

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT  
Quincy, California**

**FINANCIAL STATEMENTS  
June 30, 2011**

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2011**

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FEATHER RIVER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2011

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Feather River Community College District  
Quincy, California

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Feather River Community College District (the "District") as of and for the year ended June 30, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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, and the *California Community Colleges Contradicted District Audit Manual*, issued by the Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Feather River College Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements listed in the aforementioned table of contents present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Feather River Community College District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITORS' REPORT

(Continued)

Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, are not required parts of the financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The accompanying supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crowe Horwath LLP

Sacramento, California  
December 23, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Client to Provide - Pages 3 - \_\_)**

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

**ASSETS**

Current assets:	
Cash (Note 2)	\$ 3,207,880
Receivables, net (Note 3)	2,478,605
Stores inventories	42,214
Prepaid expenses	<u>160,191</u>
Total current assets	<u>5,888,890</u>
Noncurrent assets:	
Note receivable (Note 4)	220,649
Non-depreciable capital assets (Note 5)	9,865,411
Depreciable capital assets, net (Note 5)	<u>3,374,031</u>
Total noncurrent assets	<u>13,460,091</u>
Total assets	<u>\$ 19,348,981</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 594,791
Deferred revenue (Note 6)	1,183,543
Compensated absences payable (Note 8)	381,531
Long-term debt - current portion (Notes 8 and 11)	<u>162,217</u>
Total current liabilities	<u>2,322,082</u>
Noncurrent liabilities:	
Long-term debt - noncurrent portion (Notes 8 and 11)	<u>2,049,683</u>
Total liabilities	<u>4,371,765</u>

Commitments and contingencies (Note 12)

**NET ASSETS**

Invested in capital assets, net of related debt	12,416,857
Restricted for capital projects	889,366
Restricted for other special purposes	160,191
Unrestricted	<u>1,510,802</u>
Total net assets	<u>14,977,216</u>
Total liabilities and net assets	<u>\$ 19,348,981</u>

The accompanying notes are an integral part of these 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, 2011

**ASSETS**

Current assets:	
Cash and cash equivalents (Note 2)	\$ 321,778
Investments (Note 2)	426,379
Receivables, net (Note 3)	<u>39,103</u>
Total current assets	<u>787,260</u>
Noncurrent assets:	
Investments (Note 2)	319,828
Property and equipment, net (Note 5)	3,945,003
Deposits	1,900
Bond issuance costs, net of accumulated amortization of \$111,328	<u>153,079</u>
Total assets	<u><u>\$ 5,207,070</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accrued expenses	\$ 103,621
Current portion of long-term debt (Note 8)	<u>181,296</u>
Total current liabilities	<u>284,917</u>
Noncurrent liabilities:	
Long-term debt, less current portion (Note 8)	<u>2,915,236</u>
Total liabilities	<u>3,200,153</u>

**NET ASSETS**

Temporarily restricted	201,131
Permanently restricted	2,850
Unrestricted	<u>1,802,936</u>
Total net assets	<u>2,006,917</u>
Total liabilities and net assets	<u><u>\$ 5,207,070</u></u>

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



**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**

**For the Year Ended June 30, 2011**

Operating revenues:	
Tuition and fees	\$ 987,916
Less: scholarship discounts and allowances	<u>(561,691)</u>
Net tuition and fees	<u>426,225</u>
Grants and contracts, non-capital:	
Federal	3,270,969
State	5,844,286
Local	529,678
Auxiliary enterprise sales and charges	<u>80,483</u>
Total operating revenues	<u>10,151,641</u>
Operating expenses (Note 14):	
Salaries	7,616,245
Employee benefits (Notes 10 and 11)	2,476,014
Supplies, materials, and other operating expenses and services	4,108,108
Utilities	370,999
Depreciation (Note 5)	427,311
Student financial aid and scholarships	<u>4,790,522</u>
Total operating expenses	<u>19,789,199</u>
Loss from operations	<u>(9,637,558)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	5,457,979
Local property taxes (Note 9)	5,323,888
State taxes and other revenues	249,476
Interest expense on capital asset-related debt, net	(42,309)
Interest income	24,334
Pell grants	<u>2,638,820</u>
Total non-operating revenues (expenses)	<u>13,652,188</u>
Income before capital revenues	<u>4,014,630</u>
Capital revenues:	
Grants and gifts, capital	366,570
Local property taxes and revenues	<u>6,550</u>
Total capital revenues	<u>373,120</u>
Change in net assets	4,387,750
Net assets, July 1, 2010	<u>10,589,466</u>
Net assets, June 30, 2011	<u>\$ 14,977,216</u>

The accompanying notes are an integral  
part of these 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, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 30,400	\$ 70,208		\$ 100,608
Contributions by Feather River College (Note 15)	250,316			250,316
Rental income	549,261			549,261
Interest income	10,956			10,956
Other operating income	91,192			91,192
(Loss) gain on sale of horses / equipment	(15,294)	97,737		82,443
Fish sales, net		741		741
Fundraising income, net		17,864		17,864
Net assets released from restrictions by payments	<u>125,189</u>	<u>(124,989)</u>	<u>\$ (200)</u>	
Total revenues, gains and other support	<u>1,042,020</u>	<u>61,561</u>	<u>(200)</u>	<u>1,103,381</u>
Expenses:				
Program services:				
Fitness center operations	45,900			45,900
College housing operations	746,444			746,444
Purchases on behalf of Feather River College	14,946			14,946
Scholarships granted	28,380			28,380
Supporting services:				
Management and general	<u>136,275</u>			<u>136,275</u>
Total expenses	<u>971,945</u>			<u>971,945</u>
Change in net assets	<u>70,075</u>	<u>61,561</u>	<u>(200)</u>	<u>131,436</u>
Net assets, July 1, 2010	<u>1,732,861</u>	<u>139,570</u>	<u>3,050</u>	<u>1,875,481</u>
Net assets, June 30, 2011	<u>\$ 1,802,936</u>	<u>\$ 201,131</u>	<u>\$ 2,850</u>	<u>\$ 2,006,917</u>

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

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

Cash flows from operating activities:	
Tuition and fees	\$ 426,225
Federal grants and contracts	4,407,001
State grants and contracts	5,417,122
Local grants and contracts	1,054,960
Payments to suppliers	(5,248,323)
Payment to utilities	(370,999)
Payment to employees	(11,000,000)
Payment to students	(4,790,522)
Auxiliary enterprises sales and charges	<u>80,483</u>
Net cash used in operating activities	<u>(10,024,053)</u>
Cash flows from noncapital financing activities:	
State appropriations	5,925,918
Local property taxes	5,323,888
State taxes and other revenues	249,476
Investment income - non capital	24,334
Interest expense	(42,309)
Pell grants	<u>2,638,820</u>
Net cash provided by noncapital financing activities	<u>14,120,127</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	373,120
Purchase of capital assets	(4,455,117)
Principal paid on capital debt	<u>(155,256)</u>
Net cash used in capital and related financing activities	<u>(4,237,253)</u>
Cash flows provided by investing activities:	
Loan to the Foundation	<u>5,735</u>
Change in cash and cash equivalents	(135,444)
Cash balance, beginning of year	<u>3,343,324</u>
Cash balance, end of year	<u>\$ 3,207,880</u>

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS  
(Continued)  
For the Year Ended June 30, 2011

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (9,637,558)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	427,311
Changes in assets and liabilities:	
Receivables, net	1,399,544
Inventories and prepaids	(41,811)
Accounts payable	(1,098,404)
Deferred revenue	(165,394)
Amounts held in trust	(835,071)
Compensated absences	5,786
Retiree health benefits	<u>(78,456)</u>
Net cash used in operating activities	<u>\$ (10,024,053)</u>

The accompanying notes are an integral part of these 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, 2011**

Cash flows from operating activities:	
Change in net assets	\$ 131,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	186,329
Amortization	13,916
Donated horses included in contributions	(30,400)
Gain on sale of horses	(82,443)
Decrease in receivables	47,976
Decrease in prepaid expenses	2,889
Decrease in deposits	313
Decrease in accounts payable and accrued expenses	(13,967)
Increase in tenant deposits payable	<u>6,180</u>
Net cash provided by operating activities	<u>262,229</u>
Cash flows from investing activities:	
Payments for property and equipment	(160,406)
Increase in investments	(101,464)
Proceeds from sale of horses	<u>99,147</u>
Net cash used in investing activities	<u>(162,723)</u>
Cash flows from financing activities:	
Payments on long-term debt	(173,326)
Loan from Feather River Community College District	<u>5,735</u>
Net cash used in financing activities	<u>(167,591)</u>
Change in cash and cash equivalents	(68,085)
Cash and cash equivalents - beginning of year	<u>389,863</u>
Cash and cash equivalents - end of year	<u><u>\$ 321,778</u></u>

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

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Agency Fund Associated Students Fund</u>	<u>Trust Fund Retiree Benefit Fund</u>
<b>ASSETS</b>		
Cash in County Treasury (Note 2)		\$ 1,596,959
Cash and cash equivalents (Note 2)	<u>\$ 14,216</u>	<u>                    </u>
Total assets	<u>14,216</u>	<u>1,596,959</u>
<b>LIABILITIES</b>		
Accounts payable		28,935
Amounts held for others	<u>14,216</u>	<u>                    </u>
Total liabilities	<u>14,216</u>	<u>28,935</u>
<b>NET ASSETS</b>		
Total net assets	<u>\$ -</u>	<u>\$ 1,568,024</u>

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

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS**  
**For the Year Ended June 30, 2011**

	<u>Retiree Benefits Fund</u>
<b>Additions:</b>	
District contributions	\$ 350,325
Interest income	<u>8,189</u>
Total additions	<u>358,514</u>
<b>Deductions:</b>	
Benefit withdrawals	<u>258,205</u>
Change in net assets	100,309
<b>Net assets held in trust:</b>	
Net assets, July 1, 2010	<u>1,467,715</u>
Net assets, June 30, 2011	<u><u>\$ 1,568,024</u></u>

The accompanying notes are an integral  
part of these 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. Under this model, the District's financial statements provide a comprehensive one-line look at its financial activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. 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)

The Foundation's financial statements are prepared on the accrual basis of accounting. For the Foundation, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after that date.

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 assets. Restricted cash and cash equivalents are included in cash and cash equivalents in the statement of cash flows.

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 assets. The fair value of investments, including the Plumas County Treasury external investment pool, at June 30, 2011 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.

##### 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.

##### Deferred 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 deferred revenue until earned.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The District's net assets are classified as follows:

*Invested in capital assets, net of related debt:* 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 invested in capital assets, net of related debt.

*Restricted net assets:* Restricted expendable net assets 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 assets 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 assets:* Unrestricted net assets 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 typically first applies the expense toward restricted resources, then to unrestricted resources. This practice ensures fully utilizing restricted funding each fiscal year.

The Foundation's net assets are classified as follows:

*Unrestricted:* Unrestricted net assets consist of all resources of the Foundation, which have not been specifically restricted by a donor.

*Temporarily restricted:* Temporarily restricted net assets consist 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 restriction.

*Permanently restricted:* Permanently restricted net assets are nonexpendable net assets consisting of endowment and similar type funds in which the donor has stipulated as condition of the gift, that the principal be maintained in perpetuity.

## 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 one individual donor-restricted endowment fund 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.

## FEATHER RIVER COMMUNITY COLLEGE DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### On-Behalf Payments

GASB Cod. Sec. 2300.120 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 Retirement System 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 \$120,993 (4.267%) of salaries subject to CalSTRS). Had this amount been reflected in the District's financial statements, both revenues and expenditures would have increased by \$120,993.

##### 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 and expenses 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. 2200.190-.191, such as State appropriations and investment income.

##### Scholarship Discounts and Allowances

Student tuition and fee revenue are reported net of scholarship discounts and allowances in the statement of revenues, expenses and change in net assets. 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.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform with the current year presentation. Reclassifications did not impact net assets or the change in net assets.

**2. CASH AND INVESTMENTS**

Cash and investments at June 30, 2011, consisted of the following:

	<u>District</u>	<u>Foundation</u>	<u>Agency Funds</u>	<u>Trust Fund</u>
Pooled Funds:				
Cash in County Treasury	\$ 2,954,112			\$ 1,596,959
Deposits:				
Cash on hand and in banks	<u>253,768</u>	<u>\$ 321,778</u>	<u>\$ 14,216</u>	<u>                    </u>
Total cash	<u>\$ 3,207,880</u>	<u>\$ 321,778</u>	<u>\$ 14,216</u>	<u>\$ 1,596,959</u>
Investments	<u>\$ -</u>	<u>\$ 746,207</u>	<u>\$ -</u>	<u>\$ -</u>

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 credit risk classifications is required.

In accordance with applicable state laws, the Plumas County Treasurer may invest in derivative securities. However, at June 30, 2011, 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 AND INVESTMENTS (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

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and noninterest-bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2011, the carrying amount of the District's accounts was \$267,984 and the bank balance was \$302,881, all of which was insured.

The Foundation limits custodial credit risk by ensuring uninsured balances are collateralized by respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2011, the carrying amount of the Foundation's cash on hand and in banks was \$321,778 and the bank balance was \$328,688. \$271,187 of the bank balance was FDIC insured and \$57,501 remained uninsured.

#### 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, 2011, the District has no significant interest rate risk related to cash and investments held.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**2. CASH AND INVESTMENTS (Continued)**

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, 2011, the District had no concentrations of credit risk.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$1,596,959 represents amount in the District's name with a third party custodian for future retiree benefits.

Foundation Investments

Investments are stated at fair value as of June 30, 2011 and consist of revenue bond proceeds invested in the following mutual fund and guaranteed investment contract:

First American Treasury Obligations Fund, short-term	\$ 426,379
Bayerische Landesbank Investment Agreement, long-term	<u>319,828</u>
	<u>\$ 746,207</u>

The following presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2011, 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 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:				
Guaranteed investment contract	\$ 319,828			\$ 319,828
Mutual fund	<u>426,379</u>	<u>\$ 426,379</u>		
	<u>\$ 746,207</u>	<u>\$ 426,379</u>	<u>\$ -</u>	<u>\$ 319,828</u>

The fair value of investment securities classified as level 1 equals market prices. Certain investments were classified as Level 3 as the fair value for the guaranteed investment contract is the amount payable on demand, at the measurement date, subject to the surrender provisions of the contract. There were no changes in the valuation techniques used during the year ended June 30, 2011.

The Foundation had no non recurring assets and no liabilities at June 30, 2011, which were required to be disclosed using the fair value hierarchy.

**3. RECEIVABLES**

Receivables:	
Federal	\$ 155,766
State	1,737,851
Local and other, net of allowance	<u>584,988</u>
	<u>\$ 2,478,605</u>

The allowance for doubtful accounts of \$115,491 is maintained at an amount that management considers sufficient to fully reserve and provide for possible uncollectibility of student fees receivable. Student fees receivable, included in local and other receivables, totaled \$483,091 at June 30, 2011.

At June 30, 2011, the Foundation had \$39,103 in receivables due from local sources.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**4. NOTE RECEIVABLE**

The District entered into a loan agreement up to the amount of \$350,000 with the Feather River Community College Foundation for the purpose of financing repairs for the Feather River College Residence Halls, dated May 27, 2010. Effective December 15, 2010, the loan agreement was modified 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, 2011 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, 2011, the Foundation had drawn down \$220,649.

**5. CAPITAL ASSETS**

District capital asset activity consists of the following:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Non-depreciable:				
Land	\$ 277,099			\$ 277,099
Construction in progress	5,394,873	\$ 4,193,439		9,588,312
Depreciable:				
Buildings	7,276,260			7,276,260
Building improvements	476,563			476,563
Equipment	<u>3,381,192</u>	<u>261,678</u>		<u>3,642,870</u>
Total	<u>16,805,987</u>	<u>4,455,117</u>		<u>21,261,104</u>
Less accumulated depreciation:				
Building improvements	(328,075)	(15,162)		(343,237)
Buildings	(5,067,035)	(140,282)		(5,207,317)
Equipment	<u>(2,199,241)</u>	<u>(271,867)</u>		<u>(2,471,108)</u>
Total	<u>(7,594,351)</u>	<u>(427,311)</u>		<u>(8,021,662)</u>
Capital assets, net	<u>\$ 9,211,636</u>	<u>\$ 4,027,806</u>	<u>\$ -</u>	<u>\$13,239,442</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, 2010	Additions	Deductions	Transfers	Balance June 30, 2011
Non-depreciable:					
Land	\$ 332,884				\$ 332,884
Construction in progress	69,842	\$ 150,506	\$ (10)	\$ (220,338)	
Depreciable:					
Buildings and improvements	4,097,423			220,338	4,317,761
Machinery and equipment	201,894				201,894
Horses	241,680	38,900	(27,300)		253,280
Furniture and fixtures	142,008				142,008
<b>Total</b>	<u>5,085,731</u>	<u>189,406</u>	<u>(27,310)</u>		<u>5,247,827</u>
Less accumulated depreciation:					
Buildings and improvements	(759,699)	(136,464)			(896,163)
Machinery and equipment	(170,897)	(8,161)			(179,058)
Horses	(70,775)	(34,793)	12,006		(93,562)
Furniture and fixtures	(127,130)	(6,911)			(134,041)
<b>Total</b>	<u>(1,128,501)</u>	<u>(186,329)</u>	<u>12,006</u>		<u>(1,302,824)</u>
<b>Capital assets, net</b>	<u>\$ 3,957,230</u>	<u>\$ 3,077</u>	<u>\$ (15,304)</u>	<u>\$ -</u>	<u>\$ 3,945,003</u>

**6. DEFERRED REVENUE**

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	\$ 61,205
Deferred student fees	463,270
Deferred tuition and other student fees	<u>659,068</u>
<b>Total deferred revenue</b>	<u>\$ 1,183,543</u>

**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, 2011 is as follows:

	Outstanding July 1, 2010	Additions	Deletions	Outstanding June 30, 2011
Series 2009 - 2.00% Tax Revenue Anticipation Note	<u>\$ -</u>	<u>\$ 1,955,000</u>	<u>\$ 1,955,000</u>	<u>\$ -</u>

Subsequent to June 30, 2011, the District entered into a new TRANS agreement for \$2,000,000 payable on June 29, 2012.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**8. LONG-TERM LIABILITIES**

Notes Payable

On April 6, 2005, the District entered into a note payable for \$80,000 to fund a new rodeo practice arena. The note is secured by equipment, has a fixed interest rate of 6.5% and matures in August 2011. Future payments are scheduled as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 13,150</u>	<u>\$ 855</u>	<u>\$ 14,005</u>

Capitalized Lease Obligations

The District leases certain equipment and software with a net book value of approximately \$610,916 under long-term lease purchase agreements. The following is a schedule of future minimum lease payments for capitalized lease obligations as of June 30, 2011:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2012	\$ 183,618
2013	183,616
2014	183,618
2015	150,302
2016	147,607
2017-2021	<u>74,217</u>
Total payments	922,978
Less amount representing interest	<u>(113,487)</u>
Net minimum lease payments	<u>\$ 809,491</u>

District Changes in Long-Term Debt

A schedule of changes in the District's long-term debt for the year ended June 30, 2011 is as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Notes payable	\$ 25,497		\$ 12,347	\$ 13,150	\$ 13,150
Capitalized lease obligations	952,400		142,909	809,491	149,067
Compensated absences	375,745	\$ 5,786		381,531	381,531
Other postemployment benefits (Note 11)	<u>1,467,715</u>	<u>179,749</u>	<u>258,205</u>	<u>1,389,259</u>	
	<u>\$ 2,821,357</u>	<u>\$ 185,535</u>	<u>\$ 413,461</u>	<u>\$ 2,593,431</u>	<u>\$ 543,748</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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 150,000	\$ 134,869	\$ 284,869
2013	160,000	127,700	287,700
2014	160,000	120,300	280,300
2015	170,000	112,095	282,095
2016	175,000	102,953	277,953
2017-2021	1,040,000	347,414	1,387,414
2022	<u>815,000</u>	<u>64,528</u>	<u>879,528</u>
	<u>\$ 2,670,000</u>	<u>\$ 1,009,859</u>	<u>\$ 3,679,859</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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 31,296	\$ 16,704	\$ 48,000
2013	34,131	13,869	48,000
2014	37,227	10,773	48,000
2015	40,604	7,396	48,000
2016	44,287	3,713	48,000
2017	<u>18,338</u>	<u>382</u>	<u>18,720</u>
	<u>\$ 205,883</u>	<u>\$ 52,837</u>	<u>\$ 258,720</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, 2011 is as follows:

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011	Amounts Due Within One Year
Student housing bonds	\$ 2,815,000		\$ 145,000	\$ 2,670,000	\$ 150,000
Feather River Fitness and Recreation mortgage	234,209		28,326	205,883	31,296
Feather River Community College District loan (Note 4)	214,914	\$ 5,735		220,649	
Compensated absences	5,299		5,299		
	<u>\$ 3,269,422</u>	<u>\$ 5,735</u>	<u>\$ 178,625</u>	<u>\$ 3,096,532</u>	<u>\$ 181,296</u>

The Foundation is subject to certain covenants in accordance with its long-term liability agreements. As of June 30, 2011, 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 2010-2011 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, 2011, 2010 and 2009 were \$316,222, \$266,156 and \$282,883, 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 2010-2011 was 10.707% of annual payroll.

###### Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$342,960, \$302,818 and \$284,373, 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	\$ 172,313
Interest on net OPEB obligation	23,505
Adjustment to annual required contribution	<u>(122,921)</u>
Annual OPEB cost (expense)	72,897
Contributions made	<u>(115,119)</u>
Decrease in net OPEB obligation	(42,222)
Net OPEB liability - beginning of year	<u>470,096</u>
Net OPEB liability - end of year	<u><u>\$ 427,874</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, 2011 and preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 192,158	96.4%	\$ 470,096
June 30, 2011	\$ 72,897	157.9%	\$ 427,874



## FEATHER RIVER COMMUNITY COLLEGE DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

#### 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of September 18, 2009, 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 \$899,974, and the actuarial value of assets was \$463,084, resulting in an unfunded actuarial accrued liability (UAAL) of \$436,084. The covered payroll (annual payroll of active employees covered by the Plan) was \$644,953, and the ratio of the UAAL to the covered payroll was 68 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 September 18, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5 percent investment 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, 2011, was 3 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	\$ 132,219
Interest on net OPEB obligation	49,881
Adjustment to annual required contribution	<u>(75,248)</u>
Annual OPEB cost (expense)	106,852
Contributions made	<u>(143,086)</u>
Decrease in net OPEB obligation	(36,234)
Net OPEB liability - beginning of year	<u>997,619</u>
Net OPEB liability - end of year	<u><u>\$ 961,385</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, 2011 and preceding year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 139,124	18.6%	\$ 997,619
June 30, 2011	\$ 106,852	133.9%	\$ 961,385

As of September 18, 2009, 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 \$1,630,087, and the actuarial value of assets was \$844,423, resulting in an unfunded actuarial accrued liability (UAAL) of \$745,664. The covered payroll (annual payroll of active employees covered by the Plan) was \$169,759, and the ratio of the UAAL to the covered payroll was 439 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 September 18, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 5 percent investment 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, 2011, was 8 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.

##### Construction Commitments

Outstanding commitments on partially completed construction contracts totaled approximately \$320,000 at June 30, 2011. These commitments will be primarily funded from the Capital Outlay Projects Fund.

**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, 2011:

Total assets	\$	5,782,214
Total liabilities	\$	1,603,183
Net assets	\$	4,179,031
Total revenues	\$	8,078,258
Total expenses	\$	8,130,329
Change in net asset	\$	(52,071)

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 TRI-SIG at June 30, 2011:

Total assets	\$	24,792,508
Total liabilities	\$	10,896,925
Net assets	\$	13,895,583
Total revenues	\$	55,093,311
Total expenses	\$	56,703,420
Change in net asset	\$	(1,610,109)

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, 2010 (the most recent information available):

Total assets	\$	46,019,292
Total liabilities	\$	21,417,925
Net assets	\$	24,601,367
Total revenues	\$	9,338,400
Total expenses	\$	12,547,315
Change in net asset	\$	(3,208,915)

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 assets for the year ended June 30, 2011.

	<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 Scholar- ships</u>	<u>Total</u>
Instruction	\$ 3,672,869	\$ 867,798	\$ 1,670,223				\$ 6,210,890
Academic Support	555,724	176,135	89,254				821,113
Student Services	1,465,834	461,087	413,787				2,340,708
Operations and Maintenance of Plant	804,065	308,915	974,798				2,087,778
Institution Support	800,674	579,705	341,239	\$ 370,999			2,092,617
Community Services and Economic Development	3,060	323	17,037				20,420
Auxiliary Operations	314,019	82,051	601,770				997,840
Student Aid						\$ 4,790,522	4,790,522
Physical Property and Related Acquisitions					\$ 427,311		427,311
	<u>\$ 7,616,245</u>	<u>\$ 2,476,014</u>	<u>\$ 4,108,108</u>	<u>\$ 370,999</u>	<u>\$ 427,311</u>	<u>\$ 4,790,522</u>	<u>\$ 19,789,199</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 to operate and maintain the facility and to repay the debt created by its purchase. The District also provides contributions to the Foundation in the form of rental subsidy and occupancy guarantees. For the fiscal year ended June 30, 2011, the value of the contributions totaled \$250,316.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

For the Year Ended June 30, 2011

<u>Schedule of Funding Progress</u>							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Non-Peralta Group</u>							
6/30/2010	September 18, 2009	\$ 463,084	\$ 899,168	\$ 436,084	0%	\$ 644,953	68%
6/30/2011	September 18, 2009	\$ 463,084	\$ 899,168	\$ 436,084	0%	\$ 730,773	60%
<u>Peralta Group</u>							
6/30/2010	September 18, 2009	\$ 844,423	\$ 1,630,087	\$ 745,664	0%	\$ 169,759	439%
6/30/2011	September 18, 2009	\$ 844,423	\$ 1,630,087	\$ 745,664	0%	\$ 169,759	439%

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

**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

June 30, 2011

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, 2011 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 2012
Mr. John Schramel	Member	December 2014
Ms. Leah West	Member	December 2014
Mr. Doug Shamberger	Member	December 2012

### DISTRICT ADMINISTRATION

Dr. Ronald Taylor  
President/District Superintendent

Mr. James Scoubes  
Chief Financial Officer

Dr. Michael Bagley  
Chief Instructional Officer

Dr. Lisa Kelly  
Interim Associate Dean of Student Services

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**COMBINING STATEMENT OF NET ASSETS BY FUND**

June 30, 2011

	General	Capital Outlay Projects Fund	Child Development Fund	Student Financial Aid Fund	Bookstore Fund	Totals	Reconciling Adjustments/ Eliminations	Statement of Net Assets
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 2,196,206	\$ 624,128	\$ 62,355	\$ 81,478	\$ 243,713	\$ 3,207,880		\$ 3,207,880
Receivables, net	1,954,373	410,576	4,460	71,662	37,534	2,478,605		2,478,605
Due from other funds	116,072					116,072	\$ (116,072)	
Stores inventories					42,214	42,214		42,214
Prepaid expenses	160,191					160,191		160,191
<b>Total current assets</b>	<b>4,426,842</b>	<b>1,034,704</b>	<b>66,815</b>	<b>153,140</b>	<b>323,461</b>	<b>6,004,962</b>	<b>(116,072)</b>	<b>5,888,890</b>
Noncurrent assets:								
Note receivable	220,649					220,649		220,649
Restricted cash and cash equivalents								
Non-depreciable capital assets							9,865,411	9,865,411
Depreciable capital assets, net							3,374,031	3,374,031
<b>Total noncurrent assets</b>	<b>220,649</b>					<b>220,649</b>	<b>13,239,442</b>	<b>13,460,091</b>
<b>Total assets</b>	<b>4,647,491</b>	<b>1,034,704</b>	<b>66,815</b>	<b>153,140</b>	<b>323,461</b>	<b>6,225,611</b>	<b>13,123,370</b>	<b>19,348,981</b>
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	\$ 487,738	\$ 70,226	\$ 530	\$ 32,284	\$ 4,013	\$ 594,791		\$ 594,791
Deferred revenue	1,151,089	25,112		7,342		1,183,543		1,183,543
Compensated absences payable							\$ 381,531	381,531
Long-term debt - current portion							162,217	162,217
Due to other funds		50,000		66,072		116,072	(116,072)	
<b>Total current liabilities</b>	<b>1,638,827</b>	<b>145,338</b>	<b>530</b>	<b>105,698</b>	<b>4,013</b>	<b>1,894,406</b>	<b>427,676</b>	<b>2,322,082</b>
Noncurrent liabilities:								
Long-term debt - noncurrent portion							2,049,683	2,049,683
<b>Total liabilities</b>	<b>1,638,827</b>	<b>145,338</b>	<b>530</b>	<b>105,698</b>	<b>4,013</b>	<b>1,894,406</b>	<b>2,477,359</b>	<b>4,371,765</b>
<b>Net Assets</b>								
Invested in capital assets, net of related debt							12,416,857	12,416,857
Restricted for capital projects	160,191	889,366				889,366		889,366
Restricted for other special purposes	2,848,473		66,285	47,442	319,448	3,281,648	(1,770,846)	160,191
Unrestricted	3,008,664	889,366	66,285	47,442	319,448	4,331,205	10,646,011	1,510,802
<b>Total net assets</b>	<b>4,647,491</b>	<b>1,034,704</b>	<b>66,815</b>	<b>153,140</b>	<b>323,461</b>	<b>6,225,611</b>	<b>13,123,370</b>	<b>14,977,216</b>
<b>Total liabilities and net assets</b>						<b>6,225,611</b>	<b>13,123,370</b>	<b>19,348,981</b>

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND

For the Year Ended June 30, 2011

	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 Assets
Operating revenues:								
Tuition and fees	\$ 799,345					\$ 799,345	\$ 188,571	\$ 987,916
Less: Scholarship discounts and allowance							(561,691)	(561,691)
Net tuition and fees	799,345					799,345	(373,120)	426,225
Grants and contracts, non-capital:								
Federal	1,211,650	\$ 760	\$ 18,222	\$ 2,040,337		3,270,969		3,270,969
State	1,273,284	4,360,398	129,098	81,506		5,844,286		5,844,286
Local	499,493	6,288	23,897			529,678		529,678
Auxiliary enterprise sales and charges					\$ 80,483	80,483		80,483
Total operating revenues	3,783,772	4,367,446	171,217	2,121,843	80,483	10,524,761	(373,120)	10,151,641
Operating expenses:								
Salaries	7,392,974		177,105		40,380	7,610,459	5,786	7,616,245
Employee benefits	2,488,910	3	57,200		8,357	2,554,470	(78,456)	2,476,014
Supplies, materials and other operating expenses and services	4,097,962	4,804,926	15,070		16,266	8,934,224	(4,826,116)	4,108,108
Utilities							370,999	370,999
Depreciation	126,432			4,664,090		4,790,522	427,311	4,790,522
Student financial aid and scholarships	14,106,278	4,804,929	249,375	4,664,090	65,003	23,889,675	(4,100,476)	19,789,199
Total operating expenses	(10,322,506)	(437,483)	(78,158)	(2,542,247)	15,480	(13,364,914)	3,727,356	(9,637,558)
Operating (loss) income								
Non-operating revenues (expenses):								
State apportionment, non-capital	5,457,979					5,457,979		5,457,979
Local property taxes	5,323,888					5,323,888		5,323,888
State taxes and other revenues	249,476					249,476		249,476
Interest expense on capital asset related debt	(42,309)					(42,309)		(42,309)
Interest income	19,496	3,550	371		917	24,334		24,334
Debt reduction	(155,256)					(155,256)		(155,256)
Interfund transfers out	(369,567)	(160,346)				(529,913)	155,256	529,913
Interfund transfers in	160,346	296,684	72,883			529,913	(529,913)	
Pell grants	96,572			2,542,248		2,638,820		2,638,820
Total non-operating revenues (expenses)	10,740,625	139,888	73,254	2,542,248	917	13,496,932	155,256	13,652,188

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND

(Continued)

For the Year Ended June 30, 2011

	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 Assets
Income (loss) before capital revenues	\$ 418,119	\$ (297,595)	\$ (4,904)	\$ 1	\$ 16,397	\$ 132,018	\$ 3,882,612	\$ 4,014,630
Capital revenues:								
Grants and gifts, capital							366,570	366,570
Local property taxes and other revenues, capital							6,550	6,550
Total capital revenues							373,120	373,120
Change in net assets	418,119	(297,595)	(4,904)	1	16,397	132,018	4,255,732	4,387,750
Net assets, July 1, 2010	2,590,545	1,186,961	71,189	47,441	303,051	4,199,187	6,390,279	10,589,466
Net assets, June 30, 2011	\$ 3,008,664	\$ 889,366	\$ 66,285	\$ 47,442	\$ 319,448	\$ 4,331,205	\$ 10,646,011	\$ 14,977,216

See accompanying notes to  
supplementary information.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2011**

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>		
Direct Programs:		
Student Financial Aid Cluster:		
Federal Direct Student Loans	84.268	\$ 1,973,568
Federal Work Study Program	84.033	24,770
Higher Education Act:		
Federal Pell Grant Program	84.063	2,638,820
Federal Supplementary Educational Opportunity Grant	84.007	24,397
Academic Competitiveness Grant	84.375	8,888
Subtotal Student Financial Aid Cluster		4,670,443
TRIO Cluster:		
TRIO - Student Support Services	84.042	293,084
TRIO - Talent Search	84.044	247,095
TRIO - Upward Bound	84.047	204,965
Subtotal TRIO Cluster		745,144
Passed through the California Community College Chancellor's Office:		
Career and Technical Education - Basic Grants to States	84.048	30,379
ARRA: State Fiscal Stabilization Funds	84.394	5,695
Title III - Higher Education	84.031A	76,248
Passed through Butte Community College District:		
Career and Technical Education - Basic Grants to States	84.048	7,086
Total U.S. Department of Education		5,534,995
<u>U.S. Department of Agriculture</u>		
Passed through the California Department of Education:		
Child and Adult Care Food Program	10.558	18,222
Passed through Plumas County:		
Schools and Roads - Grants to States	10.665	296,684
Direct Program:		
RAC Greenhouse Grant	10.679	13,937
Watershed Grant	10.904	760
Total U.S. Department of Agriculture		329,603

(Continued)

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2011**

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Veteran Affairs</u>		
Direct Program:		
VA Education Benefits	64.117	\$ <u>12,989</u>
Total U.S. Department of Veteran Affairs		<u>12,989</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	7,501
Passed through California Community College Chancellor's Office:		
Temporary Assistance for Needy Families	93.667	<u>24,701</u>
Total U.S. Department of Health and Human Services		<u>32,202</u>
Total Federal Programs		<u>\$ 5,909,789</u>

See accompanying notes to  
supplementary information.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF STATE FINANCIAL AWARDS**

For the Year Ended June 30, 2011

	Program Entitlements			Program Revenues				Program Expenditures
	Prior Year Carry-forward	Current Entitlement	Total Entitlement	Cash Received	Accounts Receivable	Deferred Revenue/Accounts Payable	Total	
Cal Grants		\$ 125,000	\$ 125,000	\$ 86,446		\$ 4,940	\$ 81,506	\$ 81,506
Disabled Student Programs and Services		169,837	169,837	161,770			161,770	161,770
Extended Opportunity Programs and Services		153,781	153,781	153,931			153,931	153,931
Matriculation	11,434	41,808	53,242	53,242			53,242	53,242
Cooperative Agency Resource Education		41,370	41,370	41,370			41,370	41,370
AB 1725 Staff Development		1,098	1,098	1,180		838	342	342
Equal Employment Opportunity	603	5,529	6,132	4,249			4,249	4,249
Child Development		128,544	128,544	127,944			127,944	127,944
Child Development Repairs & Maintenance		18,800	18,800	6,267	\$ 3,429		9,696	9,696
Child Care Food Program		1,154	1,154	1,154			1,154	1,154
Child Development Early Childhood Mentoring Program		1,000	1,000	1,239		597	642	642
Workability		143,369	143,369	72,054	49,586		121,640	121,640
Cal WORKS		129,054	129,054	124,054			124,054	124,054
Telecommunications		32,222	32,222	32,222		8,297	23,925	23,925
Boating Safety		46,271	46,271	16,267	17,558		33,825	33,825
Part Time Faculty Hours		35,456	35,456	35,456			35,456	35,456
Nursing Education		31,736	31,736	31,736		12,597	19,139	19,139
Deferred Maintenance		1,500	1,500	1,106		566	540	540
Transfer Education/Anticulation		115,633	115,633	115,633		31,891	83,742	83,742
Basic Skills		232	232	232		232		
Infant Toddler	232	50,000	50,000	50,000		22,415	27,585	27,585
YEP Grant		502,603	502,603	502,603		163,901	338,702	338,702
SB 70 Block Grant		29,496	29,496	29,496			29,496	29,496
Mandated Cost		6,153	6,153		6,110		6,110	6,110
SNC Project Fish		131	131	131		131		
Economic Development		4,832	4,832		4,832		4,832	4,832
Maintenance Allowance		114,871	114,871	108,258		108,258		
Block Grant/Maintenance and Repairs		25,758	25,758	25,758		25,758		
Block Grant/600 Remodel		50,000	50,000	50,000		50,000		
Block Grant/Library Remodel		501	501		425		425	425
Sierra Nevada Cons. Hatchery Grant		194,867	194,867	105,555	89,313	6,369	188,499	188,499
Lottery		4,525,756	4,525,756	3,955,379	395,324		4,350,703	4,350,703
LRC Capital Outlay								
<b>Total State Programs</b>	<b>12,400</b>	<b>\$ 6,727,999</b>	<b>\$ 6,740,399</b>	<b>\$ 5,894,732</b>	<b>\$ 566,577</b>	<b>\$ 436,790</b>	<b>\$ 6,024,519</b>	<b>\$ 6,024,519</b>

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, 2011**

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2010 only)			
1. Noncredit	-		-
2. Credit	225		225
B. Summer Intersession (Summer 2011 - Prior to July 1, 2011)			
1. Noncredit	-		-
2. Credit	57		57
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	810		810
b. Daily Census Contact Hours	34		34
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	47		47
b. Credit	220		220
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	226		226
b. Daily Census Contact Hours	8		8
c. Noncredit Independent Study/ Distance Education Courses	-		-
D. Total FTES	<u>1,627</u>	<u>-</u>	<u>1,627</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	29		29
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	42		42
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, 2011**

	<u>Capital Outlay Projects Fund</u>
June 30, 2011 Annual Financial and Budget Report (CCFS-311) Fund Balance	\$ 939,366
To adjust amounts contributed to the Foundation for improvements	<u>(50,000)</u>
June 30, 2011 Audit Balance	<u>\$ 889,366</u>

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

See accompanying notes to  
supplementary information.

## FEATHER RIVER COMMUNITY COLLEGE DISTRICT

### NOTES TO SUPPLEMENTARY INFORMATION

#### 1. PURPOSE OF SCHEDULES

- A - Combining Statement of Net Assets by Fund and Combining Statement of Revenues, Expenses and Change in Net Assets 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 State 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.

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

Board of Trustees  
Feather River Community College District  
Quincy, California

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, 2011. Compliance with the requirements of state laws and regulations is the responsibility of Feather River Community College District's management. Our responsibility is to express an opinion on Feather River Community College District's compliance based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. Our audit does not provide legal determination of Feather River Community College District's compliance with those requirements.

In connection with our audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following State laws and regulations in accordance with Section 400 of the *Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM)*:

- 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
- Enrollment Fee
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Health Fees
- Economic and Workforce Development (EWD)
- Extended Opportunity Programs and Services (EOPS)
- Disabled Student Programs and Services (DSPS)
- Cooperative Agencies Resources for Education (CARE)
- Preference for Veterans and Qualified Spouse for Federally Funded Qualified Training Programs
- To Be Arranged Hours (TBA)

**INDEPENDENT AUDITORS' REPORT**  
**ON STATE COMPLIANCE REQUIREMENTS**  
(Continued)

In our opinion, the Feather River Community College District complied, in all material respects with the aforementioned requirements for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Trustees, District management, 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  
December 23, 2011

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

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Board of Trustees  
Feather River Community College District  
Quincy, California

We have audited the business-type activities and discretely presented component unit of Feather River Community College District as of and for the year ended June 30, 2011, which collectively comprise Feather River Community College District's basic financial statements, and have issued our report thereon dated December 23, 2011. 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. The financial statements of Feather River College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of Feather River Community College District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Feather River Community College District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Feather River Community College District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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

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(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Feather River Community College District's basic 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*.

Feather River Community College District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended for the information of the Board of Trustees, District management, 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  
December 23, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Board of Trustees  
Feather River Community College District  
Quincy, California

Compliance

We have audited Feather River Community College District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2011. Feather River Community College District's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Feather River Community College District's management. Our responsibility is to express an opinion on Feather River Community College District's compliance based on our audit.

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 obtained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*. 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. Our audit does not provide a legal determination on Feather River Community College District's compliance with those requirements.

In our opinion, Feather River Community College District complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2011-02.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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(Continued)

Internal Control Over Compliance

Management of Feather River Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Feather River Community College District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Feather River Community College District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended for the information of the Board of Trustees, District management, 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 those specified parties.

Crowe Horwath LLP

Sacramento, California  
December 23, 2011

## **FINDINGS AND RECOMMENDATIONS**

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

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

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiency(ies) identified not considered to be material weakness(es)?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiency(ies) identified not considered to be material weakness(es)?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  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 84.375	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**STATE AWARDS**

Internal control over state programs:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported

Type of auditors' report issued on compliance for state programs: Unqualified

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

Year Ended June 30, 2011

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2011-01 INTERNAL CONTROLS - SIGNIFICANT DEFICIENCY - EMERGENCY LOAN FUND**

Criteria

A deficiency in internal controls exists when the design or operations 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.

Condition

- Supporting documentation was not maintained evidencing that the students receiving emergency loans had met all of the requirements including the GPA requirement and documentation of unanticipated financial need.
- Various students received more than the maximum allowable number of loans.
- Various students received large emergency loans, including one in the amount of \$5,688.
- Lack of segregation of duties between the approver of the emergency loan applications and the check signor.

Effect

Funds are at risk of being misappropriated.

Cause

Adequate internal control procedures have not been effectively implemented.

Fiscal Impact

Not applicable.

Recommendation

For the conditions noted above, we recommend the following:

- Documentation for the satisfaction of all the emergency loan requirements should be maintained for each emergency loan.
- The District should establish a maximum allowable loan amount for each loan and in aggregate.
- The emergency loan fund should not be used to process emergency refund checks.
- Dual signatures should be required for the approval of the loan application.

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

**Year Ended June 30, 2011**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

(Continued)

**2011-01 INTERNAL CONTROLS - SIGNIFICANT DEFICIENCY - EMERGENCY LOAN FUND (Continued)**

Corrective Action Plan

The Financial Aid Director and the Chief Student Services Officer have established new policies for two types of loans to be issued from the Raymond Devitt Loan Fund. The primary type of loans available to students are loans for the purchase of textbooks, both for students in general and to comply with new federal regulations requiring that some Pell students be able to purchase books. We also have a new policy for Emergency Loans.

- *Documentation for the satisfaction of all the emergency loan requirements should be maintained for each emergency loan.*

For both types of loans, documentation is maintained for each loan showing that the student satisfies the requirements for the particular type of loan.

- *No student should receive more than the maximum number of loans per semester.*

Books are available to students at various times throughout the semester. Once a book/emergency loan is authorized, it may be disbursed in various time periods.

- *A maximum allowable loan amount should be established for each individual loan and in aggregate (i.e. \$200 per loan/\$400 per semester).*

Loan amounts are based on the lowest amount absolutely necessary to address the cost of books/emergency and only when there is a verified future disbursement of federal student aid sufficient to cover the loan.

- *There should be segregation of duties between the approver of the emergency loan applications and signing of the checks.*

The new policies and procedures include the segregation of duties between the approver and the check signer.

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

**Year Ended June 30, 2011**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2011-02 FEDERAL COMPLIANCE - STUDENT FINANCIAL AID**

Criteria

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (*OMB No. 1845-0021*). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institutions' financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303). (Note: The *Direct Loan School Guide* and yearly training documents describe the reconciliation process.)

Condition

School Account Statements are not reconciled to the Loan Detail Records in a timely manner.

Effect

Lack of effective internal controls could lead to non-compliance.

Cause

Effective internal controls have not been properly implemented and enforced.

Fiscal Impact

Not applicable.

Recommendation

School Account Statements should be reconciled to the Loan Detail Records on a monthly basis in a timely manner.

Corrective Action Plan

The reconciliation process has been implemented beginning May 31, 2011 for 2010-11 and beginning September 26, 2011 for 2011-12. We reconcile the BANNER system disbursements with COD and the G5 cash draws with the BANNER system monthly when the Direct Loan School Account Statement is received from COD.

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

**Year Ended June 30, 2011**

**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, 2011

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
<p><b>2010-01 State Compliance - Instructional Service Agreements</b></p> <p>For one instructional service agreement for the period beginning 2006 and ending 2011, there was no language stating that the District has the primary right to control and direct the instructional activities of the instructor.</p> <p>The District should review all contracts to ensure each contract has the required language.</p>	Implemented.	
<p><b>2010-02 Significant Deficiency - Emergency Loan Fund</b></p> <ul style="list-style-type: none"> <li>• Supporting documentation was not maintained evidencing that the students receiving emergency loans had met all of the requirements including the GPA requirement and documentation of unanticipated financial need.</li> <li>• Various students received more than the maximum allowable number of loans.</li> <li>• Various students received emergency loans in the amount of \$5,350.</li> <li>• Lack of segregation of duties between the approver of the emergency loan applications and the check signor.</li> </ul> <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Documentation for the satisfaction of all emergency loan requirements should be maintained for each emergency loan.</li> <li>• No student should receive more than the maximum number of loans per semester.</li> <li>• A maximum allowable loan amount should be established for each individual loan and in aggregate (i.e. \$200 per loan/\$400 per semester).</li> <li>• There should be segregation of duties between the approver of the emergency loan applications and signing of the checks.</li> </ul>	Not Implemented.	See current year Finding 2011-01.

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**Year Ended June 30, 2011**

<b>Finding/Recommendation</b>	<b>Current Status</b>	<b>District Explanation If Not Fully Implemented</b>
<p><b>2010-03 Internal Controls - Admissions Office Computer Security</b></p> <p>The Admissions and Records department has not completed a security matrix which defines levels of access to certain rules and validation tables.</p> <p>The Admissions and Records department should complete their security matrix to mitigate the risk of malicious or unintentional data corruption.</p>	Implemented.	
<p><b>2010-04 Internal Controls - Bookstore</b></p> <ul style="list-style-type: none"> <li>• The former Bookstore Manager was listed as the account manager for three vendors and had not been removed from the accounts during the year.</li> <li>• The Bookstore Manager is the only individual trained on the submission of daily cash receipts to the Business Office. There is no one trained to perform the Bookstore Manager's duties in his absence.</li> </ul> <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• All former employees should be removed as authorized signors and account managers for vendors.</li> <li>• The District should train another individual to perform the submission of the daily cash receipts to the Business Office and the other duties of the Bookstore Manager.</li> </ul>	Implemented.	
<p><b>2010-05 Internal Controls - Credit Cards</b></p> <p>There is no formal documentation for the approval and cancellation of employee credit cards.</p> <p>The District should create formal documentation for the approval and cancellation of employee credit cards.</p>	Implemented.	

**FEATHER RIVER COMMUNITY COLLEGE DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
(Continued)  
**Year Ended June 30, 2011**

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
<p><b>2010-06 Internal Controls - Associated Student Body</b></p> <ul style="list-style-type: none"> <li>• Associated student body clubs/organizations do not utilize detailed schedules defining the number of items received and the unit price per item for concession sales.</li> <li>• Student body expenditures do not contain evidence of approval from the advisor, student, and governing board representatives.</li> <li>• Student body clubs do not maintain board minutes noting approval of expenditures.</li> </ul> <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• Detailed schedules should be utilized defining the number of items receipts and the unit price per item for concession sales.</li> <li>• Student body expenditures should contain evidence of approval from the advisor, student, and governing board representatives.</li> <li>• Student body clubs should maintain board minutes noting approval of expenditures.</li> </ul>	<p>Implemented.</p>	