

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
Quincy, California

FINANCIAL STATEMENTS
June 30, 2012

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	15
Discretely Presented Component Unit - Feather River Community College Foundation, Inc. - Statement of Net Assets	16
Statement of Revenues, Expenses and Change in Net Assets	17
Discretely Presented Component Unit - Feather River Community College Foundation, Inc. - Statement of Activities	18
Statement of Cash Flows	19
Discretely Presented Component Unit - Feather River Community College Foundation, Inc. - Statement of Cash Flows	21
Statement of Fiduciary Net Assets	22
Statement of Change in Fiduciary Net Assets	23
Notes to Basic Financial Statements	24
Required Supplementary Information:	
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	49
Note to Required Supplementary Information	50
Supplementary Information:	
Organization - Unaudited	51
Combining Statement of Net Assets by Fund - Unaudited	52

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2012

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
Supplementary Information: (Continued)	
Combining Statement of Revenues, Expenses and Change in Net Assets by Fund - Unaudited	53
Schedule of Expenditures of Federal Awards	55
Schedule of State Financial Awards	57
Schedule of Workload Measures for State General Apportionment	58
Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements	59
Reconciliation of ECS 84362 (50 Percent Law) Calculation	60
Notes to Supplementary Information	62
Independent Auditors' Report on State Compliance Requirements	63
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
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	67
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	69
Status of Prior Year Findings and Recommendations	73

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Feather River Community College District
Quincy, California

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and fiduciary activities of Feather River Community College District (the "District") as of and for the year ended June 30, 2012, 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. Our audit of the financial statements of Feather River College Foundation, a discretely presented component unit, was not conducted 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 referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and fiduciary net assets of Feather River Community College District as of June 30, 2012, 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 4, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 14 and the Required Supplementary Information, such as the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 49, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The District's organization on page 51 and accompanying supplementary information, such as the combining financial statements on pages 52 are presented for purposes of additional analysis and are not required as part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The District's organization and relevant supplementary information such as the combining statements have not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the California Community Colleges Chancellor's Office's *Contracted District Audit Manual*, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying Schedule of Expenditures of Federal Awards, Schedule of State Financial Awards, and other supplemental information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and other supplemental information listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 4, 2012

Feather River Community College District Management's Discussion and Analysis Fiscal Year Ending June 30, 2012

This discussion and analysis of Feather River Community College District's financial statements provides an overview of the District's financial activities for the year ended June 30, 2012. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. These financial statements and this discussion and analysis reflect the financial activities of the Feather River Community College District. In accordance with Statement No. 14, as amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB), the financial data of the Foundation have been combined with that of the District in these financial statements.

Overview of the Financials

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

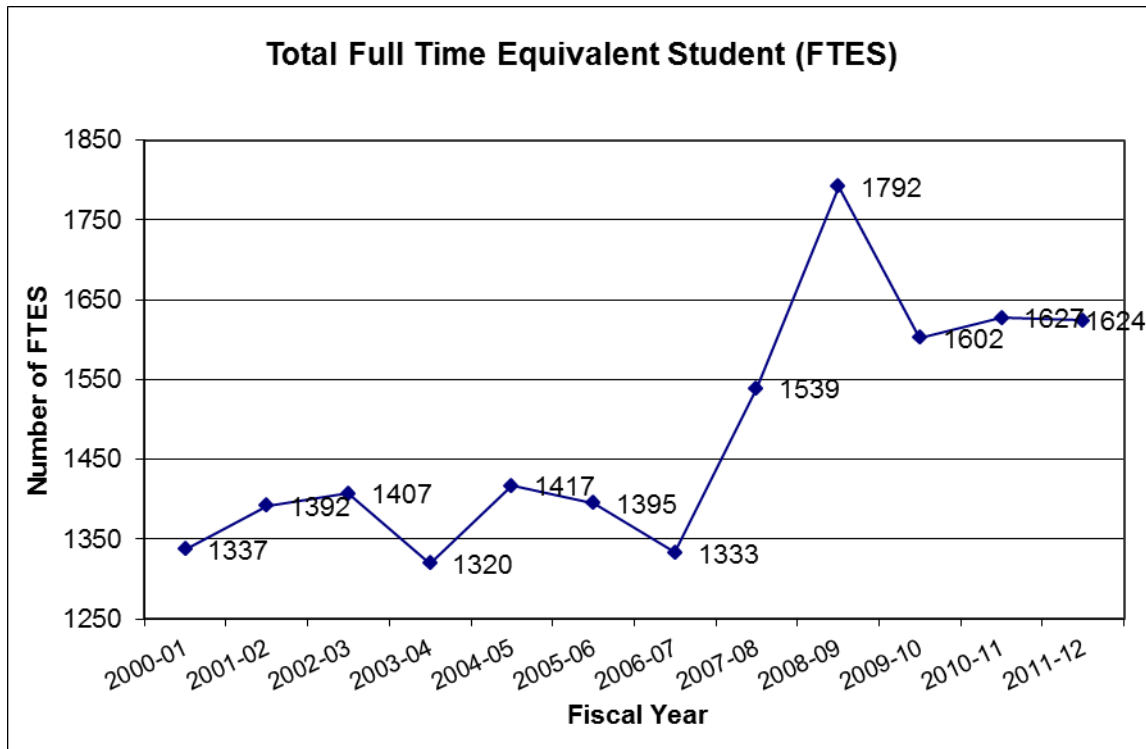
Financial Statements

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

- **Statement of Net Assets.** This report presents the financial position as of the end of the fiscal year (June 30th) including assets, liabilities, and net assets (formerly fund balance). It should help the reader obtain information on the College's ongoing ability to provide services, as well as liquidity, financial flexibility (ability to respond to unexpected needs and opportunities), ability to meet obligations, and needs for external financing.
- **Statement of Revenue, Expenses, and Change in Net Assets.** This report presents financial activity during the fiscal year, thereby reconciling the beginning and end-of-year net assets contained in the Statement of Net Assets. It provides profit and loss information and helps to distinguish profit and loss from operations and capital activities.
- **Statement of Cash Flows.** This report presents cash-related activities during the fiscal year, thereby reconciling the beginning and end-of-year cash balances contained in the balance sheet. Like those required of for-profit entities, this statement segregates the activities of the organization into three categories: cash flows from operations, investing, and financing activities. This statement provides data that supplements information contained in the statement of activities (e.g., it adjusts for the effects of accrual accounting, removes certain non-cash activities such as depreciation, and discloses cash generated or used by operating activities, investments, and new financing).

Financial and Enrollment Highlights

Full-time Equivalent Students (FTES) decreased slightly in the 2011-12 fiscal year. This decrease represented .25% of the total FTES generated when compared to the 2010-11 fiscal year. The decrease in FTES totaled 4, which represented a decrease in total FTES generated but represents no decrease or increase related to funded FTES. The total funded FTES represents approximately 1,624 for the past two years.



Revenues are recorded in three categories; operating revenues, non-operating revenues and capital revenues. Operating revenues include tuition and fees, grants and contracts, revenues from auxiliary enterprises and interest. Non-operating revenues are comprised of state apportionment, local property taxes, state taxes, interest income, Pell grants and other. Capital revenues consist of state apportionments, local property taxes and grants & gifts. Overall revenues were \$19,558,956 (\$6,061,125 in operating revenues, \$13,092,152 in non-operating revenues, and \$405,679 in capital revenues). This was \$4,617,993 less revenue from the prior year and is primarily due to reductions in non-capital grants and contracts from the State related specifically related to the Learning Resource Center.

Expenses are recorded as operating and non-operating expenses. All expenses except some debt related capital expenses are categorized as operating expenses. Operating expenses reflect depreciation and financial aid expenses. Overall expenses were \$19,693,828. This was \$104,371 less than expenses for the prior year. This was primarily attributable to less student financial aid and scholarships which offset small increases in other operating expenses.

The District paid down \$150,417 in long-term lease/debt obligations during the 2011-12 fiscal year.

Statement of Net Assets

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

- Cash and cash equivalents reflects operating cash on hand. Restricted cash and cash equivalents reflects cash held for restricted purposes by legislation, by contract, or by grantor agency. This includes cash for capital outlay projects, debt repayment, and future post retirement benefits. Most of the cash and cash equivalents are held at the Plumas County Treasurer's office in accordance with Education Code Section 84000. The Plumas County Treasury's average rate of return was .37% for the fiscal year ended June 30, 2012. Other cash and cash equivalents are held by bank trustees as reserves for debt instruments. More information on cash can be found in the footnotes to the financial statements.
- Receivables include state apportionments, student fees, federal and state grants and contracts, among other various operating receivables. The increase in the 2011-12 year receivables in comparison to the prior year was due primarily to the receipt and timing of the June, 2012 payment of the apportionment deferrals by the state of approximately \$916,000 more than the prior year, there were additional decreases of receivables due to the completion of the Library Resource Center and smaller outstanding receivables for the project in comparison to the prior year amounts.
- Capital assets are those fixed assets for which the acquisition cost exceeds the thresholds set forth in the District's Board Policies regarding depreciable assets. Such assets are then depreciated over their useful lives. The financial statements reflect the cost of capital assets, net of accumulated depreciation.
- Accounts payable consist mainly of amounts owed to suppliers for various operating purchases, to employees for accrued vacation, and to vendors for purchases of capital assets.
- Deferred revenues are amounts received but not yet earned by the District. The deferred revenues were made up of mostly state categoricals with allowable carryover.
- Long-term debt in total, which includes both current and non-current portions, increased from the prior year. There were no additional long term leases recorded in the year.

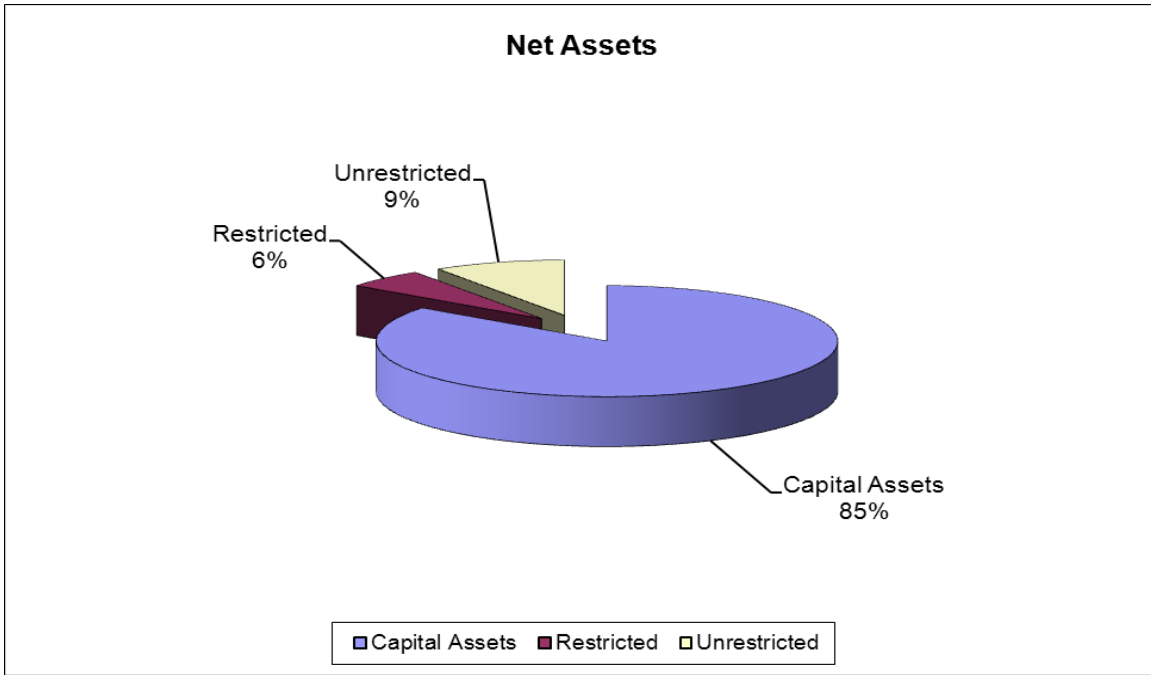
The breakdown of net assets by category for the District is displayed in the following charts:

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS (Condensed)
For the Years Ended June 30, 2012 and 2011
(Thousands)

	2011-2012	2010-2011	Dollar Change	Percent Change
ASSETS				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 3,564	\$ 3,208	\$ 356	11.1%
Receivables	2,619	2,479	140	5.6%
Inventories & Other Assets	128	202	(74)	-36.6%
TOTAL CURRENT ASSETS	\$ 6,311	\$ 5,889	\$ 422	7.2%
NON-CURRENT ASSETS				
Note receivable	\$ 221	\$ 221	-	0.0%
Capital Assets, Net	13,302	13,239	63	0.5%
TOTAL NON-CURRENT ASSETS	\$ 13,523	\$ 13,460	63	0.5%
TOTAL ASSETS	\$ 19,834	\$ 19,349	\$ 485	2.5%
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	\$ 761	\$ 595	\$ 166	27.9%
Deferred Revenue	1,475	1,184	291	24.6%
Long-term Debt-Current Portion	561	543	18	3.3%
TOTAL CURRENT LIABILITIES	\$ 2,797	\$ 2,322	\$ 475	20.5%
NON-CURRENT LIABILITIES				
Long-term Debt - Non-Current Portion	\$ 2,195	\$ 2,050	\$ 145	7.1%
TOTAL LIABILITIES	\$ 4,992	\$ 4,372	\$ 620	14.2%
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 12,642	\$ 12,417	\$ 225	1.8%
Restricted	830	1,049	(219)	-20.9%
Unrestricted	1,370	1,511	(141)	-9.3%
TOTAL NET ASSETS	\$ 14,842	\$ 14,977	\$ (135)	-0.9%
TOTAL LIABILITIES AND NET ASSETS	\$ 19,834	\$ 19,349	\$ 485	2.5%

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

- Unrestricted net assets are funds received to support the general mission of the college. At June 30, 2012 the District has \$1,370,395 in unrestricted net assets.
- Capital assets, net of related debt, represent the District's investment in physical facilities, land, and capital improvements. The 2010-12 year balance reflected an increase from the prior year due to completion of the Library Resource Center representing equipment.
- Net assets set aside for capital projects is \$749,506 at June 30, 2012.

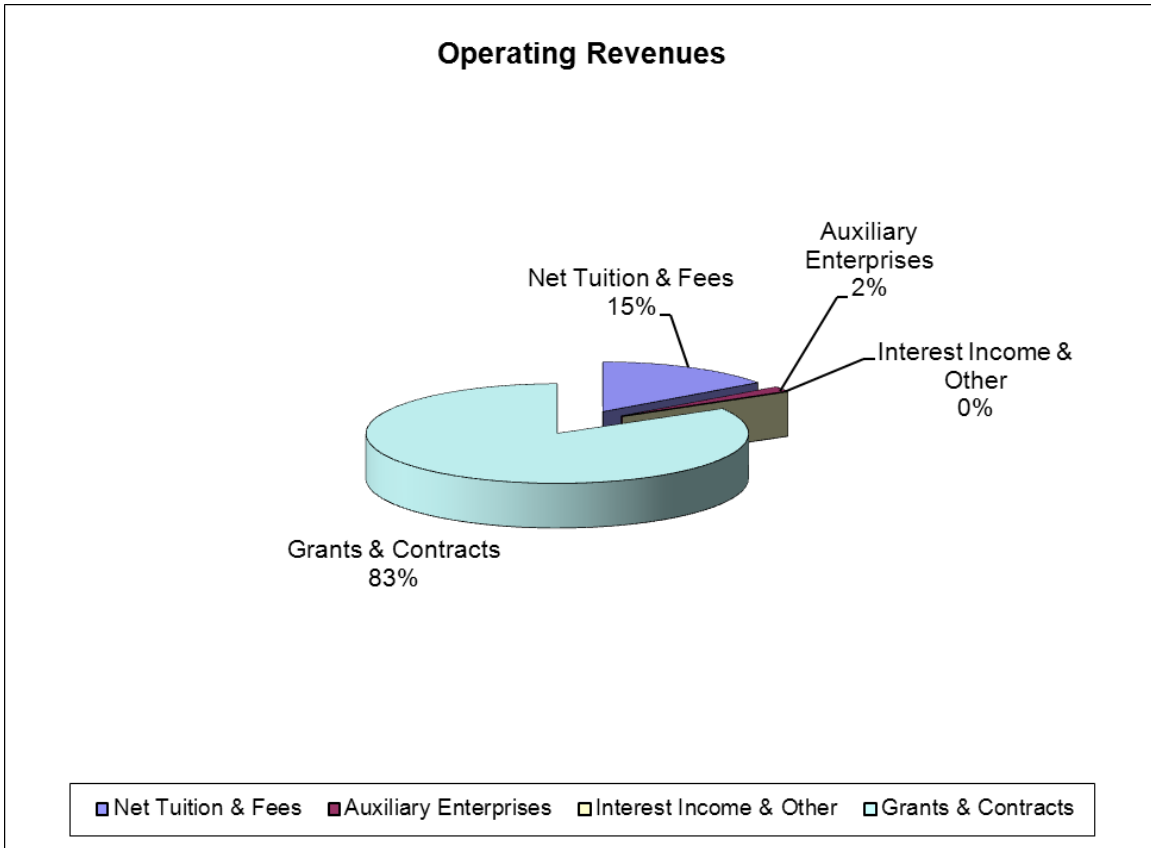


Statement of Revenues, Expenses, and Change in Net Assets

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

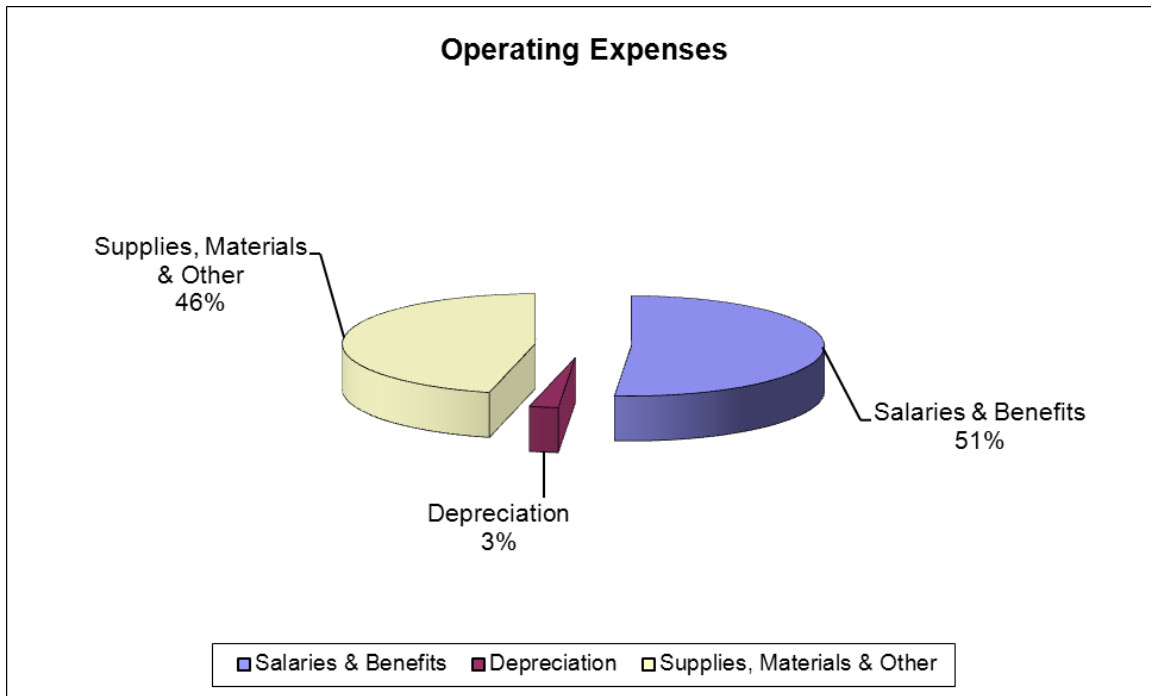
FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2012 and 2011
(Thousands)

	2011-2012	2010-2011	Dollar Change	Percent Change
OPERATING REVENUES				
Net Tuition & Fees	\$ 651	\$ 426	\$ 225	52.8%
Grants & Contracts	5,340	9,645	\$ (4,305)	-44.6%
Auxiliary	70	80	\$ (10)	-12.5%
Interest	-	-	\$ -	0%
TOTAL OPERATING REVENUES	\$ 6,061	\$ 10,151	\$ (4,090)	-40.3%
OPERATING EXPENSES				
Salaries & Benefits	\$ 10,123	\$ 10,092	\$ 31	0.3%
Supplies, Material & Other	9,096	9,270	\$ (174)	-1.9%
Depreciation	475	427	\$ 48	11.2%
TOTAL OPERATING EXPENSES	\$ 19,694	\$ 19,789	\$ (95)	-0.5%
NON-OPERATING ACTIVITY				
State Revenues	\$ 5,370	\$ 5,458	\$ (88)	-1.6%
Local Property Taxes	5,078	5,324	\$ (246)	-4.6%
State Taxes & Other Revenue	337	249	\$ 88	35.3%
Interest Income (Net)	(8)	(18)	\$ 10	-55.6%
Other Non-Operating Revenue	2,315	2,639	\$ (324)	-12.3%
TOTAL NON-OPERATING ACTIVITY	\$ 13,092	\$ 13,652	\$ (560)	-4.1%
CAPITAL REVENUES				
State Apportionment	\$ -	\$ -	\$ -	0%
Local Property Taxes & Revenues	10	6	\$ 4	67%
Grant & Gifts	396	367	\$ 29	8%
TOTAL CAPITAL REVENUES	\$ 406	\$ 373	\$ 33	8.8%
CHANGE IN NET ASSETS	\$ (135)	\$ 4,387	\$ (4,522)	-103.1%
BEGINNING NET ASSETS	\$ 14,977	\$ 10,590	\$ 4,387	41.4%
ENDING NET ASSETS	\$ 14,842	\$ 14,977	\$ (135)	-0.9%



Operating and Non-Operating Revenues grew in fiscal year 2011-2012 as follows:

- State general apportionments increased due to the fact that local property tax apportionment decreased by \$245,995 in comparison to the prior year. The state limited the 2011-12 fiscal year workload adjustment to total FTES funding of approximately 1,624 FTES.
- The District's apportionment was not fully funded which resulted in a deficit coefficient of .0235% or \$263,268 which was applied to the total computation revenue. This amount does not represent the final recalc amounts for the 2011-12 fiscal year.
- Traditionally the District receives a cost of living adjustment (COLA) and enrollment growth funding from the State. In the 2011-12 fiscal year there were no COLA funds received.



Operating expenses decreased in 2011-2012 as follows:

- Expenses for employee salaries and statutory benefits decreased with increases on an employee by employee basis based on step and column changes only. There was no cost of living adjustment increases provided. The comparison of the prior year salaries and benefits reflect a decrease due to not filling certain positions and deferring the hiring of positions until the latter half of the fiscal year.
- The cost of supplies, materials, and other operating expenses and services remained flat.
- Depreciation increased due to the completion of the Library Resource.

Statement of Cash Flows

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

The District participates in a Tax Revenue Anticipation Notes (TRAN) program each year provided through Community College League of California (CCLC). The District's apportionment funding is primarily through property taxes which are paid twice a year in December and April. This program provides access to short-term loan funds to assist with cash flow needs during the fiscal year.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (Condensed)
For the Years Ended June 30, 2012 and 2011
(Thousands)

	2011-2012	2010-2011	Dollar Change	Percent Change
CASH (USED IN) PROVIDING BY:				
Operating Activities	\$ (11,525)	\$ (10,024)	\$ (1,501)	15.0%
Non-Capital Financing Activities	12,176	14,120	\$ (1,944)	-13.8%
Capital and Related Financing Activities	(294)	(4,237)	\$ 3,943	-93.1%
Investing Activities	-	6	\$ (6)	100.0%
NET INCREASE/(DECREASE) IN CASH	\$ 357	\$ (135)	\$ 492	364.4%
CASH - BEGINNING OF THE FISCAL YEAR	\$ 3,208	\$ 3,343	\$ (135)	-4.0%
CASH - END OF THE FISCAL YEAR	\$ 3,565	\$ 3,208	\$ 357	11.1%

In accordance with GAAP, the District recorded \$474,869 in depreciation expense for the fiscal year and reflected a liability for compensated absences (accrued vacation not used at June 30) of \$330,098.

The District Supplemental Employee Retirement Plan (SERP) liability was accrued for \$377,920.

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

District's Fiduciary Responsibility

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

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45 which requires governmental agencies, including community colleges, to recognize other postemployment benefits (OPEB). As of June 30, 2012, the District has recorded \$1,387,389, which represents two separate groups – Peralta and Other. The District is currently paying the pay-as-you-go liability portion on a yearly basis

Economic Factors That Will Affect the Future

The economic position of the District continues to be severely impacted by the financial health of the State of California. The State of California continues to face significant budget shortages as the economic recovery improved only slightly. Due to traditional state funding uncertainties, a great deal of flexibility is necessary to remain balanced and to continue providing uninterrupted service to the students. Examples of these uncertainties include annual deficit factors, limited or unfunded growth funding, mid-year cuts in apportionment funding, and the continued increases of apportionment deferrals. Feather River Community College District must remain responsive to these variables and financial pressures with sound fiduciary practices, integrated strategic planning, and a collaborative governance approach to the budget process. The District must evaluate its strategic planning and processes and incorporate these priorities as they relate to the college's mission. This integrated planning process along with the necessary supporting budget will offer quality educational programs that students need to further their educational pursuits. This integrated process will also enhance the financial health and viability of the District going into the future.

The State budget was passed prior to the start of the 2012-13 fiscal year but there is uncertainty to the extent of the potential mid-year cuts to the Community College system. The 2012-13 fiscal year State budget assumed that the tax initiative, Proposition 30, on the November, 2012 ballot would pass, thus eliminating the need for mid-year cuts. The passage of the tax initiative would provide for additional funding and relieve a small amount of financial deferrals that has impacted cash flows for all districts. Proposition 30 helps stabilize Community College's funding in the near term.

Proposition 30 was approved by the voters on November 6, 2012, thus eliminating the need for mid-year cuts to funding. The State will implement a sales tax increase and personal income tax increase which is expected to provide the required and anticipated funding for the current 2012-13 year. The results of these tax increases will provide funding expected to be received in June, 2013. The amount is contingent on the magnitude of the revenue generated from anticipated tax increases. The exact amount of available funds will not be known for sure until late in the 2012-13 fiscal year.

The economic recovery continues to be fragile but there is promise that the road to recovery has started and will provide stability to California's budget. The prioritization of the available funds to restore student access and improve student success, thus giving those citizens the opportunity to acquire, improve, and expand their education pursuits, contributes to the planned economic recovery.

Historical Perspective: 2012-2013 Fiscal Year

Revenues for the 2011-2012 fiscal year increased due primarily to small school exemption that Feather River Community College District took advantage of, whereby the District did not incur the approximate system wide reductions of 6.2%. There were a total of 12 community college districts that took the option of not incurring the state wide budget reductions. By opting for the exemption, the districts will not be entitled to any future growth funding when it becomes available until any growth funding exceeds the exemption amount taken in the 2011-12 fiscal year. The District apportionment revenue did not receive a cost of living adjustment and there was a slight reduction in apportionment funding due to the system wide deficit coefficient.

The District received funding for approximately 1,624 total credit and non-credit FTES.

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

Net assets, formerly classified as fund balance, are an indicator of the District's financial position. For the past five fiscal years, the District's fund balance for the general fund has ranged between 5 and 8 percent of operating expenditures. Even during challenging financial times, the District has remained structurally balanced. In 2011-2012, the District reflected less than one percent decrease in the total net assets reported.

Projected 2012-2013 Fiscal Year

The Board of Trustees for Feather River Community College District adopted a balanced budget in August 2012. The current general fund operating budget approved by the Board of Trustees, projects revenues and expenses at \$15.5 million. The balanced budget required that \$798,757 of Beginning Fund Balance be used to accomplish this position. The 2012-13 fiscal year unrestricted general fund budget assumed that the passage of Proposition 30 would fail and that the State would be required to implement mid-year cuts. The District's budgeted revenue was projected based on 1,505 FTES, the difference between the revenue and expenses being funded through the use of Beginning Fund Balance.

The passage of Proposition 30 was approved by the voters in the general election in November, 2012. With the passage of Proposition 30, the need for mid-year cuts was eliminated. Revenues for the 2012-2013 fiscal year will fund based on the 1,623 FTES base established in the prior year. This represents expected total computational revenue of approximately \$11.2 million of unrestricted general fund.

The District which began the 2010-11 fiscal period with an agreement with the Feather River Foundation to assume the management of the Fitness Center continues to manage the facility in the 2012-13 fiscal year. The District also began managing the Feather River Residence Hall which requires occupancy guarantees as well as repairs and support staffing.

The State of California maintained most categorical funding with basically no increases from the prior year.

Student enrollment fees were increased from \$36 to \$46 per credit unit.

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

Beyond Fiscal Year 2012-2013

The outlook for 2012-2013 and beyond has improved considerably due to the State's economic recovery, prior year's budget cuts, and the passage of Proposition 30 which will provide some near term stabilizing of revenue funding to education. The budget challenges in the next several years should be significantly less than what has been experienced in recent years.

The Nevada Good Neighbor tuition agreement between California and Nevada expired in November of 2011. The full impact of enrollment to the District has not been completely realized due to the fact that students that were attending prior to the expired agreement are entitled to continue as if the agreement was in effect until those students graduate.

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

The District is faced with many funding challenges as we strive to serve a growing population in our county with aged facilities. While we have been successful with the bond measure at the state level that funded the new Library Resource Center, we have not completely evaluated the feasibility of a local bond measure for Plumas County. We face costs to replace our aging facilities, upgrade our technology infrastructure, and expand our services to additional areas in the county. We continue to evaluate ways to most effectively allocate our resources to meet these needs.

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

As in the past couple of years and certainly going forward for the next several years there will be continued pressure and challenges in funding and operating all institutions of higher education in the State of California. Continued responsible fiscal management has placed us in a sound financial position from which we can effectively respond to the challenges of the future. The Feather River Community College District will continue to identify fiscally responsible ways to serve our student body and communities with quality educational programs. Under the leadership of our Board of Trustees and the Superintendent/President, and with dedicated support staffs, we will continue to move forward with implementing the integrated goals, priorities, and tasks outlined in the District's Strategic Plan, Educational Plan, District's Mission, Operational Plans and Operating Budgets.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

Current assets:	
Cash (Note 2)	\$ 2,831,130
Receivables, net (Note 3)	2,618,944
Stores inventories	47,079
Prepaid expenses	<u>80,863</u>
Total current assets	<u>5,578,016</u>
Noncurrent assets:	
Restricted cash and cash equivalents	733,404
Note receivable (Note 4)	220,649
Non-depreciable capital assets (Note 5)	10,255,814
Depreciable capital assets, net (Note 5)	<u>3,046,190</u>
Total noncurrent assets	<u>14,256,057</u>
Total assets	<u>\$ 19,834,073</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 760,932
Deferred revenue (Note 6)	1,474,966
Compensated absences payable (Note 8)	330,098
Long-term debt - current portion (Notes 8 and 11)	<u>231,010</u>
Total current liabilities	<u>2,797,006</u>
Noncurrent liabilities:	
Long-term debt - noncurrent portion (Notes 8 and 11)	<u>2,194,723</u>
Total liabilities	<u>4,991,729</u>

Commitments and contingencies (Note 12)

NET ASSETS

Invested in capital assets, net of related debt	12,641,580
Restricted for capital projects	749,506
Restricted for other special purposes	80,863
Unrestricted	<u>1,370,395</u>
Total net assets	<u>14,842,344</u>
Total liabilities and net assets	<u>\$ 19,834,073</u>

See accompanying notes to financial statements.

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

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 356,206
Investments (Note 2)	491,275
Receivables, net (Note 3)	<u>19,888</u>
Total current assets	<u>867,369</u>
Noncurrent assets:	
Investments (Note 2)	367,628
Non-depreciable capital assets (Note 5)	332,884
Depreciable capital assets, net (Note 5)	3,442,380
Deposits	1,900
Bond issuance costs, net of accumulated amortization of \$125,244	<u>139,163</u>
Total assets	<u><u>\$ 5,151,324</u></u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued expenses	\$ 115,281
Current portion of long-term debt (Note 8)	<u>194,131</u>
Total current liabilities	<u>309,412</u>
Noncurrent liabilities:	
Long-term debt, less current portion (Note 8)	<u>2,718,594</u>
Total liabilities	<u>3,028,006</u>

NET ASSETS

Unrestricted	1,894,236
Temporarily restricted	178,495
Permanently restricted	<u>50,587</u>
Total net assets	<u>2,123,318</u>
Total liabilities and net assets	<u><u>\$ 5,151,324</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2012

Operating revenues:	
Tuition and fees	\$ 1,327,640
Less: scholarship discounts and allowances	<u>(676,733)</u>
Net tuition and fees	<u>650,907</u>
Grants and contracts, non-capital:	
Federal	3,084,384
State	1,438,060
Local	817,696
Auxiliary enterprise sales and charges	<u>70,078</u>
Total operating revenues	<u>6,061,125</u>
Operating expenses (Note 14):	
Salaries	7,377,105
Employee benefits (Notes 10 and 11)	2,745,716
Supplies, materials, and other operating expenses and services	4,385,784
Utilities	416,255
Depreciation (Note 5)	474,869
Student financial aid and scholarships	<u>4,294,099</u>
Total operating expenses	<u>19,693,828</u>
Loss from operations	<u>(13,632,703)</u>
Non-operating revenues (expenses):	
State apportionment, non-capital	5,370,135
Local property taxes (Note 9)	5,077,893
State taxes and other revenues	336,861
Interest expense on capital asset-related debt, net	(35,404)
Interest income	27,069
Pell grants	<u>2,315,598</u>
Total non-operating revenues (expenses)	<u>13,092,152</u>
Loss before capital revenues	<u>(540,551)</u>
Capital revenues:	
Grants and gifts, capital	395,794
Local property taxes and revenues	<u>9,885</u>
Total capital revenues	<u>405,679</u>
Change in net assets	(134,872)
Net assets, July 1, 2011	<u>14,977,216</u>
Net assets, June 30, 2012	<u>\$ 14,842,344</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions	\$ 35,800	\$ 84,005	\$ 47,737	\$ 167,542
Contributions by Feather River College (Note 15)	54,000	-	-	54,000
Rental income	621,434	-	-	621,434
Interest income	5,769	63	-	5,832
Other operating income	150,966	-	-	150,966
Gain on sale of horses / equipment	-	48,913	-	48,913
Fish sales, net	-	3,821	-	3,821
Fundraising income, net	-	46,744	-	46,744
Livestock Sales	12,807	-	-	12,807
Net assets released from restrictions by payments	<u>206,182</u>	<u>(206,182)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains and other support	 <u>1,086,958</u>	 <u>(22,636)</u>	 <u>47,737</u>	 <u>1,112,059</u>
Expenses:				
Program services:				
Fitness center operations	44,131	-	-	44,131
College housing operations	679,029	-	-	679,029
Purchases on behalf of Feather River College	54	-	-	54
Scholarships granted	64,888	-	-	64,888
Supporting services:				
Management and general	<u>207,556</u>	<u>-</u>	<u>-</u>	<u>207,556</u>
 Total expenses	 <u>995,658</u>	 <u>-</u>	 <u>-</u>	 <u>995,658</u>
 Change in net assets	 <u>91,300</u>	 <u>(22,636)</u>	 <u>47,737</u>	 <u>116,401</u>
Net assets, July 1, 2011	<u>1,802,936</u>	<u>201,131</u>	<u>2,850</u>	<u>2,006,917</u>
Net assets, June 30, 2012	<u>\$ 1,894,236</u>	<u>\$ 178,495</u>	<u>\$ 50,587</u>	<u>\$ 2,123,318</u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Tuition and fees	\$ 650,907
Federal grants and contracts	2,992,955
State grants and contracts	2,329,377
Local grants and contracts	1,101,739
Payments to suppliers	(4,145,180)
Payment to utilities	(416,255)
Payment to employees	(9,798,204)
Payment to students	(4,294,099)
Auxiliary enterprises sales and charges	<u>53,826</u>
Net cash used in operating activities	<u>(11,524,934)</u>
Cash flows from noncapital financing activities:	
State appropriations	4,453,540
Local property taxes	5,077,893
State taxes and other revenues	336,861
Investment income - non capital	27,069
Interest expense	(35,404)
Pell grants	<u>2,315,598</u>
Net cash provided by noncapital financing activities	<u>12,175,557</u>
Cash flows from capital and related financing activities:	
Local revenue for capital purposes	405,679
Purchase of capital assets	(537,431)
Principal paid on capital debt	<u>(162,217)</u>
Net cash used in capital and related financing activities	<u>(293,969)</u>
Change in cash and cash equivalents	356,654
Cash balance, beginning of year	<u>3,207,880</u>
Cash balance, end of year	<u>\$ 3,564,534</u>

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS
(Continued)
For the Year Ended June 30, 2012

Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	\$ (13,632,703)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation expense	474,869
Changes in assets and liabilities:	
Receivables, net	776,256
Inventories and prepaids	74,463
Accounts payable	166,141
Deferred revenue	291,423
Compensated absences	(51,433)
Retiree health benefits	<u>376,050</u>
Net cash used in operating activities	<u>\$ (11,524,934)</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2012

Cash flows from operating activities:	
Change in net assets	\$ 116,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	182,832
Amortization	13,916
Bad debt expense	22,741
Contributions restricted for long-term investment	(47,737)
Donated horses included in contributions	(43,000)
Gain on sale of horses	(48,913)
Increase in receivables	(3,527)
Increase in accounts payable and accrued expenses	14,160
Decrease in tenant deposits payable	<u>(2,500)</u>
Net cash provided by operating activities	<u>204,373</u>
Cash flows from investing activities:	
Purchase of investments	(112,696)
Proceeds from sale of horses	<u>78,821</u>
Net cash provided by investing activities	<u>(33,875)</u>
Cash flows from financing activities:	
Contributions restricted for long-term investment	47,737
Payments on long-term debt	<u>(183,807)</u>
Net cash used in financing activities	<u>(136,070)</u>
Change in cash and cash equivalents	34,428
Cash and cash equivalents - beginning of year	<u>321,778</u>
Cash and cash equivalents - end of year	<u><u>\$ 356,206</u></u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2012

	<u>Agency Fund</u>	<u>Trust Fund</u>
	<u>Associated Students Fund</u>	<u>Retiree Benefit Fund</u>
ASSETS		
Cash in County Treasury (Note 2)	\$ -	\$ 1,624,060
Cash and cash equivalents (Note 2)	<u>10,707</u>	<u>-</u>
Total assets	<u>10,707</u>	<u>1,624,060</u>
LIABILITIES		
Accounts payable	-	29,638
Amounts held for others	10,707	-
Deferred revenue	<u>-</u>	<u>603</u>
Total liabilities	<u>10,707</u>	<u>30,241</u>
NET ASSETS		
Total net assets	<u><u>\$ -</u></u>	<u><u>\$ 1,593,819</u></u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2012

	Retiree Benefits Fund
Additions:	
District contributions	\$ 279,757
Interest income	<u>6,401</u>
Total additions	<u>286,158</u>
Deductions:	
Benefit withdrawals	<u>260,363</u>
Change in net assets	25,795
Net assets held in trust:	
Net assets, July 1, 2011	<u>1,568,024</u>
Net assets, June 30, 2012	<u><u>\$ 1,593,819</u></u>

See accompanying notes to financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

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

Basis of Accounting

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

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

The Foundation's financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. Recognition of contributions is dependent upon whether the contribution is restricted or unrestricted. Net assets are classified on the Statement of Net Assets as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence of donor-imposed restrictions.

Cash and Cash Equivalents

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

Restricted Cash, Cash Equivalents and Investments

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

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, 2012 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

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

Inventory

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

Capital Assets

Capital assets are recorded at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the District's capitalization policy included all items with a unit cost of \$5,000 or more, and estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 – 30 years depending on asset type.

Compensated Absences

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

Accumulated Sick Leave

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

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

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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

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

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

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

State Apportionments

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

On-Behalf Payments

GASB Cod. Sec. N50 requires that direct on-behalf payments for benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers and Public Employees Retirement Systems on behalf of all Community Colleges in California. However, a fiscal advisory issued by the California Department of Education instructed districts not to record revenue and expenditures for these on-behalf payments. These payments consist of state general fund contributions to CalSTRS in the amount of \$76,771 (2.017%) of salaries subject to CalSTRS).

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenue

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. 2200.190-.191, including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues 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. C05.101, such as State appropriations and investment income.

Contributions

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

Scholarship Discounts and Allowances

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

Tax Status of the Foundation

The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Sierra College Foundation does not expect the total amount of unrecognized total benefits to significantly change in the next 12 months. Interest and penalties on tax assessments are classified as an expense when incurred. For the year ended June 30, 2012, the Foundation did not incur any interest or penalties.

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

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, 2012, consisted of the following:

	<u>District</u>	<u>Foundation</u>	<u>Agency Funds</u>	<u>Trust Fund</u>
Pooled Funds:				
Cash in County Treasury	\$ 3,377,031	\$ -	\$ -	\$ 1,624,060
Deposits:				
Cash on hand and in banks	<u>187,503</u>	<u>356,206</u>	<u>10,707</u>	<u>-</u>
Total cash	<u>\$ 3,564,534</u>	<u>\$ 356,206</u>	<u>\$ 10,707</u>	<u>\$ 1,624,060</u>
Investments	<u>\$ -</u>	<u>\$ 858,903</u>	<u>\$ -</u>	<u>\$ -</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2012, the carrying amount of the District's accounts was \$187,503 and the bank balance was \$222,611, 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, 2012, the carrying amount of the Foundation's cash on hand and in banks was \$356,206 and the bank balance was \$371,387. \$270,972 of the bank balance was FDIC insured and \$100,415 remained uninsured.

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.

Cash in County Treasury

As provided for by in Education Code, Section 41001, a significant portion of the District's cash balances is deposited with the County Treasurer for the purpose of increasing interest earnings through County investment activities. Interest earned on such pooled cash balances is allocated proportionately to all funds in the pool.

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

Custodial Credit Risk

In accordance with applicable state laws, the Plumas County Treasurer may invest in derivative securities. However, at June 30, 2012, 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)

Custodial Credit Risk (Continued)

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

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

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

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the District has no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentrations of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentrations of credit risk.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$1,624,060 represents amount in the District's name with a third party custodian for future retiree benefits, all of which is held at the County Treasury.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Foundation Investments

Investments are stated at fair value as of June 30, 2012 and consist of revenue bond proceeds invested in the following mutual fund and guaranteed investment contract:

First American Treasury Obligations Fund, short-term	\$ 491,275
California Community Colleges Foundation, long-term	47,800
Bayerische Landesbank Investment Agreement, long-term	<u>319,828</u>
	<u>\$ 858,903</u>

The following presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2012, 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.

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:				
Community Foundation	\$ 47,800	\$ -	\$ -	\$ 47,800
Guaranteed investment contract	319,828	-	-	319,828
Mutual fund	<u>491,275</u>	<u>491,275</u>	<u>-</u>	<u>-</u>
	<u>\$ 858,903</u>	<u>\$ 491,275</u>	<u>\$ -</u>	<u>\$ 367,628</u>

There were no significant transfers in or out of Level 1 and 3 during the year ending June 30, 2012.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Foundation Investments (Continued)

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

Community Foundation - The fair value of Community Foundation investment classified as Level 3 is determined using the calculated NAV. The investment is made up an interest in the Community Foundation fund that invests primarily in domestic equity securities, fixed income securities and cash and cash equivalents. Domestic equity securities are valued on current quoted market prices. Fixed income securities are valued based on pricing models that incorporate available trade, bid and other market information.

There were no changes in the valuation techniques used during the year ended June 30, 2012.

The following table presents changes in Level 3 instruments measured on a recurring basis for the year ended June 30, 2012. Net gains/losses are recorded in the statement of activities.

	<u>Guaranteed Investment Contract</u>	<u>Community Foundation</u>
Balance, July 1, 2011	\$ 319,828	\$ -
Purchases	-	47,737
Realized loss	-	-
Investment income	-	997
Change in fair value	-	(934)
Balance, June 30, 2012	<u>\$ 319,828</u>	<u>\$ 47,800</u>

Amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held as of June 30, 2012	\$ (934)
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The Foundation had no non recurring assets and no liabilities at June 30, 2012, which were required to be disclosed using the fair value hierarchy.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3. RECEIVABLES

Receivables:

Federal	\$ 198,571
State	2,118,658
Local and other, net of allowance	<u>301,715</u>
	<u>\$ 2,618,944</u>

The allowance for doubtful accounts of \$75,247 is maintained at an amount that management considers sufficient to fully reserve and provide for possible uncollectibility of student fees receivable. Student fees receivable, included in local and other receivables, totaled \$741,946 at June 30, 2012.

At June 30, 2012, the Foundation had \$19,888 in receivables due from local sources.

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, 2012 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, 2012, the Foundation had drawn down \$220,649.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. CAPITAL ASSETS

District capital asset activity consists of the following:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Non-depreciable:				
Land	\$ 277,099	\$ -	\$ -	\$ 277,099
Construction in progress	9,588,312	390,403	-	9,978,715
Depreciable:				
Buildings	7,276,260	-	-	7,276,260
Building improvements	476,563	147,028	-	623,591
Equipment	<u>3,642,870</u>	<u>-</u>	<u>-</u>	<u>3,642,870</u>
Total	<u>21,261,104</u>	<u>537,431</u>	<u>-</u>	<u>21,798,535</u>
Less accumulated depreciation:				
Building improvements	(343,237)	(15,161)	-	(358,398)
Buildings	(5,207,317)	(139,413)	-	(5,346,730)
Equipment	<u>(2,471,108)</u>	<u>(320,295)</u>	<u>-</u>	<u>(2,791,403)</u>
Total	<u>(8,021,662)</u>	<u>(474,869)</u>	<u>-</u>	<u>(8,496,531)</u>
Capital assets, net	<u>\$13,239,442</u>	<u>\$ 62,562</u>	<u>\$ -</u>	<u>\$13,302,004</u>

Foundation capital asset activity consists of the following:

	Balance July 1, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Non-depreciable:					
Land	\$ 332,884	\$ -	\$ -	\$ -	\$ 332,884
Construction in progress	-	-	-	-	-
Depreciable:					
Buildings and improvements	4,317,761	-	-	-	4,317,761
Machinery and equipment	201,894	-	-	-	201,894
Horses	253,280	43,000	(46,940)	-	249,340
Furniture and fixtures	<u>142,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,008</u>
Total	<u>5,247,827</u>	<u>43,000</u>	<u>(46,940)</u>	<u>-</u>	<u>5,243,887</u>
Less accumulated depreciation:					
Buildings and improvements	(896,163)	(135,333)	-	-	(1,031,496)
Machinery and equipment	(179,058)	(7,522)	-	-	(186,580)
Horses	(93,562)	(33,565)	17,032	-	(110,095)
Furniture and fixtures	<u>(134,041)</u>	<u>(6,411)</u>	<u>-</u>	<u>-</u>	<u>(140,452)</u>
Total	<u>(1,302,824)</u>	<u>(182,831)</u>	<u>17,032</u>	<u>-</u>	<u>(1,468,623)</u>
Capital assets, net	<u>\$ 3,945,003</u>	<u>\$ (139,831)</u>	<u>\$ (29,908)</u>	<u>\$ -</u>	<u>\$ 3,775,264</u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6. DEFERRED REVENUE

Deferred revenue for the District consisted of the following:

Deferred Federal and State revenue	\$ 12,582
Deferred student fees	818,799
Deferred tuition and other student fees	<u>643,585</u>
 Total deferred revenue	 <u><u>\$ 1,474,966</u></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, 2012 is as follows:

	Outstanding July 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Outstanding June 30, <u>2012</u>
Series 2011 - 2.00% Tax Revenue Anticipation Note	\$ <u>-</u>	\$ <u>2,000,000</u>	\$ <u>2,000,000</u>	\$ <u>-</u>

Subsequent to June 30, 2012, the District entered into a new TRANS agreement for \$1,675,000 payable on June 28, 2013.

8. LONG-TERM LIABILITIES

SERP Liability

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

The annual requirements to amortize the SERP liability outstanding as of June 30, 2012 are as follows:

Year Ending <u>June 30,</u>	
2012	\$ 75,584
2013	75,584
2014	75,584
2015	75,584
2016	<u>75,584</u>
	<u><u>\$ 377,920</u></u>

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8. LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations

The District leases certain equipment and software with a net book value of approximately \$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, 2012:

Year Ending <u>June 30,</u>	<u>Lease Payments</u>
2013	\$ 183,616
2014	183,616
2015	150,302
2016	147,607
2017	22,944
2018-2022	<u>51,274</u>
Total payments	739,359
Less amount representing interest	<u>(78,935)</u>
Net minimum lease payments	<u>\$ 660,424</u>

District Changes in Long-Term Debt

A schedule of changes in the District's long-term debt for the year ended June 30, 2012 is as follows:

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>	Amounts Due Within <u>One Year</u>
SERP Liability	\$ -	\$ 377,920	\$ -	\$ 377,920	\$ 75,584
Notes payable	13,150	-	13,150	-	-
Capitalized lease obligations	809,491	-	149,067	660,424	155,426
Compensated absences	381,531	-	51,433	330,098	330,098
Other postemployment benefits (Note 11)	<u>1,389,259</u>	<u>258,492</u>	<u>260,362</u>	<u>1,387,389</u>	<u>-</u>
	<u>\$ 2,593,431</u>	<u>\$ 636,412</u>	<u>\$ 474,012</u>	<u>\$ 2,755,831</u>	<u>\$ 561,108</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>
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	185,000	93,413	278,413
2018-2022	1,095,000	303,293	1,398,293
2023	<u>575,000</u>	<u>15,238</u>	<u>590,238</u>
	<u>\$ 2,520,000</u>	<u>\$ 874,992</u>	<u>\$ 3,394,992</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>
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>15,827</u>	<u>382</u>	<u>16,209</u>
	<u>\$ 172,076</u>	<u>\$ 36,133</u>	<u>\$ 208,209</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, 2012 is as follows:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
Student housing bonds	\$ 2,670,000	\$ 10,000	\$ 160,000	\$ 2,520,000	\$ 160,000
Feather River Fitness and Recreation mortgage	205,883	-	33,807	172,076	34,131
Feather River Community College District loan (Note 4)	<u>220,649</u>	<u>-</u>	<u>-</u>	<u>220,649</u>	<u>-</u>
	<u>\$ 3,096,532</u>	<u>\$ 10,000</u>	<u>\$ 193,807</u>	<u>\$ 2,912,725</u>	<u>\$ 194,131</u>

The Foundation is subject to certain covenants in accordance with its long-term liability agreements. As of June 30, 2012, 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 2011-2012 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, 2012, 2011 and 2010 were \$252,326, \$316,222 and \$266,156, 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 2011-2012 was 10.923% of annual payroll.

Annual Pension Cost

The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$347,624, \$342,960 and \$302,818, 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	\$ 112,567
Interest on net OPEB obligation	19,255
Adjustment to annual required contribution	<u>(52,421)</u>
Annual OPEB cost (expense)	79,401
Contributions made	<u>(114,011)</u>
Decrease in net OPEB obligation	(34,610)
Net OPEB liability - beginning of year	<u>427,874</u>
Net OPEB liability - end of year	<u><u>\$ 393,264</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, 2012 and preceding two years 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
June 30, 2012	\$ 79,400	66.1%	\$ 393,264

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of April 1, 2012, the most recent actuarial valuation date, the plan was partially funded through amounts contributed in response to a contractual settlement. Contributions are made annually in accordance with that settlement's provisions. The actuarial accrued liability for benefits was \$846,874, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$846,874. The covered payroll (annual payroll of active employees covered by the Plan) was \$826,522, and the ratio of the UAAL to the covered payroll was 102.5 percent.

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

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

In the April 1, 2012, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent 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 2 percent. The actuarial value of assets was determined using asset values provided by the District. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 9 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	\$ 194,116
Interest on net OPEB obligation	43,262
Adjustment to annual required contribution	<u>(58,287)</u>
Annual OPEB cost (expense)	179,091
Contributions made	<u>(146,351)</u>
Increase in net OPEB obligation	32,740
Net OPEB liability - beginning of year	<u>961,385</u>
Net OPEB liability - end of year	<u><u>\$ 994,125</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, 2012 and preceding two years 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
June 30, 2012	\$ 179,091	81.7%	\$ 994,125

As of April 1, 2012, the most recent actuarial valuation date, the plan was partially funded through amounts contributed in response to a contractual settlement. Contributions are made annually in accordance with that settlement's provisions. The actuarial accrued liability for benefits was \$1,497,695, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,497,695. The covered payroll (annual payroll of active employees covered by the Plan) was \$241,950, and the ratio of the UAAL to the covered payroll was 619.0 percent.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

"Peralta" Group (Continued)

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

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

In the April 1, 2012, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent 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, 2012, was 10 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 \$469,000 at June 30, 2012. 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 (the most recent information available):

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 assets	\$	(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 June 30, 2011 (the most recent information available):

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 assets	\$	(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, 2011 (the most recent information available):

Total assets	\$	45,222,215
Total liabilities	\$	21,819,352
Net assets	\$	23,402,863
Total revenues	\$	16,822,092
Total expenses	\$	18,020,596
Change in net assets	\$	(1,198,504)

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, 2012.

	<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	\$ 3,650,863	\$ 927,191	\$ 1,823,666	\$ -	\$ -	\$ -	\$ 6,401,720
Academic Support	474,473	169,857	146,624	-	-	-	790,954
Student Services	1,416,592	532,684	464,832	-	-	-	2,414,108
Operations and Maintenance of Plant	750,408	295,908	820,339	-	-	-	1,866,655
Institution Support	703,002	692,627	963,588	416,255	-	-	2,775,472
Community Services and Economic Development	4,458	505	7,440	-	-	-	12,403
Auxiliary Operations	377,309	126,944	159,295	-	-	-	663,548
Student Aid	-	-	-	-	-	4,294,099	4,294,099
Physical Property and Related Acquisitions	-	-	-	-	474,869	-	474,869
	<u>\$ 7,377,105</u>	<u>\$ 2,745,716</u>	<u>\$ 4,385,784</u>	<u>\$ 416,255</u>	<u>\$ 474,869</u>	<u>\$ 4,294,099</u>	<u>\$ 19,693,828</u>

15. RELATED PARTY TRANSACTIONS

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

The Foundation and the District have entered into an agreement regarding Feather River Fitness and Recreation whereby the District shall reimburse the Foundation for the cost of insurance and to repay the debt created by its purchase. For the fiscal year ended June 30, 2012, the value of the contributions totaled \$54,000.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

16. ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 2,850	\$ 2,850
Investment income	-	997	-	997
Change in fair value of investments	-	(934)	-	(934)
Contributions	-	-	47,737	47,737
Other transfers	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 50,587</u>	<u>\$ 50,650</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2012, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 50,587</u>	<u>\$ 50,650</u>
Total	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 50,587</u>	<u>\$ 50,650</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There was no individual endowment funds with such deficiencies as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended June 30, 2012

<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	\$ -	\$ 899,168	\$ 899,168	0%	\$ 644,953	139%
6/30/2011	September 18, 2009	\$ -	\$ 899,168	\$ 899,168	0%	\$ 730,773	123%
6/30/2012	April 1, 2012	\$ -	\$ 846,874	\$ 846,874	0%	\$ 826,522	102%
<u>Peralta Group</u>							
6/30/2010	September 18, 2009	\$ -	\$ 1,630,087	\$ 1,630,087	0%	\$ 169,759	960%
6/30/2011	September 18, 2009	\$ -	\$ 1,630,087	\$ 1,630,087	0%	\$ 169,759	960%
6/30/2012	April 1, 2012	\$ -	\$ 1,497,695	\$ 1,497,695	0%	\$ 241,950	619%

See accompanying notes to 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, 2012

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, 2012 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. Dana Ware	Member	December 2012

DISTRICT ADMINISTRATION

Dr. Ronald Taylor
President/District Superintendent

Mr. James Scoubes
Chief Financial Officer

Dr. Derek Lerch
Interim Chief Instructional Officer

Dr. Karen Pierson
Chief Student Services Officer

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF NET ASSETS BY FUND
(Unaudited)
June 30, 2012

	<u>General</u>	<u>Capital Outlay Projects Fund</u>	<u>Child Development Fund</u>	<u>Student Financial Aid Fund</u>	<u>Bookstore Fund</u>	<u>Totals</u>	<u>Reconciling Adjustments/ Eliminations</u>	<u>Statement of Net Assets</u>
Assets								
Current assets:								
Cash and cash equivalents	\$ 2,225,690	\$ -	\$ 68,533	\$ 317,541	\$ 219,366	\$ 2,831,130	\$ -	\$ 2,831,130
Receivables, net	2,447,699	39,523	8,919	62,899	59,904	2,618,944	-	2,618,944
Due from other funds	292,404	-	-	-	-	292,404	(292,404)	-
Stores inventories	-	-	-	-	47,079	47,079	-	47,079
Prepaid expenses	80,863	-	-	-	-	80,863	-	80,863
Total current assets	<u>5,046,656</u>	<u>39,523</u>	<u>77,452</u>	<u>380,440</u>	<u>326,349</u>	<u>5,870,420</u>	<u>(292,404)</u>	<u>5,578,016</u>
Noncurrent assets:								
Note receivable	220,649	-	-	-	-	220,649	-	220,649
Restricted cash and cash equivalents	-	733,404	-	-	-	733,404	-	733,404
Non-depreciable capital assets	-	-	-	-	-	-	10,255,814	10,255,814
Depreciable capital assets, net	-	-	-	-	-	-	3,046,190	3,046,190
Total noncurrent assets	<u>220,649</u>	<u>733,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>954,053</u>	<u>13,302,004</u>	<u>14,256,057</u>
Total assets	<u>\$ 5,267,305</u>	<u>\$ 772,927</u>	<u>\$ 77,452</u>	<u>\$ 380,440</u>	<u>\$ 326,349</u>	<u>\$ 6,824,473</u>	<u>\$ 13,009,600</u>	<u>\$ 19,834,073</u>
Liabilities								
Current liabilities:								
Accounts payable	\$ 702,931	\$ 6,889	\$ 90	\$ 39,391	\$ 11,631	\$ 760,932	\$ -	\$ 760,932
Deferred revenue	1,457,224	16,532	-	1,210	-	1,474,966	-	1,474,966
Compensated absences payable	-	-	-	-	-	-	330,098	330,098
Long-term debt - current portion	-	-	-	-	-	-	231,010	231,010
Due to other funds	-	-	7	292,397	-	292,404	(292,404)	-
Total current liabilities	<u>2,160,155</u>	<u>23,421</u>	<u>97</u>	<u>332,998</u>	<u>11,631</u>	<u>2,528,302</u>	<u>268,704</u>	<u>2,797,006</u>
Noncurrent liabilities:								
Long-term debt - noncurrent portion	-	-	-	-	-	-	2,194,723	2,194,723
Total liabilities	<u>2,160,155</u>	<u>23,421</u>	<u>97</u>	<u>332,998</u>	<u>11,631</u>	<u>2,528,302</u>	<u>2,463,427</u>	<u>4,991,729</u>
Net Assets								
Invested in capital assets, net of related debt	-	-	-	-	-	-	12,641,580	12,641,580
Restricted for capital projects	-	749,506	-	-	-	749,506	-	749,506
Restricted for other special purposes	80,863	-	-	-	-	80,863	-	80,863
Unrestricted	3,026,287	-	77,355	47,442	314,718	3,465,802	(2,095,407)	1,370,395
Total net assets	<u>3,107,150</u>	<u>749,506</u>	<u>77,355</u>	<u>47,442</u>	<u>314,718</u>	<u>4,296,171</u>	<u>10,546,173</u>	<u>14,842,344</u>
Total liabilities and net assets	<u>\$ 5,267,305</u>	<u>\$ 772,927</u>	<u>\$ 77,452</u>	<u>\$ 380,440</u>	<u>\$ 326,349</u>	<u>\$ 6,824,473</u>	<u>\$ 13,009,600</u>	<u>\$ 19,834,073</u>

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND
(Unaudited)
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Outlay Projects Fund</u>	<u>Child Development Fund</u>	<u>Student Financial Aid Fund</u>	<u>Bookstore Fund</u>	<u>Totals</u>	<u>Reconciling Adjustments/ Eliminations</u>	<u>Statement of Revenues, Expenses and Change in Net Assets</u>
Operating revenues:								
Tuition and fees	\$ 1,040,952	-	\$ 15,634	-	-	\$ 1,056,586	\$ 271,054	\$ 1,327,640
Less: Scholarship discounts and allowance	-	-	-	-	-	-	(676,733)	(676,733)
Net tuition and fees	<u>1,040,952</u>	<u>-</u>	<u>15,634</u>	<u>-</u>	<u>-</u>	<u>1,056,586</u>	<u>(405,679)</u>	<u>650,907</u>
Grants and contracts, non-capital:								
Federal	1,164,195	6,359	12,535	1,901,295	-	3,084,384	-	3,084,384
State	1,122,442	114,061	110,911	90,646	-	1,438,060	-	1,438,060
Local	801,222	14,014	2,460	-	-	817,696	-	817,696
Auxiliary enterprise sales and charges	-	-	-	-	316,318	316,318	(246,240)	70,078
Total operating revenues	<u>4,128,811</u>	<u>134,434</u>	<u>141,540</u>	<u>1,991,941</u>	<u>316,318</u>	<u>6,713,044</u>	<u>(651,919)</u>	<u>6,061,125</u>
Operating expenses:								
Salaries	7,236,335	-	147,959	-	44,244	7,428,538	(51,433)	7,377,105
Employee benefits	2,315,834	-	43,631	-	10,201	2,369,666	376,050	2,745,716
Supplies, materials and other operating expenses and services	4,797,636	512,474	7,949	-	267,651	5,585,710	(1,199,926)	4,385,784
Utilities	-	-	-	-	-	-	416,255	416,255
Depreciation	-	-	-	-	-	-	474,869	474,869
Student financial aid and scholarships	115,801	-	-	4,178,298	-	4,294,099	-	4,294,099
Total operating expenses	<u>14,465,606</u>	<u>512,474</u>	<u>199,539</u>	<u>4,178,298</u>	<u>322,096</u>	<u>19,678,013</u>	<u>15,815</u>	<u>19,693,828</u>
Operating (loss) income	<u>(10,336,795)</u>	<u>(378,040)</u>	<u>(57,999)</u>	<u>(2,186,357)</u>	<u>(5,778)</u>	<u>(12,964,969)</u>	<u>(667,734)</u>	<u>(13,632,703)</u>
Non-operating revenues (expenses):								
State apportionment, non-capital	5,370,135	-	-	-	-	5,370,135	-	5,370,135
Local property taxes	5,077,893	-	-	-	-	5,077,893	-	5,077,893
State taxes and other revenues	336,861	-	-	-	-	336,861	-	336,861
Interest expense on capital asset related debt	(35,404)	-	-	-	-	(35,404)	-	(35,404)
Interest income	23,059	2,649	313	-	1,048	27,069	-	27,069
Debt reduction	(162,217)	-	-	-	-	(162,217)	162,217	-
Interfund transfers out	(304,287)	-	-	-	-	(304,287)	304,287	-
Interfund transfers in	-	235,531	68,756	-	-	304,287	(304,287)	-
Pell grants	129,241	-	-	2,186,357	-	2,315,598	-	2,315,598
Total non-operating revenues (expenses)	<u>10,435,281</u>	<u>238,180</u>	<u>69,069</u>	<u>2,186,357</u>	<u>1,048</u>	<u>12,929,935</u>	<u>162,217</u>	<u>13,092,152</u>

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS BY FUND
(Unaudited)
(Continued)
For the Year Ended June 30, 2012

	<u>General</u>	<u>Capital Outlay Projects Fund</u>	<u>Child Development Fund</u>	<u>Student Financial Aid Fund</u>	<u>Bookstore Fund</u>	<u>Totals</u>	<u>Reconciling Adjustments/ Eliminations</u>	<u>Statement of Revenues, Expenses and Change in Net Assets</u>
Income (loss) before capital revenues	98,486	(139,860)	11,070	-	(4,730)	(35,034)	(505,517)	(540,551)
Capital revenues:								
Grants and gifts, capital	-	-	-	-	-	-	395,794	395,794
Local property taxes and other revenues, capital	-	-	-	-	-	-	9,885	9,885
Total capital revenues	-	-	-	-	-	-	405,679	405,679
Change in net assets	98,486	(139,860)	11,070	-	(4,730)	(35,034)	(99,838)	(134,872)
Net assets, July 1, 2011	3,008,664	889,366	66,285	47,442	319,448	4,331,205	10,646,011	14,977,216
Net assets, June 30, 2012	<u>\$ 3,107,150</u>	<u>\$ 749,506</u>	<u>\$ 77,355</u>	<u>\$ 47,442</u>	<u>\$ 314,718</u>	<u>\$ 4,296,171</u>	<u>\$ 10,546,173</u>	<u>\$ 14,842,344</u>

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268	P268K123097	\$ 1,860,911
Federal Work Study Program	84.033	P033A100600	25,490
Higher Education Act:			
Federal Pell Grant Program	84.063	P063P101180	2,315,598
Federal Supplementary Educational Opportunity Grant	84.007	P007A070600	<u>22,397</u>
Subtotal Student Financial Aid Cluster			<u>4,224,396</u>
TRIO Cluster:			
TRIO - Student Support Services	84.042	P042A100546	230,241
TRIO - Talent Search	84.044	P044A110711	220,037
TRIO - Upward Bound	84.047	P047A120549	<u>289,949</u>
Subtotal TRIO Cluster			<u>740,227</u>
Passed through the California Community College Chancellor's Office:			
Career and Technical Education - Basic Grants to States	84.048		64,413
Title III - Higher Education	84.031A		72,930
Passed through Butte Community College District:			
Career and Technical Education - Basic Grants to States	84.048		<u>1,474</u>
Total U.S. Department of Education			<u>5,103,440</u>
<u>U.S. Department of Agriculture</u>			
Passed through the California Department of Education:			
Child and Adult Care Food Program	10.558		12,535
Passed through Plumas County:			
Forrest Reserve	10.665		235,531
Direct Program:			
RAC Greenhouse Grant	10.679		7,816
Watershed Grant	10.904		<u>214</u>
Total U.S. Department of Agriculture			<u>256,096</u>

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Veteran Affairs</u>			
Direct Program:			
VA Education Benefits	64.117		\$ <u>7,987</u>
Total U.S. Department of Veteran Affairs			<u>7,987</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Yosemite Community College District:			
Child Care and Development Block Grant	93.575		7,500
Passed through California Community College Chancellor's Office:			
Temporary Assistance for Needy Families	93.667		<u>24,959</u>
Total U.S. Department of Health and Human Services			<u>32,459</u>
Total Federal Programs			<u>\$ 5,399,982</u>

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS

For the Year Ended June 30, 2012

	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	\$ -	\$ 90,646	\$ 90,646	\$ 89,715	\$ 931	\$ -	\$ 90,646	\$ 90,646
Disabled Student Programs and Services	-	161,292	161,292	154,777	-	-	154,777	154,777
Extended Opportunity Programs and Services	-	162,631	162,631	162,631	-	-	162,631	162,631
Matriculation	-	41,782	41,782	41,782	-	-	41,782	41,782
Cooperative Agency Resource Education	-	41,370	41,370	41,370	-	-	41,370	41,370
AB 1725 Staff Development	-	838	838	838	-	349	489	489
Equal Employment Opportunity	-	3,645	3,645	3,645	-	1,885	1,760	1,760
Child Development	-	110,094	110,094	101,175	8,919	-	110,094	110,094
Child Development Repairs & Maintenance	-	9,302	9,302	655	3,331	-	3,986	3,986
Child Care Food Program	-	817	817	817	-	-	817	817
Child Development Early Childhood Mentoring Program	-	597	597	597	-	113	484	484
Cal WORKs	-	114,054	114,054	114,054	-	-	114,054	114,054
Telecommunications	-	8,300	8,300	8,298	-	8,298	-	-
Boating Safety	-	13,172	13,172	8,261	4,911	-	13,172	13,172
BFAP 2%	-	10,000	10,000	9,172	-	-	9,172	9,172
CTE Transitions	-	150,000	150,000	-	56,904	-	56,904	56,904
Deferred Maintenance	-	29,052	29,052	29,052	-	29,052	-	-
WIP E-Ship	-	443,750	443,750	266,250	-	148,360	117,890	117,890
Basic Skills	32,000	90,000	122,000	121,891	-	18,353	103,538	103,538
Faculty E-Ship	-	19,076	19,076	19,076	-	650	18,426	18,426
YEP Grant	-	172,362	172,362	156,171	-	107,820	48,351	48,351
SB 70 Block Grant	-	510,900	510,900	440,298	-	241,130	199,168	199,168
Mandated Cost	-	2,832	2,832	2,832	-	-	2,832	2,832
Governor's 15% WIA Grant	-	22,000	22,000	21,729	-	-	21,729	21,729
Maintenance Allowance	-	11,077	11,077	-	11,077	-	11,077	11,077
Block Grant/Maintenance and Repairs	12,597	79,206	91,803	91,803	-	88,967	-	-
Block Grant/600 Remodel	-	25,758	25,758	25,758	-	25,758	-	-
Block Grant/Library Remodel	-	50,000	50,000	50,000	-	50,000	-	-
Unrestricted Lottery	-	230,240	230,240	209,918	20,322	-	230,240	230,240
Lottery/Instructional Materials	33,514	27,212	60,726	60,726	-	32,120	28,606	28,606
LRC Capital Outlay	-	184,203	184,203	80,060	30,015	-	110,075	110,075
Total State Programs	\$ 78,111	\$ 2,816,208	\$ 2,894,319	\$ 2,313,351	\$ 136,410	\$ 752,855	\$ 1,696,906	\$ 1,696,906

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, 2012

<u>Categories</u>	<u>Reported Data</u>	<u>Audit Adjustments</u>	<u>Revised Data</u>
A. Summer Intersession (Summer 2011 only)			
1. Noncredit	-	-	-
2. Credit	258	-	258
B. Summer Intersession (Summer 2012 - Prior to July 1, 2012)			
1. Noncredit	-	-	-
2. Credit	97	-	97
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
a. Weekly Census Contact Hours	736	-	736
b. Daily Census Contact Hours	21	-	21
2. Actual Hours of Attendance Procedure Courses			
a. Noncredit	50	-	50
b. Credit	224	-	224
3. Independent Study/Work Experience			
a. Weekly Census Contact Hours	233	-	233
b. Daily Census Contact Hours	5	-	5
c. Noncredit Independent Study/ Distance Education Courses	-	-	-
	<hr/>	<hr/>	<hr/>
D. Total FTES	<u>1,624</u>	<u>-</u>	<u>1,624</u>
Supplementary Information:			
E. In-Service Training Courses (FTES)	49	-	49
H. Basic Skills Courses and Immigrant Education			
a. Noncredit	47	-	47
b. Credit	39	-	39
<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, 2012

There were no adjustments proposed to any 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.

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

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

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, 2012. 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
- California Work Opportunity and Responsibility to Kids (CalWORKs)
- Open Enrollment
- Student Fees-Instructional Materials and Other Materials
- Student Fees-Health Fees and Use of Fee Funds
- Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies
Resources for Education (CARE)
- Disabled Student Programs and Services (DSPS)
- Curriculum and Instruction
- To Be Arranged Hours (TBA)

In our opinion, Feather River Community College District complied, in all material respects, with the compliance requirements for the year ended June 30, 2012. However, we identified a deficiency in compliance that we considered to be immaterial as described in the Schedule of Audit Findings and Questioned Costs as finding 2012-02.

Feather River Community College District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, do not express an opinion on it.

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 4, 2012

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

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, 2012, which collectively comprise Feather River Community College District's basic financial statements, and have issued our report thereon dated December 4, 2012. 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 noted other matters involving internal control that we have communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2012-01.

Feather River Community College District's response to the findings 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.

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*.

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
Crowe Horwath LLP

Sacramento, California
December 4, 2012

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

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, 2012. 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, 2012.

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.

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

Crowe Horwath LLP

Sacramento, California
December 4, 2012

FINDINGS AND RECOMMENDATIONS

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

Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

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

Noncompliance material to financial statements
 noted? _____ Yes X No

FEDERAL AWARDS

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

Type of 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 X No

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

Type of 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, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 DEFICIENCY - COMPENSATED ABSENCES

Criteria

Internal Controls - Deficiency

Condition

There is no evidence of review of employee sick days/accrued vacation balances after the balances are input by Human Resources.

Effect

Errors may go undetected in accounting for employees' sick time/accrued vacation.

Cause

Controls are not properly designed and implemented.

Fiscal Impact

Not determinable.

Recommendation

Monthly review of the Banner printout showing employees sick day/PTO balances needs to be generated. Management should ensure the Banner printout is reviewed and approved by appropriate personnel on a monthly basis.

Corrective Action Plan

Management will print a Leave Liability Report on a monthly basis for distribution to appropriate managerial staff for review and approval. This will provide suitable checks and balances between the manager's approved employee absences and the input of data from leave forms into the Banner system.

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

Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

Year Ended June 30, 2012

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2012-02 STATE COMPLIANCE - ECONOMIC OPPORTUNITY PROGRAMS AND SERVICES (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria

Per guidelines set forth by the California State Chancellor's Office, the EOPS program shall have an advisory committee appointed by the president of the college upon recommendation of the EOPS Director and each CARE program shall have an advisory committee and/or interagency group. The EOPS advisory committee shall meet at least once during each academic year. The CARE advisory committee and/or interagency group shall meet at least twice during each academic year.

Condition

The District's advisory committee for EOPS and CARE did not meet during the 2011-2012 academic year.

Effect

District is not in compliance with the advisory committee meeting requirements for EOPS and CARE.

Cause

Adequate procedures are not in place to schedule the required meetings under guidelines for EOPS and CARE.

Fiscal Impact

Not determinable.

Recommendation

The District should implement procedures to ensure the EOPS advisory committee meet at least once during each academic year and twice a year for the CARE advisory committee and/or interagency group.

Corrective Action Plan

An Advisory Committee for EOPS/CARE has been formed and will hold its first meeting on December 5th. The purpose of the advisory committee is to assist the college in developing and maintaining effective extended opportunity programs and services. Dr. Kevin Trutna, interim president, has appointed representatives from the college, an EOPS student, a counselor from a local high school, a business/community representative, and a representative from Plumas County Social Services to serve a two year term. The advisory committee will meet twice a year.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2012

Finding/Recommendation	Current Status	District Explanation If Not Fully Implemented
<p>2011-01</p> <ul style="list-style-type: none"> • 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. <p>For the conditions noted above, we recommend the following:</p> <ul style="list-style-type: none"> • 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. 	<p>Implemented.</p>	
<p>2011-02</p> <p>School Account Statements are not reconciled to the Loan Detail Records in a timely manner.</p> <p>School Account Statements should be reconciled to the Loan Detail Records on a monthly basis in a timely manner.</p>	<p>Implemented.</p>	