCIAL STATEMENTS
June 30, 2013

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

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FEATHER RIVER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2013

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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 fiduciary activities of Feather River Community College District, as of and for the year ended June 30, 2013, 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, 2013, and the respective changes in 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 Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Fund Progress on page 54 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The accompanying schedule of expenditures 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 supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards and other supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures 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 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 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

Feather River Community College District Management's Discussion and Analysis Fiscal Year Ending June 30, 2013

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, 2013. 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 Statements No. 39 and 61 of the Governmental Accounting Standards Board (GASB), the financial data of the Foundation have been combined 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.

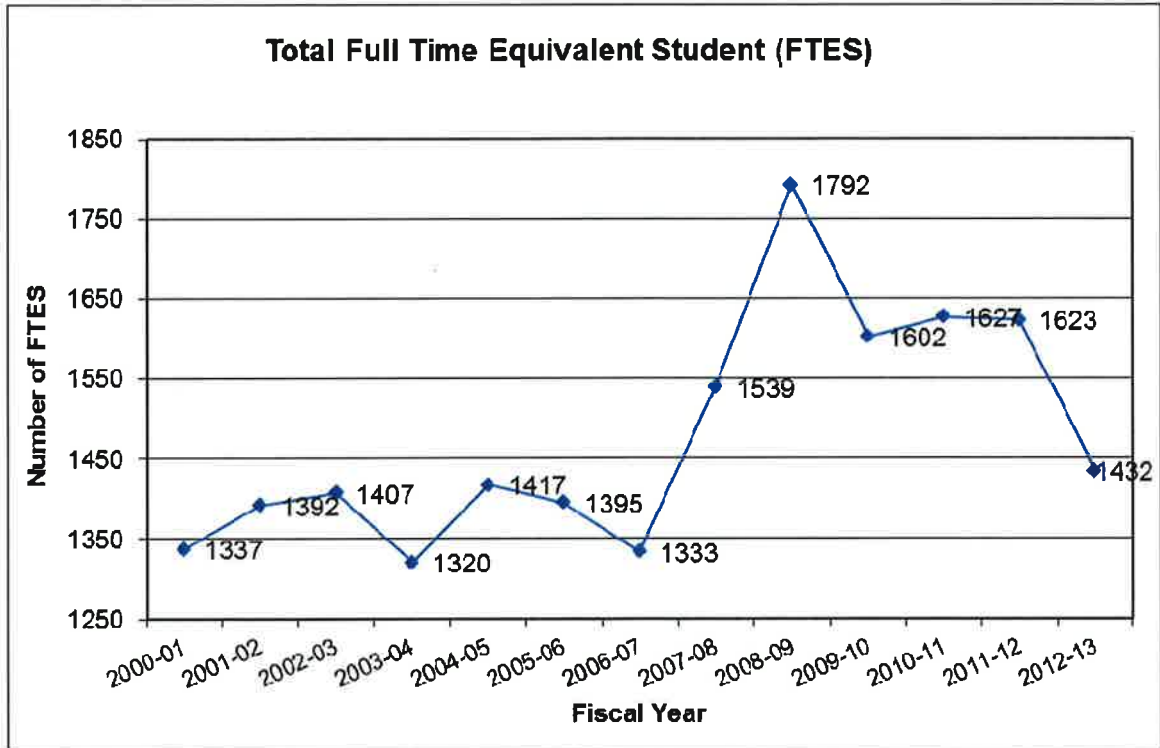
Financial Statements

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 net assets). 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 revenue, expenses and change in net assets (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) decreased in the 2012-13 fiscal year. This decrease represented 11.6% of the total FTES workload base of 1,623 FTES. The overall decline in FTES was 189 FTES. The District decision was to move the FTES generated in the summer of 2013 to the 2013-14 fiscal year. The impact of this decision was moving approximately 120 FTES from the 2012-13 fiscal year to the 2013-14 fiscal year. A decision can be made on which fiscal year the FTES can be accounted for when the classes begin in one fiscal year and end in another fiscal year. The District will be funded for the workload base of 1,623 for the 2012-13 fiscal year. The restoration of the difference (189 FTES) will need to be restored within the next three years. In the year when FTES decline from the measured workload base, this is referred to as stabilization. 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, and revenues from auxiliary enterprises. Non-operating revenues are comprised of state apportionment, local property taxes, state taxes, interest income, and other. Capital revenues consist of local property taxes and grants & gifts. Overall revenues were \$19,718,797 (\$7,179,70 in operating revenues, \$12,523,436 in non-operating revenues, and \$15,484 in capital revenues). This was a net increase of approximately \$160,000 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 \$19,695,543. This was \$1,699 more than expenses for the prior year. Salaries and Benefits decreased by \$178,148 due to unfilled positions while Supplies, Material & Other increased by \$177,210 when compared with the prior year.

The District paid down \$237,642 in long-term lease/debt obligations during the 2012-13 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 .325% for the fiscal year ended June 30, 2013. 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 2012-13 year receivables in comparison to the prior year was due primarily to the receipt and timing of the June, 2013, 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 2012-13 fiscal year in comparison to the prior year. In June, 2013 the Prop 30 EPA funds were received. These funds were received in lieu of state apportionment receipts.
- 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.
- Unearned revenues are amounts received but not yet earned by the District. The deferred revenues were made up of mostly state categoricals 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, increased from the prior year. The increase in comparison to prior year was due to an increase of compensated absences payable of approximately \$96K. There were no additional long term leases recorded in the year.

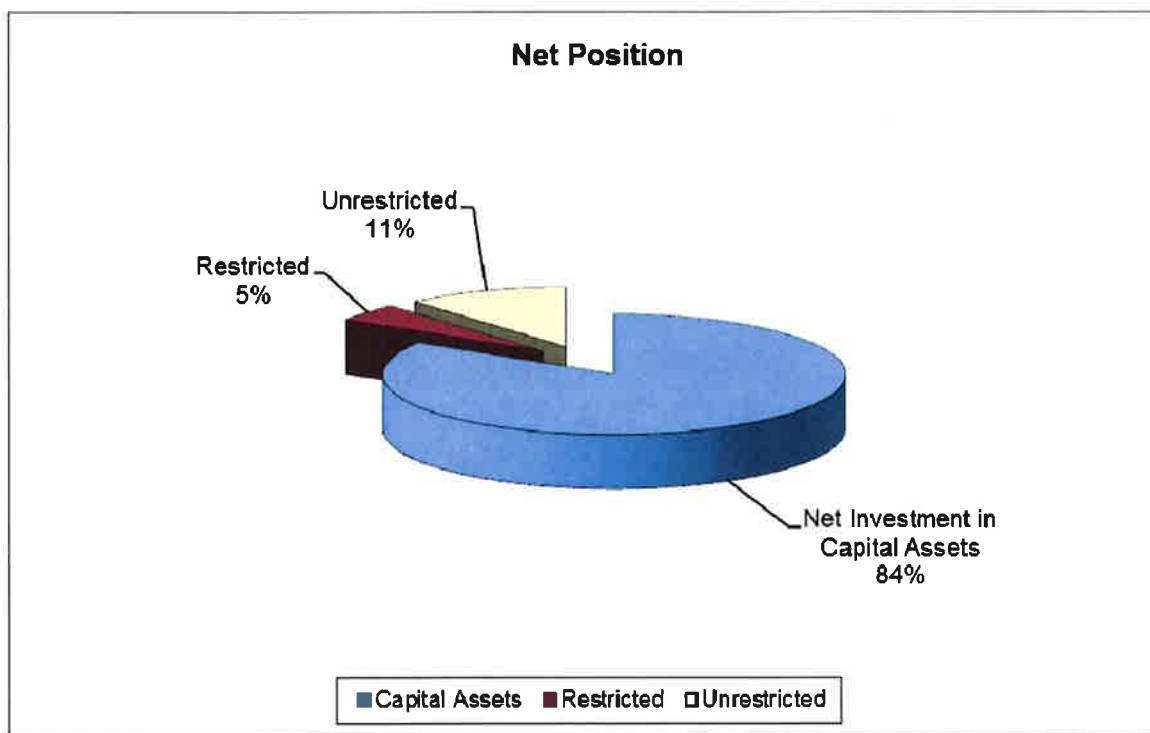
FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (Condensed)
For the Years Ended June 30, 2013 and 2012
(Thousands)

	2012-2013	2011-2012	Dollar Change	Percent Change
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 3,492	\$ 3,564	\$ (72)	-2.0%
Receivables	2,621	3,219	(598)	-18.6%
Inventories & Other Assets	234	128	106	82.8%
TOTAL CURRENT ASSETS	\$ 6,347	\$ 6,911	\$ (564)	-8.2%
NON-CURRENT ASSETS				
Restricted Cash & Cash Equivalents	\$ 720	\$ -	\$ 720	100.0%
Note receivable from Foundation	221	221	-	0.0%
Capital Assets, Net	12,979	13,302	(323)	-2.4%
TOTAL NON-CURRENT ASSETS	\$ 13,920	\$ 13,523	\$ 397	2.9%
TOTAL ASSETS	\$ 20,267	\$ 20,434	\$ (167)	-0.8%
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,016	\$ 761	\$ 255	33.5%
Unearned Revenue	1,646	2,075	(429)	-20.7%
Long-term Debt-Current Portion	664	561	103	18.4%
TOTAL CURRENT LIABILITIES	\$ 3,326	\$ 3,397	\$ (71)	-2.1%
NON-CURRENT LIABILITIES				
Long-term Debt - Non-Current Portion	\$ 2,075	\$ 2,195	\$ (120)	-5.5%
TOTAL LIABILITIES	\$ 5,401	\$ 5,592	\$ (191)	-3.4%
NET POSITION				
Net investment in capital assets	\$ 12,474	\$ 12,642	\$ (168)	-1.3%
Restricted	708	830	(122)	-14.7%
Unrestricted	1,684	1,370	314	22.9%
TOTAL NET POSITION	\$ 14,866	\$ 14,842	\$ 24	0.2%
TOTAL LIABILITIES AND NET POSITION	\$ 20,267	\$ 20,434	\$ (167)	-0.8%

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

Net position – the difference between assets and liabilities – is one way to measure the financial health of the District. The District's net position consists of the following:

- Unrestricted net position are funds received to support the general mission of the college. At June 30, 2013 the District has \$1,683,395 in unrestricted net position.
- Net investment in capital assets, represent the District's investment in physical facilities, land, and capital improvements. The 2012-13 year balance reflected an insignificant decrease from the prior year balance thus remaining relatively unchanged.
- Net position set aside for capital projects was \$707,997 at June 30, 2013.



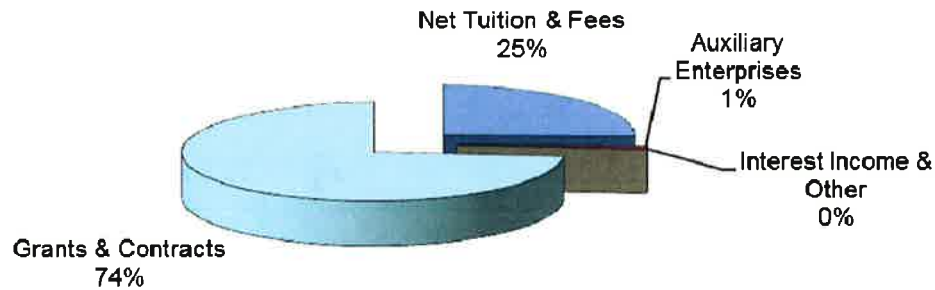
Statement of Revenues, Expenses, and Change in Net Position

The Statement of Revenues, Expenses, and Change in Net Position 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 CHANGES IN NET ASSETS
For the Years Ended June 30, 2013 and 2012
(Thousands)

	2012-2013	2011-2012	Dollar Change	Percent Change
OPERATING REVENUES				
Net Tuition & Fees	\$ 1,831	\$ 1,047	\$ 784	74.9%
Grants & Contracts	5,280	5,340	(60)	-1.1%
Auxiliary	69	70	(1)	-1.4%
TOTAL OPERATING REVENUES	\$ 7,180	\$ 6,457	\$ 723	11.2%
OPERATING EXPENSES				
Salaries & Benefits	\$ 9,945	\$ 10,123	\$ (178)	-1.8%
Supplies, Material & Other	9,273	9,096	177	1.9%
Depreciation	477	475	2	0.4%
TOTAL OPERATING EXPENSES	\$ 19,695	\$ 19,694	\$ 1	0.0%
NON-OPERATING ACTIVITY				
State Revenues	\$ 4,987	\$ 5,370	\$ (383)	-7.1%
Local Property Taxes	4,862	5,078	(216)	-4.3%
State Taxes & Other Revenue	383	337	46	13.6%
Interest Income (Net)	(6)	(8)	2	-25.0%
Pell Grants	2,298	2,315	(17)	-0.7%
TOTAL NON-OPERATING ACTIVITY	\$ 12,524	\$ 13,092	\$ (568)	-4.3%
CAPITAL REVENUES				
Local Property Taxes & Revenues	15	10	5	50%
CHANGE IN NET POSITION	\$ 24	\$ (135)	\$ 159	-117.8%
BEGINNING NET POSITION	\$ 14,842	\$ 14,977	\$ (135)	-0.9%
ENDING NET POSITION	\$ 14,866	\$ 14,842	\$ 24	0.2%

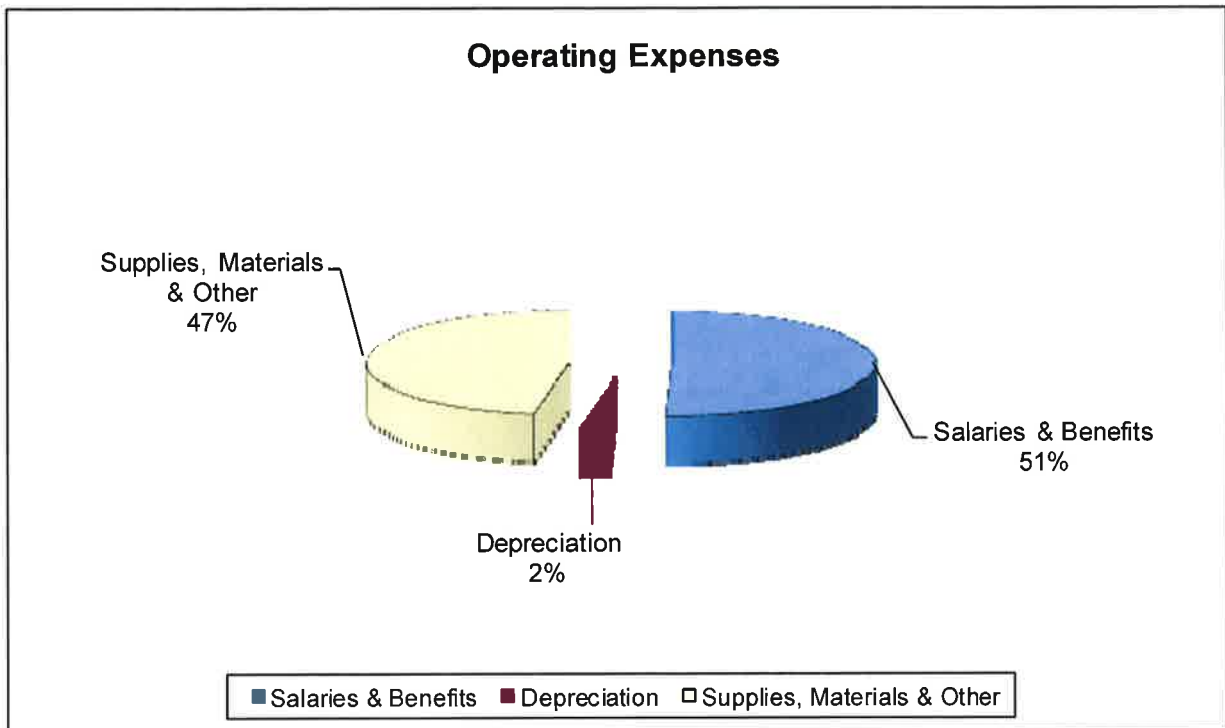
Operating Revenues



■ Net Tuition & Fees ■ Auxiliary Enterprises □ Interest Income & Other □ Grants & Contracts

Operating and Non-Operating Revenues grew in fiscal year 2012-2013 as follows:

- State general apportionments decreased due to the expected Re-Development Agency (RDA) backfill shortfall. The final exact impact of the RDA backfill shortfall remains unknown at this time. The estimated shortfall is included in the deficit coefficient noted below. Local property tax apportionment decreased by \$215,844 in comparison to the prior year. The state limited the 2012-13 fiscal year workload adjustment to total FTES funding of approximately 1,623 FTES.
- The District's apportionment was not fully funded which resulted in a deficit coefficient of 3.74124% or \$418,921 which was applied to the total computation revenue. The majority of this deficit is due to the lack of a complete RDA backfill. This amount does not represent the final recalculated amounts for the 2012-13 fiscal year which will take place in the second half of December 2013.
- Traditionally the District receives a cost of living adjustment (COLA) and enrollment growth funding from the State. In the 2012-13 fiscal year there was no COLA funds received nor any enrollment growth funding available.



Operating expenses remained basically unchanged in 2012-2013 in comparison to prior year as follows:

- Expenses for employee salaries and statutory benefits decreased with increases on an employee by employee basis based on step and column changes only. There was no cost of living adjustment increases provided. The comparison of the prior year salaries and benefits reflect a decrease due to not filling certain positions and deferring the hiring of positions until in the latter half of the fiscal year.
- The cost of supplies, materials, and other operating expenses and services increased by basically the same amount as the decrease of employee salaries and benefits.
- Depreciation expense increased slightly from the prior year by \$2,000.

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 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.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (Condensed)
For the Years Ended June 30, 2013 and 2012
(Thousands)**

	<u>2012-2013</u>	<u>2011-2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
CASH (USED IN) PROVIDING BY:				
Operating Activities	\$ (11,376)	\$ (11,525)	\$ 149	-1.3%
Non-Capital Financing Activities	12,317	12,176	141	1.2%
Capital and Related Financing Activities	(294)	(294)	-	0.0%
Investing Activities	-	-	-	0.0%
NET INCREASE/(DECREASE) IN CASH	<u>\$ 647</u>	<u>\$ 357</u>	<u>\$ 290</u>	<u>81.2%</u>
CASH - BEGINNING OF THE FISCAL YEAR	<u>\$ 3,565</u>	<u>\$ 3,208</u>	<u>\$ 357</u>	<u>11.1%</u>
CASH - END OF THE FISCAL YEAR	<u>\$ 4,212</u>	<u>\$ 3,565</u>	<u>\$ 647</u>	<u>18.1%</u>

In accordance with GAAP, the District recorded \$477,506 in depreciation expense for the fiscal year and reflected a liability for compensated absences (accrued vacation not used at June 30) of \$425,899.

The District Supplemental Employee Retirement Plan (SERP) liability was accrued for \$302,336.

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

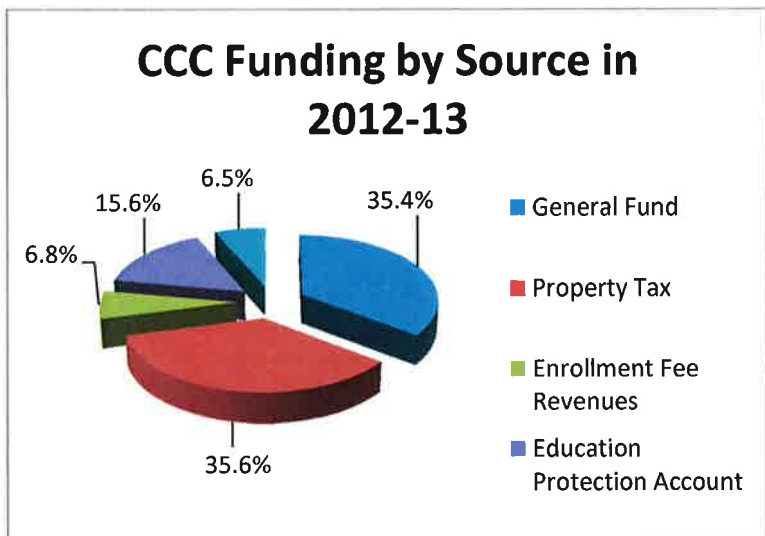
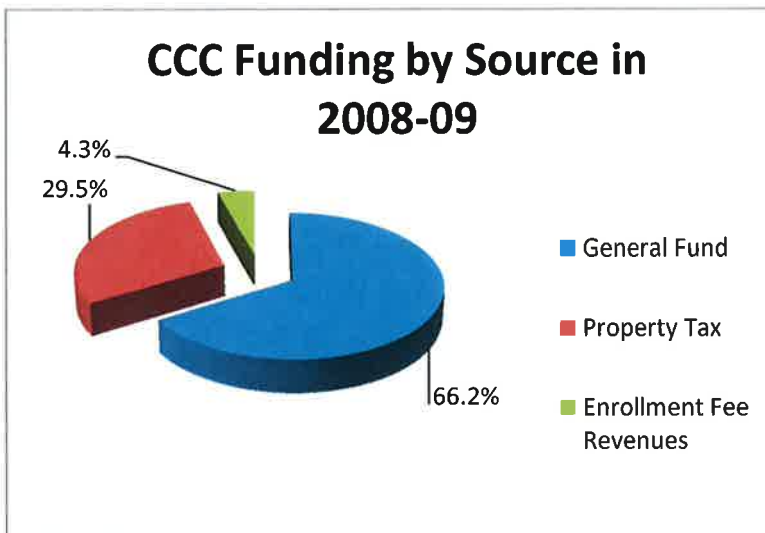
District's Fiduciary Responsibility

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 Position and Changes in Fiduciary Net Position. 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). During 2009-10, the District implemented GASB Statement No. 45 and elected not to true up the liability based on the actuarial study dated April 1, 2009. As of June 30, 2013, the District has recorded \$1,505,754, 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.

Economic Factors That Will Affect the Future

The State budget was passed on time the past two years and indeed the results for California Community Colleges has provided a better financial picture but unfortunately with that comes even more uncertainty. The following two graphs provided by the Chancellor's Office at the State budget workshops illustrate the changes that have taken place which details the sources of funding a few years back in comparison with the current year.



In 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 2012-13 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 2012-13 fiscal year. The potential financial impact was incorporated into the 2012-13 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 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 continued apportionment deferrals.

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 year 2012-13 was \$1,787,566.

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 and improve student success, thus giving those citizens the opportunity to acquire, improve, and expand their education pursuits, and contribute to the economic recovery, is essential.

Historical Perspective: 2012-2013 Fiscal Year

Revenues for the 2012-2013 fiscal year remained rather flat due to the fact that the actual FTES generated was only 1,432. The total FTES's declined from the 2011-2012 fiscal year workload base. The decline was partially incurred due to the census enrollment for summer classes being moved into the 2013-2014 fiscal year. This decrease was also attributable to the elimination of the Good Neighbor agreement. The out of state tuition revenue increased 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 plans on restoring the declined FTES in the 2013-14 fiscal year.

Operating costs continued to rise due to salary step increases and overall non-discretionary expenditures. These increases were not offset by any additional funding from the State because there was no cost of living adjustments (COLA), realized for the fifth consecutive year. Effective District management of expenses during the fiscal year helped to offset some of the increases to non-discretionary expenditures. The District deferred filling vacant positions until late in the fiscal year while monitoring and analyzing essential expenditures.

Net assets, formerly classified as fund balance, are 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 2012-2013, the District reflected .8 percent decrease in the total net position reported.

Projected 2013-2014 Fiscal Year

The Board of Trustees for Feather River Community College District adopted a balanced final budget for the 2013-14 fiscal year, in August 2013. The current general fund operating budget approved by the Board of Trustees, projects revenues equaling expenses of \$17.1 million. The balanced budget required that \$783,707 of Beginning Fund Balance be used to accomplish this position. The District's budgeted revenue was projected based on 1,600 FTES with the difference between the revenue and expenses being supported with the use of Beginning Fund Balance.

Revenues for the 2013-2014 fiscal year will be funded based on the 1,623 FTES base established in the prior year. This represents expected total computational revenue of approximately \$11.3 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 2013-14 fiscal year. The District also began managing the Feather River Residence Hall which requires occupancy guarantees as well as repairs and support staffing.

The State of California maintained most categorical funding with basically no 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

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 approximately \$75K for the next three years.

Beyond Fiscal Year 2013-2014

With the economy moving in the right direction in the current fiscal year 2013-14, the State Budget is legitimately balanced for the first time since 2002. 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 reductions in 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 needs.

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 united 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, 2013

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 3,492,163
Receivables, net (Note 3)	2,621,392
Stores inventories	56,494
Prepaid expenses	<u>177,018</u>
Total current assets	<u>6,347,067</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	719,782
Note receivable from Foundation (Note 4)	220,649
Non-depreciable capital assets (Note 5)	277,099
Depreciable capital assets, net (Note 5)	<u>12,702,098</u>
Total noncurrent assets	<u>13,919,628</u>
Total assets	<u>\$ 20,266,695</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 1,016,474
Unearned revenue (Note 6)	1,645,643
Compensated absences payable (Note 8)	425,899
Long-term debt - current portion (Notes 8 and 11)	<u>237,642</u>
Total current liabilities	3,325,658
Noncurrent liabilities:	
Long-term debt - noncurrent portion (Notes 8 and 11)	<u>2,075,446</u>
Total liabilities	<u>5,401,104</u>

Commitments and contingencies (Note 12)

NET POSITION

Net investment in capital assets	12,474,199
Restricted for:	
Expendable:	
Capital projects	707,997
Unrestricted	<u>1,683,395</u>
Total net position	<u>14,865,591</u>
Total liabilities and net position	<u>\$ 20,266,695</u>

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 NET ASSETS

June 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 390,772
Investments (Note 2)	564,011
Receivables (Note 3)	<u>19,888</u>
Total current assets	<u>974,671</u>
Noncurrent assets:	
Investments (Note 2)	374,964
Non-depreciable capital assets (Note 5)	332,884
Depreciable capital assets, net (Note 5)	3,162,351
Other assets:	
Deposits	1,900
Horses, net of accumulated depreciation of \$135,670	109,600
Bond issuance costs, net of accumulated amortization of \$139,160	<u>125,246</u>
Total assets	<u><u>\$ 5,081,616</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued expenses	\$ 53,903
Current portion of long-term debt (Note 8)	<u>197,227</u>
Total current liabilities	251,130
Noncurrent liabilities:	
Long-term debt, less current portion (Note 8)	<u>2,508,675</u>
Total liabilities	<u>2,759,805</u>

NET ASSETS

Unrestricted	2,014,703
Temporarily restricted	256,521
Permanently restricted	<u>50,587</u>
Total net assets	<u>2,321,811</u>
Total liabilities and net assets	<u><u>\$ 5,081,616</u></u>

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, 2013

Operating revenues:	
Tuition and fees	\$ 2,751,324
Less: scholarship discounts and allowances	<u>(920,384)</u>
Net tuition and fees	<u>1,830,940</u>
Grants and contracts, non-capital:	
Federal	2,990,881
State	1,376,873
Local	912,405
Auxiliary enterprise sales and charges	<u>68,771</u>
Total operating revenues	<u>7,179,870</u>
Operating expenses (Note 14):	
Salaries	7,545,193
Employee benefits (Notes 10 and 11)	2,399,480
Supplies, materials, and other operating expenses and services	4,428,240
Utilities	416,545
Depreciation (Note 5)	477,506
Student financial aid and scholarships	<u>4,428,579</u>
Total operating expenses	<u>19,695,543</u>
Loss from operations	<u>(12,515,673)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	4,986,306
Local property taxes (Note 9)	4,862,049
State taxes and other revenues	383,196
Interest expense on capital asset-related debt	(28,190)
Interest income	22,149
Pell grants	<u>2,297,926</u>
Total non-operating revenues (expenses)	<u>12,523,436</u>
Income before capital revenues	7,763
Capital revenues:	
Local property taxes and revenues	<u>15,484</u>
Change in net position	23,247
Net position, July 1, 2012	<u>14,842,344</u>
Net position, June 30, 2013	<u>\$ 14,865,591</u>

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 20,650	\$ 122,991	\$ -	\$ 143,641
Registration Fees	10,301	-	-	10,301
Contributions by Feather River College (Note 15)	54,000	-	-	54,000
Rental income	618,208	-	-	618,208
Interest and investment income	11,015	5,006	-	16,021
Other operating income	192,173	-	-	192,173
Gain on sale of horses / equipment	-	47,488	-	47,488
Fish sales, net	-	878	-	878
Fundraising income, net	-	81,907	-	81,907
Net position released from restrictions by payments	<u>180,244</u>	<u>(180,244)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains and other support	 <u>1,086,591</u>	 <u>78,026</u>	 <u>-</u>	 <u>1,164,617</u>
Expenses:				
Program services:				
Fitness center operations	21,735	-	-	21,735
College housing operations	669,945	-	-	669,945
Purchases on behalf of Feather River College	24,276	-	-	24,276
Scholarships granted	30,021	-	-	30,021
Supporting services:				
Management and general	<u>220,147</u>	<u>-</u>	<u>-</u>	<u>220,147</u>
 Total expenses	 <u>966,124</u>	 <u>-</u>	 <u>-</u>	 <u>966,124</u>
 Change in net assets	 <u>120,467</u>	 <u>78,026</u>	 <u>-</u>	 <u>198,493</u>
 Net assets, July 1, 2012	 <u>1,894,236</u>	 <u>178,495</u>	 <u>50,587</u>	 <u>2,123,318</u>
 Net assets, June 30, 2013	 <u>\$ 2,014,703</u>	 <u>\$ 256,521</u>	 <u>\$ 50,587</u>	 <u>\$ 2,321,811</u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

Cash flows from operating activities:	
Tuition and fees	\$ 1,816,070
Federal grants and contracts	2,924,726
State grants and contracts	1,979,326
Local grants and contracts	750,275
Payments to suppliers	(4,278,278)
Payment to utilities	(416,545)
Payment to employees	(9,806,091)
Payment to students	(4,428,579)
Auxiliary enterprises sales and charges	<u>83,382</u>
Net cash used in operating activities	<u>(11,375,714)</u>
Cash flows from noncapital financing activities:	
State appropriations	4,780,629
Local property taxes	4,862,049
State taxes and other revenues	383,196
Investment income - non capital	22,156
Interest expense	(28,190)
Pell grants	<u>2,297,926</u>
Net cash provided by noncapital financing activities	<u>12,317,766</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	15,484
Purchase of capital assets	(154,699)
Principal paid on capital debt	<u>(155,426)</u>
Net cash used in capital and related financing activities	<u>(294,641)</u>
Change in cash and cash equivalents	647,411
Cash balance, beginning of year	<u>3,564,534</u>
Cash balance, end of year	<u>\$ 4,211,945</u>

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2013

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (12,515,673)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	477,506
Changes in assets and liabilities:	
Receivables, net	203,229
Inventories and prepaids	(105,570)
Accounts payable	255,537
Unearned revenue	170,675
Compensated absences	95,801
Retiree health benefits	<u>42,781</u>
Net cash used in operating activities	<u>\$ (11,375,714)</u>

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, 2013

Cash flows from operating activities:	
Change in net assets	\$ 198,493
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	174,065
Amortization	13,917
Donated horses included in contributions	(20,650)
Gain on sale of horses	(47,488)
Increase in accounts payable and accrued expenses	<u>(61,378)</u>
Net cash provided by operating activities	<u>256,959</u>
Cash flows used in investing activities:	
Purchase of investments	(82,739)
Proceeds from the sale of investments	2,667
Proceeds from sale of horses	<u>64,502</u>
Net cash provided by investing activities	<u>(15,570)</u>
Cash flows used in financing activities:	
Payments on long-term debt	<u>(206,823)</u>
Change in cash and cash equivalents	34,566
Cash and cash equivalents - beginning of year	<u>356,206</u>
Cash and cash equivalents - end of year	<u><u>\$ 390,772</u></u>
Supplemental Disclosure of Cash Flow Information:	
Interest paid	\$ 128,876

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Agency Fund</u>	<u>Trust Fund</u>
	<u>Associated Students Fund</u>	<u>Retiree Benefit Fund</u>
ASSETS		
Cash in County Treasury (Note 2)	\$ -	\$ 1,642,688
Cash and cash equivalents (Note 2)	<u>5,182</u>	<u>-</u>
Total assets	<u>5,182</u>	<u>1,642,688</u>
LIABILITIES		
Accounts payable	-	1,424
Amounts held for others	<u>5,182</u>	<u>-</u>
Total liabilities	<u>5,182</u>	<u>1,424</u>
NET POSITION		
Restricted	<u>\$ -</u>	<u>\$ 1,641,264</u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2013

	Retiree Benefits Fund
Additions:	
District contributions	\$ 283,767
Interest income	<u>5,736</u>
Total additions	<u>289,503</u>
Deductions:	
Benefit withdrawals	<u>242,058</u>
Change in net position	47,445
Net position held in trust:	
Net position, July 1, 2012	<u>1,593,819</u>
Net position, June 30, 2013	<u><u>\$ 1,641,264</u></u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC 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. (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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

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, 2013 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 Net Assets 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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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.

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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 \$149,957 (5.041%) of salaries subject to CalSTRS).

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue

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 are classified according to the following criteria:

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, gifts and contributions, and other revenue sources described in GASB Cod. Sec. C05.101, such as State appropriations and investment income.

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 scholarship discounts 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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2013, 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.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus. The Statement improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: (1) Financial Accounting Standards Board Statements and Interpretations; (2) Accounting Principles Board Opinions; and (3) Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure. This statement was adopted for the District's fiscal year ended June 30, 2013 with no material impact on the District.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of GASB Statement No. 34, Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

In March, 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The provisions of this Statement are effective for the District’s fiscal year ended June 30, 2014, with earlier application being encouraged. This statement was adopted for the District’s fiscal year ended June 30, 2013 with no material impact on the District.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

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 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. Management has not determined what impact, if any, this GASB statement will have on the District's financial statements.

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. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 has not determined what impact, if any, this GASB statement might have on its financial statements.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2013, consisted of the following:

	<u>District</u>	<u>Foundation</u>	<u>Agency Funds</u>	<u>Trust Fund</u>
Pooled Funds:				
Cash in County Treasury	\$ 3,988,885	\$ -	\$ -	\$ 1,642,688
Deposits:				
Cash on hand and in banks	<u>223,060</u>	<u>390,772</u>	<u>5,182</u>	<u>-</u>
Total cash and cash equivalents	<u>4,211,945</u>	<u>390,772</u>	<u>5,182</u>	<u>1,642,688</u>
Less: restricted cash	<u>719,782</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash and cash equivalents	<u>\$ 3,492,163</u>	<u>\$ 390,772</u>	<u>\$ 5,182</u>	<u>\$ 1,642,688</u>
Investments	<u>\$ -</u>	<u>\$ 938,975</u>	<u>\$ -</u>	<u>\$ -</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2013, the carrying amount of the District's accounts was \$228,242 and the bank balance totaled \$237,468, 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, 2013, the carrying amount of the Foundation's cash on hand and in banks was \$390,772 and the bank balance was \$478,298, of which \$250,000 was FDIC insured and \$228,298 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, 2013, the Plumas County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2013, 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, 2013, the District had no concentrations of credit risk.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments

Investments are stated at fair value as of June 30, 2013 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	\$ 564,011
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher), long-term	49,981
Bayerische Landesbank Investment Agreement, long-term	<u>324,983</u>
	<u>\$ 938,975</u>

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, 2013, the Foundation investment in pool consisted of 6% cash and short term investments, 30% fixed income securities, and 64% equity securities.

The following presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2013, 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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
FCCC/Osher	\$ 49,981	\$ -	\$ -	\$ 49,981
Guaranteed investment contract	324,983	-	-	324,983
Mutual fund	<u>564,011</u>	<u>564,011</u>	<u>-</u>	<u>-</u>
	<u>\$ 938,975</u>	<u>\$ 564,011</u>	<u>\$ -</u>	<u>\$ 374,964</u>

There were no significant transfers in or out of Level 1 and 3 during the year ending June 30, 2013.

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, 2013. 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, 2013.

The following table presents changes in Level 3 instruments measured on a recurring basis for the year ended June 30, 2013. Net gains/losses are recorded in the statement of activities.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foundation Investments (Continued)

	Guaranteed Investment Contract	Community Foundation
Balance, July 1, 2012	\$ 319,828	\$ 47,800
Distributions	-	(2,667)
Management fees	-	(158)
Realized gain	-	685
Investment income	5,155	1,105
Change in fair value	<u>-</u>	<u>3,216</u>
Balance, June 30, 2013	<u>\$ 324,983</u>	<u>\$ 49,981</u>

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, 2013

	\$ 3,216
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The Foundation had no non recurring assets and no liabilities at June 30, 2013, which were required to be disclosed using the fair value hierarchy.

3. RECEIVABLES

Receivables:	
Federal	\$ 247,230
State	2,047,802
Local and other, net of allowance	<u>326,360</u>
	<u>\$ 2,621,392</u>

The allowance for doubtful accounts of \$75,247 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 \$81,043 at June 30, 2013.

At June 30, 2013, the Foundation had \$19,888 in receivables due from local sources.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4. NOTE RECEIVABLE FROM FOUNDATION

The District entered into a loan agreement up to the amount of \$350,000 with the Feather River Community College Foundation, Inc. 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 changing the maximum loan agreement up 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, 2013, 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, 2013, the Foundation had drawn down \$220,649.

5. CAPITAL ASSETS

District capital asset activity consists of the following:

	Balance July 1, <u>2012</u>	Additions and <u>Transfers</u>	Deletions and <u>Transfers</u>	Balance June 30, <u>2013</u>
Non-depreciable:				
Land	\$ 277,099	\$ -	\$ -	\$ 277,099
Construction in progress	9,978,715	58,000	10,036,715	-
Depreciable:				
Buildings	7,276,260	10,036,715	-	17,312,975
Building improvements	623,591	-	-	623,591
Equipment	<u>3,642,870</u>	<u>96,699</u>	<u>-</u>	<u>3,739,569</u>
Total	<u>21,798,535</u>	<u>10,191,414</u>	<u>10,036,715</u>	<u>21,953,234</u>
Less accumulated depreciation:				
Building improvements	(358,398)	(15,162)	-	(373,560)
Buildings	(5,346,730)	(143,190)	-	(5,489,920)
Equipment	<u>(2,791,403)</u>	<u>(319,154)</u>	<u>-</u>	<u>(3,110,557)</u>
Total	<u>(8,496,531)</u>	<u>(477,506)</u>	<u>-</u>	<u>(8,974,037)</u>
Capital assets, net	<u>\$13,302,004</u>	<u>\$ 9,713,908</u>	<u>\$10,036,715</u>	<u>\$12,979,197</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. CAPITAL ASSETS (Continued)

Foundation capital asset activity consists of the following:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2013</u>
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	<u>142,008</u>	<u>-</u>	<u>-</u>	<u>142,008</u>
Total	<u>4,994,548</u>	<u>-</u>	<u>-</u>	<u>4,994,548</u>
Less accumulated depreciation:				
Buildings and improvements	(1,031,496)	(123,226)	-	(1,154,722)
Machinery and equipment	(186,580)	(9,943)	-	(196,523)
Furniture and fixtures	<u>(140,452)</u>	<u>(7,616)</u>	<u>-</u>	<u>(148,068)</u>
Total	<u>(1,358,528)</u>	<u>(140,785)</u>	<u>-</u>	<u>(1,499,313)</u>
Capital assets, net	<u>\$ 3,636,020</u>	<u>\$ (140,785)</u>	<u>\$ -</u>	<u>\$ 3,495,235</u>

6. UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

Unearned Federal and State revenue	\$ 22,951
Unearned student fees	1,085,041
Unearned tuition and other student fees	<u>537,651</u>
Total unearned revenue	<u>\$ 1,645,643</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7. TAX REVENUE ANTICIPATION NOTES (TRANS)

Tax Revenue Anticipation Notes (TRANS) are short-term debt instruments. They are issued to eliminate cash flow deficiencies that result from fluctuations in revenue receipts and expenditure disbursements. A summary of the District's TRANS activity for the year ended June 30, 2013 is as follows:

	Outstanding July 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding June 30, <u>2013</u>
Series 2012 - 2.00% Tax Revenue Anticipation Note	\$ <u>-</u>	\$ <u>1,675,000</u>	\$ <u>1,675,000</u>	\$ <u>-</u>

8. LONG-TERM LIABILITIES

SERP Liability

During 2012, the District provided the option of a Supplemental Employee Retirement Plan ("SERP") to the District employees. As of June 30, 2013, there were 11 employees in the Plan. 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, 2013 are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 75,584
2015	75,584
2016	75,584
2017	<u>75,584</u>
	<u>\$ 302,336</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations

The District leases certain equipment and software with a net book value of approximately \$142,520 under long-term lease purchase agreements. The following is a schedule of future minimum lease payments for capitalized lease obligations as of June 30, 2013:

Year Ending June 30,	Lease Payments
2014	\$ 184,376
2015	151,094
2016	151,126
2017	24,703
2018	23,841
2019-2023	<u>23,841</u>
Total payments	558,981
Less amount representing interest	<u>(53,983)</u>
Net minimum lease payments	<u><u>\$ 504,998</u></u>

District Changes in Long-Term Debt

A schedule of changes in the District's long-term debt for the year ended June 30, 2013 is as follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
SERP Liability	\$ 377,920	\$ -	\$ 75,584	\$ 302,336	\$ 75,584
Capitalized lease obligations	660,424	-	155,426	504,998	162,058
Compensated absences	330,098	95,801	-	425,899	425,899
Other postemployment benefits (Note 11)	<u>1,387,389</u>	<u>360,423</u>	<u>242,058</u>	<u>1,505,754</u>	<u>-</u>
	<u><u>\$ 2,755,831</u></u>	<u><u>\$ 456,224</u></u>	<u><u>\$ 473,068</u></u>	<u><u>\$ 2,738,987</u></u>	<u><u>\$ 663,541</u></u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. LONG-TERM LIABILITIES (Continued)

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 2022. Future payments are scheduled as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 160,000	\$ 120,300	\$ 280,300
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
2019-2022	<u>1,475,000</u>	<u>235,187</u>	<u>1,710,187</u>
	<u>\$ 2,360,000</u>	<u>\$ 747,290</u>	<u>\$ 3,107,290</u>

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 2017. Interest rate changes will not occur more often than each five years. Future payments, at the current rate of 8.69%, are scheduled as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 37,227	\$ 10,773	\$ 48,000
2015	40,604	7,396	48,000
2016	44,287	3,713	48,000
2017	<u>3,135</u>	<u>382</u>	<u>3,517</u>
	<u>\$ 125,253</u>	<u>\$ 22,264</u>	<u>\$ 147,517</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. LONG-TERM LIABILITIES (Continued)

Foundation Changes in Long-Term Debt

A schedule of changes in the Foundation's long-term debt for the year ended June 30, 2013 is as follows:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
Student housing bonds	\$ 2,520,000	\$ -	\$ 160,000	\$ 2,360,000	\$ 160,000
Feather River Fitness and Recreation mortgage	172,076	-	46,823	125,253	37,227
Feather River Community College District loan (Note 4)	<u>220,649</u>	<u>-</u>	<u>-</u>	<u>220,649</u>	<u>-</u>
	<u>\$ 2,912,725</u>	<u>\$ -</u>	<u>\$ 206,823</u>	<u>\$ 2,705,902</u>	<u>\$ 197,227</u>

The Foundation is subject to certain covenants in accordance with its long-term liability agreements. As of June 30, 2013, management believes the Foundation was in compliance with these covenants.

9. 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.

10. 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.

State Teachers' Retirement System (STRS)

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). 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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

State Teachers' Retirement System (STRS) (Continued)

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 2012-2013 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, 2013, 2012 and 2011 were \$246,774, \$252,326 and \$316,222, respectively, and equals 100% of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the State. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

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 2012-2013 was 11.417% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$355,509, \$347,624 and \$342,960, respectively, and equaled 100 percent of the required contributions for each year.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 10, 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. 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 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.

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	\$ 113,277
Interest on net OPEB obligation	17,696
Adjustment to annual required contribution	<u>(48,181)</u>
Annual OPEB cost (expense)	82,792
Contributions made	<u>(111,406)</u>
Decrease in net OPEB obligation	(28,614)
Net OPEB liability - beginning of year	<u>393,264</u>
Net OPEB liability - end of year	<u><u>\$ 364,650</u></u>

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, 2013 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 72,897	157.9%	\$ 427,874
June 30, 2012	\$ 79,400	66.1%	\$ 393,264
June 30, 2013	\$ 82,793	134.6%	\$ 364,650

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of April 1, 2012, the most recent actuarial valuation date, the plan was partially funded through amounts contributed in response to a contractual settlement. Contributions are made annually in accordance with that settlement's provisions. 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. The covered payroll (annual payroll of active employees covered by the Plan) was \$527,490, and the ratio of the UAAL to the covered payroll was 160.5 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 4.5 percent discount rate, which is based on assumed long-term investment returns on plan assets or employer assets, as appropriate, and an annual healthcare cost trend rate of 2 percent. The actuarial value of assets was determined using asset values provided by the District. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 8 years.

"Peralta" Group

In addition to the pension benefits described in Note 10, 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 District serves as a processing center for monthly health benefit costs as well as individual payments for Medicare Part B.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. 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	\$ 293,167
Interest on net OPEB obligation	44,736
Adjustment to annual required contribution	<u>(60,272)</u>
Annual OPEB cost (expense)	277,631
Contributions made	<u>(130,652)</u>
Increase in net OPEB obligation	146,979
Net OPEB liability - beginning of year	<u>994,125</u>
Net OPEB liability - end of year	<u><u>\$ 1,141,104</u></u>

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, 2013 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 106,852	133.9%	\$ 961,385
June 30, 2012	\$ 179,091	81.7%	\$ 994,125
June 30, 2013	\$ 277,631	47.1%	\$ 1,141,104

As of April 1, 2012, the most recent actuarial valuation date, 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. The covered payroll (annual payroll of active employees covered by the Plan) was \$128,408, and the ratio of the UAAL to the covered payroll was 1,166.4 percent.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. 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 plan assets or employer assets, as appropriate, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets was determined using asset values provided by the District. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 9 years.

12. 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 position or results of operations.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

13. 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, 2012 (the most recent information available):

Total assets	\$	4,135,863
Total liabilities	\$	1,178,615
Net position	\$	2,957,248
Total revenues	\$	8,280,505
Total expenses	\$	9,524,613
Change in net position	\$	(1,244,108)

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, 2012 (the most recent information available):

Total assets	\$	25,406,778
Total liabilities	\$	10,897,154
Net position	\$	14,509,624
Total revenues	\$	58,812,282
Total expenses	\$	58,198,241
Change in net position	\$	614,041

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, 2012 (the most recent information available):

Total assets	\$	48,874,611
Total liabilities	\$	21,266,021
Net position	\$	27,608,590
Total revenues	\$	10,916,311
Total expenses	\$	6,710,584
Change in net position	\$	4,205,727

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.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14. 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, 2013.

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies Materials and Other Operating Expenses</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Student Financial Aid and Scholarships</u>	<u>Total</u>
Instruction	\$ 3,964,820	\$ 890,441	\$ 1,708,022	\$ -	\$ -	\$ -	\$ 6,563,283
Academic Support	433,759	154,263	148,674	-	-	-	736,696
Student Services	1,361,474	463,466	451,702	-	-	-	2,276,642
Operations and Maintenance of Plant	663,711	283,718	877,277	-	-	-	1,824,706
Institution Support	641,980	425,799	937,203	416,545	-	-	2,421,527
Community Services and Economic Development	4,746	518	10,488	-	-	-	15,752
Auxiliary Operations	474,703	181,275	294,874	-	-	-	950,852
Student Aid	-	-	-	-	-	4,428,579	4,428,579
Physical Property and Related Acquisitions	-	-	-	-	477,506	-	477,506
	<u>\$ 7,545,193</u>	<u>\$ 2,399,480</u>	<u>\$ 4,428,240</u>	<u>\$ 416,545</u>	<u>\$ 477,506</u>	<u>\$ 4,428,579</u>	<u>\$ 19,695,543</u>

15. 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, 2013, the value of the contributions totaled \$54,000.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

16. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2013, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 63	\$ 50,587	\$ 50,650
Investment income	-	1,105	-	1,105
Change in fair value of investments	-	3,901	-	3,901
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,392)</u>	<u>-</u>	<u>(1,392)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,677</u>	<u>\$ 50,587</u>	<u>\$ 54,264</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2013, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 3,677</u>	<u>\$ 50,587</u>	<u>\$ 54,264</u>

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, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2013

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Non-Peralta Group							
6/30/2010	September 18, 2009	\$ -	\$ 899,168	\$ 899,168	0%	\$ 644,953	139%
6/30/2011	September 18, 2009	\$ -	\$ 899,168	\$ 899,168	0%	\$ 730,773	123%
6/30/2012	April 1, 2012	\$ -	\$ 846,874	\$ 846,874	0%	\$ 826,522	102%
6/30/2013	April 1, 2012	\$ -	\$ 846,874	\$ 846,874	0%	\$ 527,490	161%
Peralta Group							
6/30/2010	September 18, 2009	\$ -	\$ 1,630,087	\$ 1,630,087	0%	\$ 169,759	960%
6/30/2011	September 18, 2009	\$ -	\$ 1,630,087	\$ 1,630,087	0%	\$ 169,759	960%
6/30/2012	April 1, 2012	\$ -	\$ 1,497,695	\$ 1,497,695	0%	\$ 241,950	619%
6/30/2013	April 1, 2012	\$ -	\$ 1,497,695	\$ 1,497,695	0%	\$ 128,408	1166%

See accompanying note to required supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
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, 2013

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, 2013 were composed of the following members:

BOARD OF TRUSTEES

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
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, 2013

	<u>General</u>	<u>Capital Outlay Projects Fund</u>	<u>Child Development Fund</u>	<u>Student Financial Aid Fund</u>	<u>Bookstore Fund</u>	<u>Totals</u>	<u>Reconciling Adjustments/ Eliminations</u>	<u>Statement of Net Position</u>
Assets								
Current assets:								
Cash and cash equivalents	\$ 2,899,290	\$ -	\$ 37,628	\$ 303,487	\$ 251,758	\$ 3,492,163	\$ -	\$ 3,492,163
Receivables, net	2,502,332	7,773	9,104	87,572	14,611	2,621,392	-	2,621,392
Due from other funds	292,705	740	2,762	-	-	296,207	(296,207)	-
Stores inventories	-	-	-	-	56,494	56,494	-	56,494
Prepaid expenses	177,018	-	-	-	-	177,018	-	177,018
Total current assets	<u>5,871,345</u>	<u>8,513</u>	<u>49,494</u>	<u>391,059</u>	<u>322,863</u>	<u>6,643,274</u>	<u>(296,207)</u>	<u>6,347,067</u>
Noncurrent assets:								
Restricted cash and cash equivalents	-	719,782	-	-	-	719,782	-	719,782
Note receivable	220,649	-	-	-	-	220,649	-	220,649
Non-depreciable capital assets	-	-	-	-	-	-	277,099	277,099
Depreciable capital assets, net	-	-	-	-	-	-	12,702,098	12,702,098
Total noncurrent assets	<u>220,649</u>	<u>719,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>940,431</u>	<u>12,979,197</u>	<u>13,919,628</u>
Total assets	<u>\$ 6,091,994</u>	<u>\$ 728,295</u>	<u>\$ 49,494</u>	<u>\$ 391,059</u>	<u>\$ 322,863</u>	<u>\$ 7,583,705</u>	<u>\$ 12,682,990</u>	<u>\$ 20,266,695</u>
Liabilities								
Current liabilities:								
Accounts payable	\$ 965,922	\$ -	\$ 51	\$ 40,463	\$ 10,038	\$ 1,016,474	\$ -	\$ 1,016,474
Unearned revenue	1,614,873	20,011	-	10,759	-	1,645,643	-	1,645,643
Compensated absences payable	-	-	-	-	-	-	425,899	425,899
Long-term debt - current portion	-	-	-	-	-	-	237,642	237,642
Due to other funds	2,762	287	763	292,395	-	296,207	(296,207)	-
Total current liabilities	<u>2,583,557</u>	<u>20,298</u>	<u>814</u>	<u>343,617</u>	<u>10,038</u>	<u>2,958,324</u>	<u>367,334</u>	<u>3,325,658</u>
Noncurrent liabilities:								
Long-term debt - noncurrent portion	-	-	-	-	-	-	2,075,446	2,075,446
Total liabilities	<u>2,583,557</u>	<u>20,298</u>	<u>814</u>	<u>343,617</u>	<u>10,038</u>	<u>2,958,324</u>	<u>2,442,780</u>	<u>5,401,104</u>
Net Position								
Net investment in capital assets	-	-	-	-	-	-	12,474,199	12,474,199
Restricted for:								
Expendable:								
Capital projects	-	707,997	-	-	-	707,997	-	707,997
Other special purposes	177,018	-	-	-	-	177,018	(177,018)	-
Unrestricted	3,331,419	-	48,680	47,442	312,825	3,740,366	(2,056,971)	1,683,395
Total net position	<u>3,508,437</u>	<u>707,997</u>	<u>48,680</u>	<u>47,442</u>	<u>312,825</u>	<u>4,625,381</u>	<u>10,240,210</u>	<u>14,865,591</u>
Total liabilities and net position	<u>\$ 6,091,994</u>	<u>\$ 728,295</u>	<u>\$ 49,494</u>	<u>\$ 391,059</u>	<u>\$ 322,863</u>	<u>\$ 7,583,705</u>	<u>\$ 12,682,990</u>	<u>\$ 20,266,695</u>

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, 2013

	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	\$ 1,734,972	\$ 111,452	\$ -	\$ -	\$ -	\$ 1,846,424	\$ 904,900	\$ 2,751,324
Less: Scholarship discounts and allowance	-	-	-	-	-	-	(920,384)	(920,384)
Net tuition and fees	<u>1,734,972</u>	<u>111,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,846,424</u>	<u>(15,484)</u>	<u>1,830,940</u>
Grants and contracts, non-capital:								
Federal	1,056,604	-	15,088	1,919,189	-	2,990,881	-	2,990,881
State	1,100,398	80,710	100,536	95,229	-	1,376,873	-	1,376,873
Local	787,678	2,305	15,972	104,447	2,003	912,405	-	912,405
Auxiliary enterprise sales and charges	-	-	-	-	68,771	68,771	-	68,771
Total operating revenues	<u>4,679,652</u>	<u>194,467</u>	<u>131,596</u>	<u>2,118,865</u>	<u>70,774</u>	<u>7,195,354</u>	<u>(15,484)</u>	<u>7,179,870</u>
Operating expenses:								
Salaries	7,240,092	-	162,684	-	46,616	7,449,392	95,801	7,545,193
Employee benefits	2,285,634	-	58,829	-	12,236	2,356,699	42,781	2,399,480
Supplies, materials and other operating expenses and services	4,528,368	448,682	7,769	-	14,665	4,999,484	(571,244)	4,428,240
Utilities	-	-	-	-	-	-	416,545	416,545
Depreciation	-	-	-	-	-	-	477,506	477,506
Student financial aid and scholarships	117,214	-	-	4,311,365	-	4,428,579	-	4,428,579
Total operating expenses	<u>14,171,308</u>	<u>448,682</u>	<u>229,282</u>	<u>4,311,365</u>	<u>73,517</u>	<u>19,234,154</u>	<u>461,389</u>	<u>19,695,543</u>
Operating loss	<u>(9,491,656)</u>	<u>(254,215)</u>	<u>(97,686)</u>	<u>(2,192,500)</u>	<u>(2,743)</u>	<u>(12,038,800)</u>	<u>(476,873)</u>	<u>(12,515,673)</u>
Non-operating revenues (expenses):								
State apportionment, non-capital	4,986,306	-	-	-	-	4,986,306	-	4,986,306
Local property taxes	4,862,049	-	-	-	-	4,862,049	-	4,862,049
State taxes and other revenues	383,196	-	-	-	-	383,196	-	383,196
Interest expense on capital asset related debt	(28,190)	-	-	-	-	(28,190)	-	(28,190)
Interest income	19,270	1,774	255	-	850	22,149	-	22,149
Debt reduction	(155,426)	-	-	-	-	(155,426)	155,426	-
Interfund transfers out	(279,688)	-	-	-	-	(279,688)	279,688	-
Interfund transfers in	-	210,932	68,756	-	-	279,688	(279,688)	-
Pell grants	105,426	-	-	2,192,500	-	2,297,926	-	2,297,926
Total non-operating revenues (expenses)	<u>9,892,943</u>	<u>212,706</u>	<u>69,011</u>	<u>2,192,500</u>	<u>850</u>	<u>12,368,010</u>	<u>155,426</u>	<u>12,523,436</u>

(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, 2013

	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	401,287	(41,509)	(28,675)	-	(1,893)	329,210	(321,447)	7,763
Capital revenues: Local property taxes and other revenues, capital	-	-	-	-	-	-	15,484	15,484
Change in net position	401,287	(41,509)	(28,675)	-	(1,893)	329,210	(305,963)	23,247
Net position, July 1, 2012	3,107,150	749,506	77,355	47,442	314,718	4,296,171	10,546,173	14,842,344
Net position, June 30, 2013	\$ 3,508,437	\$ 707,997	\$ 48,680	\$ 47,442	\$ 312,825	\$ 4,625,381	\$ 10,240,210	\$ 14,865,591

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268	P268K123097	\$ 1,883,635
Federal Work Study Program	84.033	P033A100600	25,496
Higher Education Act:			
Federal Pell Grant Program	84.063	P063P101180	2,297,926
Federal Supplementary Educational Opportunity Grant	84.007	P007A070600	<u>20,800</u>
Subtotal Student Financial Aid Cluster			<u>4,227,857</u>
TRIO Cluster:			
TRIO - Student Support Services	84.042	P042A100546	232,174
TRIO - Talent Search	84.044	P044A110711	195,137
TRIO - Upward Bound	84.047	P047A120549	<u>256,602</u>
Subtotal TRIO Cluster			<u>683,913</u>
Career and Technical Education Programs:			
Passed through the California Community College Chancellor's Office:			
Career and Technical Education - Basic Grants to States	84.048		63,220
Passed through Butte Community College District:			
Career and Technical Education - Basic Grants to States	84.048		<u>1,835</u>
Subtotal Career and Technical Education Programs			<u>65,055</u>
Passed through the California Community College Chancellor's Office:			
Higher Education Institutional Aid	84.031A		<u>68,083</u>
Total U.S. Department of Education			<u>5,044,908</u>
<u>U.S. Department of Agriculture</u>			
Passed through the California Department of Education:			
Child and Adult Care Food Program	10.558		15,088
Passed through Plumas County:			
Forest Reserve	10.665		<u>210,932</u>
Total U.S. Department of Agriculture			<u>226,020</u>

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Veteran Affairs</u>			
Direct Program:			
Survivors and Dependents Educational Assistance	64.117		\$ <u>957</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Yosemite Community College District:			
Child Care and Development Block Grant	93.575		7,500
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families	93.558		<u>9,422</u>
Total U.S. Department of Health and Human Services			<u>16,922</u>
Total Federal Programs			<u>\$ 5,288,807</u>

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2013

	Program Entitlements			Program Revenues				Program Expenditures
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue/Accounts Payable	Total	
Cal Grants	\$ -	\$ 94,727	\$ 94,727	\$ 94,453	\$ 274	\$ -	\$ 94,727	\$ 94,727
Disabled Student Programs and Services	-	155,366	155,366	142,967	4,901	-	147,868	147,868
Extended Opportunity Programs and Services	-	153,781	153,781	161,880	-	12,302	149,578	149,578
Matriculation	-	41,575	41,575	38,249	3,326	-	41,575	41,575
Cooperative Agency Resource Education	-	41,186	41,186	37,891	-	1,406	36,485	36,485
AB 1725 Staff Development	-	349	349	349	-	349	-	-
Equal Employment Opportunity	-	3,630	3,630	5,238	-	2,944	2,294	2,294
Child Development	-	99,543	99,543	93,380	6,163	-	99,543	99,543
Child Development Repairs & Maintenance	-	6,430	6,430	4,841	1,589	-	6,430	6,430
Child Care Food Program	-	993	993	877	116	-	993	993
Child Development Early Childhood Mentoring Program	-	1,773	1,773	1,773	-	473	1,300	1,300
CalWORKS	-	117,545	117,545	108,141	-	31,794	76,347	76,347
Telecommunications	-	8,039	8,039	8,039	-	8,039	-	-
Boating Safety	-	17,615	17,615	9,716	6,905	-	16,621	16,621
BFAP 2%	-	22,876	22,876	21,046	1,830	-	22,876	22,876
CTE Transitions	-	310,389	310,389	281,958	-	224,682	57,276	57,276
Deferred Maintenance	-	29,052	29,052	29,052	-	29,052	-	-
WIP E-Ship	107,109	196,875	303,984	303,984	-	111,153	192,831	192,831
Basic Skills	18,353	90,000	108,353	101,153	-	14,244	86,909	86,909
PT Faculty Office Hours & Comp	-	35,507	35,507	32,666	2,841	-	35,507	35,507
YEP Grant	-	216,570	216,570	216,570	-	130,355	86,215	86,215
SB 70 Block Grant	-	275,930	275,930	275,930	-	138,802	137,128	137,128
Mandated Cost	-	45,508	45,508	45,508	-	-	45,508	45,508
R2T4	-	502	502	502	-	-	502	502
Maintenance Allowance	-	9,559	9,559	-	9,559	-	9,559	9,559
Block Grant/Maintenance and Repairs	-	88,697	88,697	88,967	-	87,703	1,264	1,264
Block Grant/600 Remodel	-	25,758	25,758	25,758	-	24,852	906	906
Block Grant/Library Remodel	-	50,000	50,000	50,000	-	29,268	20,732	20,732
Unrestricted Lottery	-	237,626	237,626	134,478	103,147	-	237,625	237,625
Lottery/Instructional Materials	45,495	10,211	55,706	54,313	-	25,990	28,323	28,323
LRC Capital Outlay	-	74,280	74,280	74,280	-	-	74,280	74,280
Total State Programs	\$ 170,957	\$ 2,461,892	\$ 2,632,849	\$ 2,443,959	\$ 140,651	\$ 873,408	\$ 1,711,202	\$ 1,711,202

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, 2013

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2012 only)			
1. Noncredit	-	-	-
2. Credit	227	-	227
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit	-	-	-
2. Credit	11	-	11
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	685	-	685
b. Daily Census Contact Hours	37	-	37
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	23	-	23
b. Credit	210	-	210
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	234	-	234
b. Daily Census Contact Hours	5	-	5
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
D. Total FTES	<u>1,432</u>	<u>-</u>	<u>1,432</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	52	-	52
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	23	-	23
b. Credit	35	-	35
<u>CCFS 320 Addendum</u>			
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, 2013

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, 2013

Object/TOP Codes	Activity (ECSA) ECS 84362 A		Activity (ECSB) ECS 84362 B	
	Reported Data	Audit Adjustments	Reported Data	Audit Adjustments
	AC 0100-5900 & AC 6110	AC 0100-5900 & AC 6110	Total CEE	AC 0100-6799
	Reported Data	Revised Data	Reported Data	Revised Data
<u>Academic Salaries</u>				
Instructional salaries:				
Contract or regular	\$ 2,000,045	\$ 2,000,045	\$ 2,000,045	\$ 2,000,045
Other	939,236	939,236	939,872	939,872
Total instructional salaries	2,939,281	2,939,281	2,939,917	2,939,917
Non-instructional salaries:				
Contract or regular	-	-	656,446	656,446
Other	-	-	113,494	113,494
Total non-instructional salaries	-	-	769,940	769,940
Total academic salaries	2,939,281	2,939,281	3,709,857	3,709,857
<u>Classified Salaries</u>				
Non-instructional salaries:				
Regular status	-	-	1,116,695	1,116,695
Other	-	-	21,770	21,770
Total non-instructional salaries	-	-	1,138,465	1,138,465
Instructional aides:				
Regular status	133,318	133,318	134,275	134,275
Other	14,638	14,638	14,638	14,638
Total instructional aides	147,956	147,956	148,913	148,913
Total classified salaries	147,956	147,956	1,287,378	1,287,378
Employee benefits				
Supplies and materials	715,185	715,185	1,551,027	1,551,027
Other operating expenses	-	-	380,474	380,474
Equipment replacement	562,962	562,962	1,998,568	1,998,568
6420	-	-	-	-
Total expenditures prior to exclusions	4,365,384	4,365,384	8,927,304	8,927,304

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
 (Continued)
 For the Year Ended June 30, 2013

Object/TOP Codes	Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110		Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799	
	Reported Data	Audit Adjustments	Reported Data	Audit Adjustments
				Revised Data
	\$	\$	\$	\$
5900	-	-	184,767	-
5441	-	-	67,695	-
6491	-	-	141,361	-
6740	-	-	99,000	-
5060	-	-	154,227	-
1000	-	-	-	-
2000	-	-	-	-
3000	-	-	-	-
4000	-	-	-	-
4100	-	-	-	-
4200	-	-	14,888	-
4300	-	-	111,481	-
4400	-	-	111,257	-
			237,626	
5000	-	-	-	-
6000	-	-	-	-
6300	-	-	-	-
6400	-	-	-	-
6410	-	-	-	-
6420	-	-	-	-
7000	-	-	-	-
	\$	\$	884,676	884,676
	4,365,384	-	8,042,628	-
	54.28%	-	100.00%	-
			4,021,314	4,021,314

Exclusions

- Activities to exclude:
- Instructional staff-retirees' benefits and retirement incentives
- Student health services above amount collected
- Student transportation
- Noninstructional staff-retirees' benefits and retirement incentives
- Objects to exclude:
- Rents and leases
- Lottery expenditures
- Academic salaries
- Classified salaries
- Employee benefits
- Supplies and materials:
- Software
- Books, magazines and periodicals
- Instructional supplies and materials
- Noninstructional supplies and materials
- Total supplies and materials
- Other operating expenses and services
- Capital outlay
- Library books
- Equipment:
- Equipment - additional
- Equipment - replacement
- Total equipment
- Total capital outlay
- Other outgo
- Total exclusions
- Total for ECS 84362, 50% Law
- Percent of CEE (instructional salary cost / Total CEE)
- 50% of current expense of education

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

**PROP 30 EPA EXPENDITURE REPORT
For the Year Ended June 30, 2013**

EPA Proceeds: \$ 1,787,566

<u>Activity Classification</u>	<u>Activity Code (0100-5900)</u>	<u>Salaries and Benefits (1000-3000)</u>	<u>Operating Expenses (4000-5000)</u>	<u>Capital Outlay (6000)</u>	<u>Total</u>
Instructional Activities	-	\$ 1,787,566	-	-	\$ 1,787,566

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

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 Expenditures of Federal Awards

The accompanying Schedule of Expenditures 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.

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, 2013:

- 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
- Gann Limit Calculation
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Other Materials
- Student Fees-Health Fees and Use of Fee Funds
- 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations 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. However, our audit does not provide legal determination of Feather River Community College District's compliance with those requirements.

Opinion with State Laws and Regulations

In our opinion, Feather River Community College District complied, in all material respects, with the compliance requirements for the year ended June 30, 2013. 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.

Purpose of this Report

This report is intended solely for the information and use of District management, the Board of Trustees, the California Community Colleges Chancellor's Office, and the Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Sacramento, California
November 26, 2013

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 and the discretely presented component unit of Feather River Community College District as of and for the year ended June 30, 2013, 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, 2013. 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*.

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

Sacramento, California
November 26, 2013

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, 2013. 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, 2013.

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

Sacramento, California
November 26, 2013

FINDINGS AND RECOMMENDATIONS

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268 84.042, 84.044, 84.047	Student Financial Aid Cluster TRIO 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: Unmodified

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2013

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2013

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
2012-01		
<ul style="list-style-type: none"> • There is no evidence of review of employee sick days/accrued vacation balance after the balances are input by Human Resources. <p>For the conditions noted above, we recommend the following:</p> <ul style="list-style-type: none"> • Monthly review of the Banner printout showing employees sick day/PTO balances needs to be generated. Management should ensure the Banner printout is reviewed and approved by appropriate personnel on a monthly basis. 	Implemented	
2012-02		
<ul style="list-style-type: none"> • The District's advisory committee for EOPS and CARE did not meet during the 2011-2012 academic year. <p>For the conditions noted above, we recommend the following:</p> <ul style="list-style-type: none"> • The District should implement the procedures to ensure the EOPS advisory committee meet at least once during each academic year and twice a year for the CARE advisory committee and/or interagency group. 	Implemented	