

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

FEATHER RIVER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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FEATHER RIVER COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Feather River Community College District
Quincy, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities of Feather River Community College District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Feather River Community College District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Our audit of the financial statements of Feather River Community College Foundation, Inc., a discretely presented component unit, was not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit and the fiduciary activities of Feather River Community College District, as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 17 and the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 60 to 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Feather River Community College District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Organization, Combining Statement of Net Position by Fund and Combining Statement of Revenues, Expenses, and Change in Net Position by Fund have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of Feather River Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feather River Community College District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

Feather River Community College District Management's Discussion and Analysis Fiscal Year Ending June 30, 2016

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, 2016. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. These financial statements and this discussion and analysis reflect the financial activities of the Feather River Community College District. In accordance with Statement No. 14, as amended by Statement No. 39 of the Governmental Accounting Standards Board (GASB), the financial data of the Foundation have been discretely presented with that of the District in these financial statements.

Overview of the Financials

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

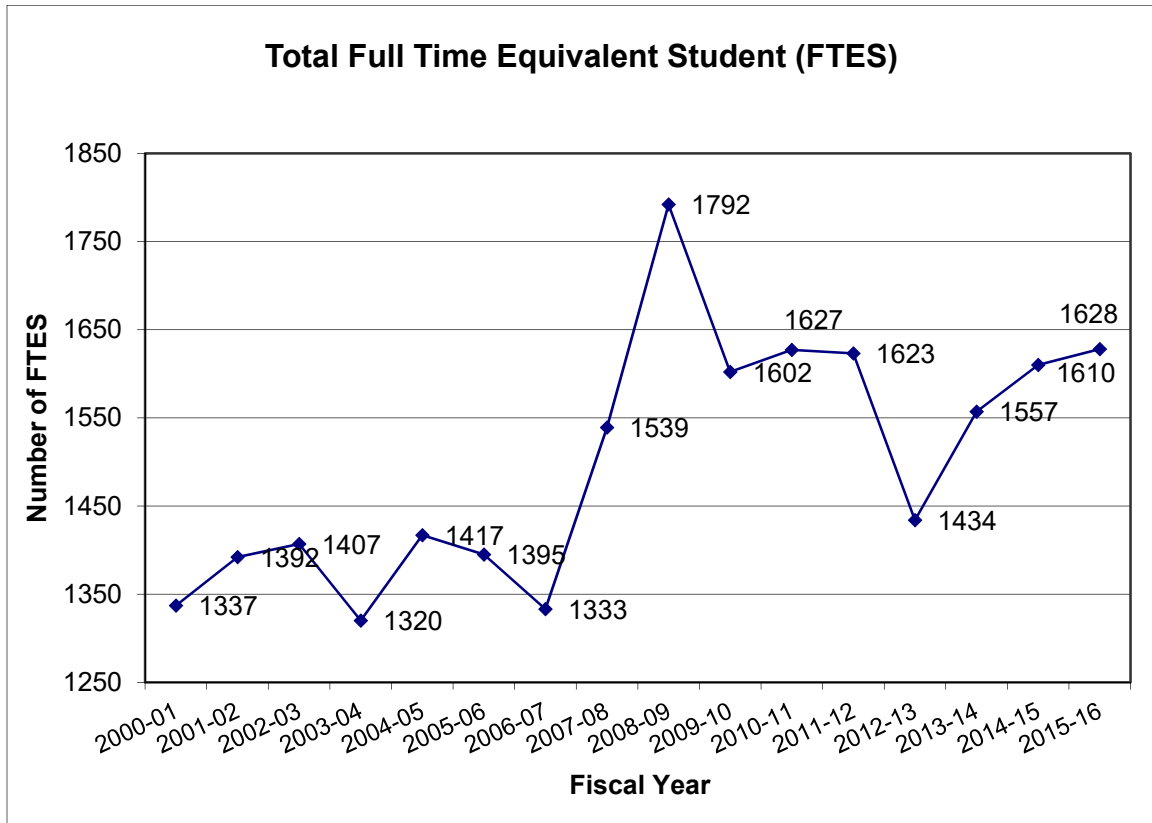
Financial Statements

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

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

Financial and Enrollment Highlights

Full-time Equivalent Students (FTES) increased in the 2015-16 fiscal year. This increase represented 1.11% of the total funded FTES workload base of 1,610.75 FTES. The overall increase in FTES was 18 FTES from the prior year. The restoration in total funds received increased mostly to 25.406 Restored and 70.044 Growth Credit FTES and the elimination of the Career Development & College Preparation (CDCP) FTES which represented 59.16 FTES and a partial reduction of the Noncredit FTES of 18.1.



Revenues are recorded in three categories; operating revenues, non-operating revenues and capital revenues. Operating revenues include tuition and fees, grants and contracts, revenues from auxiliary enterprises and interest. Non-operating revenues are comprised of state apportionment, local property taxes, state taxes, interest income, and other. Capital revenues consist of state apportionments, local property taxes, and grants & gifts. Overall revenues were \$24,263,228 (\$8,907,191 in operating revenues, \$14,264,572 in non-operating revenues, and \$1,091,465 in capital revenues). This was a net increase of approximately \$2,474,604 which was primarily due to the increase in state grants (categorical restricted funding) and the one time mandated cost grant.

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 \$23,847,515. This was \$1,432,306 more than expenses for the prior year. Salaries and Benefits increased by \$1,644,517, due to COLA, step increases, and filling the majority of open positions. The increase was offset by decreases of \$212,211 within Student Aid, Depreciation, Utilities, and Other Operating Expenses and Services.

The District paid down \$447,834 in long-term lease/debt obligations during the 2015-16 fiscal year.

Statement of Net Position

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

- Cash and cash equivalents reflects operating cash on hand. Restricted cash and cash equivalents reflects cash held for restricted purposes by legislation, by contract, or by grantor agency. This includes cash for capital outlay projects, debt repayment, and future post-retirement benefits. Most of the cash and cash equivalents balances are held at the Plumas County Treasurer's office in accordance with Education Code Section 84000. The Plumas County Treasury's average rate of return was approximately .613% for the fiscal year ended June 30, 2016. 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.
- The decrease in the 2015-16 year receivables of \$71,399, in comparison to the prior year was due to a combination of increase to the Allowance for Bad Debt on Student accounts, a catch-up payment from the Foundation on the outstanding note for the Meadows loan, and a net-effect decrease between the Federal, State, and Local receivables.
- Capital assets are those fixed assets for which the acquisition cost exceeds the thresholds set forth in the District's Board Policies regarding depreciable assets. Such assets are then depreciated over their useful lives. The financial statements reflect the cost of capital assets, net of accumulated depreciation.
- Accounts payable consist mainly of amounts owed to suppliers for various operating purchases, to employees for accrued vacation, and to vendors for purchases of capital assets.
- Deferred revenues are amounts received but not yet earned by the District. The deferred revenues were made up of mostly state categorical programs with allowable carryover.
- Long-term debt in total, which includes both current and non-current portions, increased from the prior year. The increase in comparison to prior year was due to an increase of compensated absences payable, the LTD associated with GASB 68, and an addition to the LTD in the form of the Lease on the new Facilities and Maintenance Building. The reporting of the net pension liability under new accounting guidance increased \$1,940,000 at June 30, 2016. In addition, deferred outflows and inflows of \$1,089,303 and \$1,292,000 were recorded as of June 30, 2016 related to pensions.

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

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION (Condensed)
June 30, 2016 and 2015
(Thousands)

| | 2015-2016 | 2014-2015 | Dollar Change | Percent Change |
|---|------------------|------------------|-------------------|-------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash & Cash Equivalents | \$ 8,906 | \$ 5,517 | \$ 3,389 | 61.4% |
| Receivables | 1,079 | 1,081 | (2) | -0.2% |
| Inventories & Other Assets | 180 | 140 | 40 | 28.6% |
| TOTAL CURRENT ASSETS | \$ 10,165 | \$ 6,738 | \$ 3,427 | 50.9% |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash & Cash Equivalents | \$ 476 | \$ 1,278 | \$ (802) | -62.8% |
| Capital Assets, Net | 11,768 | 12,135 | (367) | -3.0% |
| TOTAL NON-CURRENT ASSETS | \$ 12,244 | \$ 13,413 | (1,169) | -8.7% |
| Deferred Outflows of Resources - Pensions | \$ 1,089 | \$ 591 | \$ 498 | 84.3% |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 23,498 | \$ 20,742 | \$ 2,756 | 13.3% |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 1,837 | \$ 1,363 | \$ 474 | 34.8% |
| Deferred Revenue | 2,829 | 1,781 | 1,048 | 58.8% |
| Long-term Debt-Current Portion | 585 | 660 | (75) | -11.4% |
| TOTAL CURRENT LIABILITIES | \$ 5,251 | \$ 3,804 | \$ 1,447 | 38.0% |
| NON-CURRENT LIABILITIES | | | | |
| Long-term Debt - Non-Current Portion | \$ 10,746 | \$ 8,925 | \$ 1,821 | 20.4% |
| TOTAL LIABILITIES | \$ 15,997 | \$ 12,729 | \$ 3,268 | 25.7% |
| Deferred Inflows of Resources - Pensions | \$ 1,292 | \$ 2,327 | \$ (1,035) | -44.5% |
| NET POSITION | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 11,702 | \$ 11,928 | \$ (226) | -1.9% |
| Restricted | 100 | 482 | (382) | -79.3% |
| Unrestricted | (5,593) | (6,724) | 1,131 | -16.8% |
| TOTAL NET POSITION | \$ 6,209 | \$ 5,686 | \$ 523 | 9.2% |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 23,498 | \$ 20,742 | \$ 2,756 | 13.3% |

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

- Unrestricted net position are funds received to support the general mission of the college. At June 30, 2016 the District had a negative (\$5,593,192) in unrestricted net position. The majority of this negative net position balance for the current year are due to the reporting requirements of GASB 68. GASB 68 requires that the District report its proportional share of the unfunded liabilities of the CalSTRS and CalPERS pension fund. This year the balance increased by \$1,130,038 from (\$6,723,230) in 2014-2015. Lower deferred inflows for GASB 68 and a growth in the Unrestricted General Fund Balance were the most significant sources for this change.
- Net investment in capital assets represents the District’s investment in physical facilities, land, and capital improvements, net of related debt. The 2015-16 balance reflected a slight decrease from the prior year balance in the amount of \$225,395.
- Net position set aside for capital projects was \$17,030 which represents a decrease of (\$464,727) as of June 30, 2016. This was due to an accounting adjustment for the Board of Trustees Reserve.

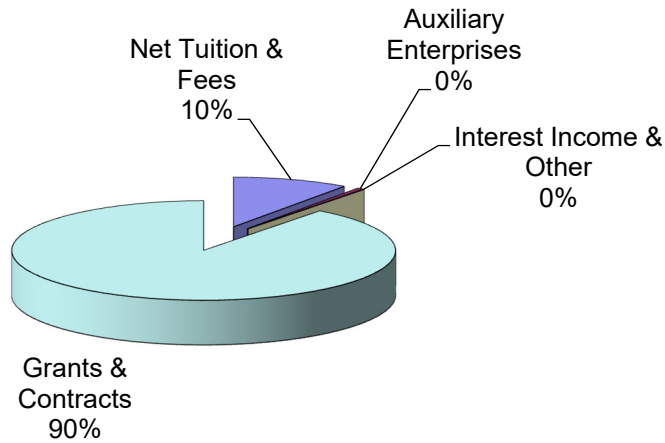
Statement of Revenues, Expenses, and Change in Net Assets

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 statement and charts:

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Years Ended June 30, 2016 and 2015
(Thousands)

| | 2015-2016 | 2014-2015 | Dollar Change | Percent Change |
|---|------------------|-------------------|-------------------|-------------------|
| OPERATING REVENUES | | | | |
| Net Tuition & Fees | \$ 878 | \$ 934 | \$ (56) | -6.0% |
| Grants & Contracts | 7,979 | 6,816 | 1,163 | 17.1% |
| Auxiliary | 50 | 53 | (3) | -5.7% |
| TOTAL OPERATING REVENUES | \$ 8,907 | \$ 7,803 | \$ 1,104 | 14.1% |
| OPERATING EXPENSES | | | | |
| Salaries & Benefits | \$ 12,789 | \$ 11,144 | \$ 1,645 | 14.8% |
| Supplies, Material & Other | 10,280 | 10,590 | (310) | -2.9% |
| Depreciation | 671 | 666 | 5 | 0.8% |
| TOTAL OPERATING EXPENSES | \$ 23,740 | \$ 22,400 | \$ 1,340 | 6.0% |
| NON-OPERATING ACTIVITY | | | | |
| State Revenues | \$ 5,500 | \$ 5,706 | \$ (206) | -3.6% |
| Local Property Taxes | 6,694 | 4,817 | 1,877 | 39.0% |
| State Taxes & Other Revenue | 486 | 401 | 85 | 21.2% |
| Interest Income (Net) | (81) | (15) | (66) | 440.0% |
| Other Non-Operating Revenue | 1,666 | 1,870 | (204) | -10.9% |
| TOTAL NON-OPERATING ACTIVITY | \$ 14,265 | \$ 12,779 | \$ 1,486 | 11.6% |
| CAPITAL REVENUES | | | | |
| Local Property Taxes & Revenues | \$ 1,091 | \$ 1,207 | \$ (116) | -10% |
| TOTAL CAPITAL REVENUES | \$ 1,091 | \$ 1,207 | \$ (116) | -9.6% |
| CHANGE IN NET POSITION | \$ 523 | \$ (611) | \$ 1,134 | -185.6% |
| BEGINNING NET POSITION | \$ 5,686 | \$ 15,340 | \$ (9,654) | -62.9% |
| Prior Year Adjustment - Pensions | \$ - | \$ (9,043) | | |
| ENDING NET POSITION | \$ 6,209 | \$ 5,686 | \$ 523 | 9.2% |

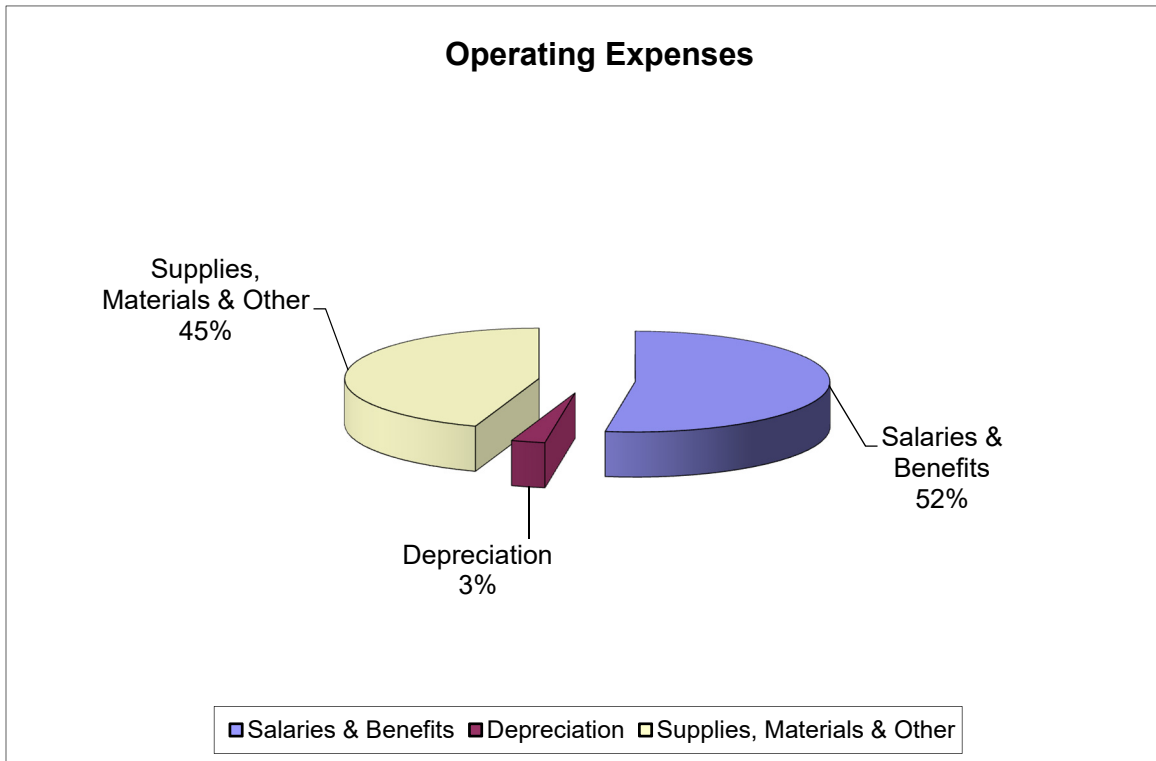
Operating Revenues



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

Operating and Non-Operating Revenues grew in fiscal year 2015-2016 as follows:

- State general apportionments decreased by \$320,969 over the 2014-2015 year. Local property tax apportionment increased significantly by \$1,876,826 in comparison to the prior year and the ERAF tax allocation and Supplemental Taxes made up the bulk of this change. The District was funded to a base workload back of 1,610.75 FTES and Actual FTES of 1,628.94 including 1,606.41 Credit, and 22.53 Noncredit FTES.
- The District's State Apportionment was fully funded as of the Second Principal Apportionment Report with no Deficit Coefficient identified by the Chancellor's Office.
- The District received a cost of living adjustment (COLA) representing 1.02% based on the Total Base Revenue provided by the State. The District did not participate in any growth funding.



Operating expenses increased in 2015-2016 in comparison to prior year as follows:

- Expenses for employee salaries and statutory benefits increased due to employee step and column changes which were impacted by the 1.02% cost of living adjustment (COLA). The comparison of the prior year salaries and benefits reflect an increase due to filling the majority of the unrestricted budgeted positions and increases in most payroll benefits. The increases resulted in additional expense of \$1,644,517, which includes \$644,809 from GASB 68.
- The cost of supplies, materials, and other operating expenses and services decreased by \$309,810. This decrease included a decrease of \$295,914 for Other Operating Expenses, a decrease of \$67,027 in Student Aid and a Utilities increase of \$53,131.
- Depreciation expense decreased from the prior year by \$5,311.

Statement of Cash Flows

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

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

assist with cash flow needs during the fiscal year. For the 2015-16 fiscal year the District had adequate cash on hand so participation in the TRAN was not required.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS (Condensed)
June 30, 2016 and 2015
(Thousands)

| | 2015-2016 | 2014-2015 | Dollar Change | Percent Change |
|--|------------------|------------------|--------------------------|---------------------------|
| CASH (USED IN) PROVIDING BY: | | | | |
| Operating Activities | \$ (12,235) | \$ (13,633) | \$ 1,398 | -10.3% |
| Non-Capital Financing Activities | 14,346 | 13,683 | 663 | 4.8% |
| Capital and Related Financing Activities | 538 | 841 | (303) | -36.0% |
| Investing Activities | 26 | (15) | 41 | -273.3% |
| NET INCREASE IN CASH | \$ 2,675 | \$ 876 | \$ 1,799 | 205.4% |
| CASH - BEGINNING OF THE FISCAL YEAR | \$ 6,267 | \$ 5,391 | \$ 876 | 16.2% |
| CASH - END OF THE FISCAL YEAR | \$ 8,942 | \$ 6,267 | \$ 2,675 | 42.7% |

Capital Assets and Long-Term Debt

In accordance with GAAP, the District recorded \$671,250 in depreciation expense for the fiscal year and reflected a liability for compensated absences (accrued vacation not used at June 30) of \$488,391.

The District Supplemental Employee Retirement Plan (SERP) liability was accrued for \$75,584.

The District's share of the CalSTRS and CalPERS total liability represents \$9,224,000 pension liability, an increase to total assets of \$1,089,303 in Deferred Outflows and an increase of Deferred Inflows of \$1,292,000 in the long term debt being reported. The resulting effect on the Total Net Position of the District is a decrease of \$9,426,697.

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

District's Fiduciary Responsibility

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

GASB 68 now requires public pension plan employers, like Feather River Community College District, to report pension plans, CalSTRS and CalPERS unfunded liabilities as their own liabilities on District's financial statements. These changes in liability can change

materially from one year to the next. GASB 68 is a standard for preparing financial statements, not for funding. The District will be required to account for their share of the liability and not required to fund that liability beyond the rates established. It should be noted that the total liability for pension is shared whereby districts cannot pay off their proportionate share at any point in time. The impact of the GASB 68 requirements is reflected on the Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Position as noted on the above schedules.

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, 2016, the District has recorded \$1,477,244 which represents two separate groups – Peralta and Other. The District is currently paying the pay-as-you-go liability portion on a yearly basis. An updated actuarial study as of March 1, 2015 was completed and received on March 25, 2015. Another actuarial study will be conducted as required in early 2018.

Economic Factors That Will Affect the Future

The State budget (AB 93/SB97) was signed by the Governor June, 24, 2016. This is the fifth consecutive year that the state budget was passed on time. Proposition 30 was passed by the voters in November, 2012, and is now in the third year. Sales tax increase attributable to Prop 30 terminates on December 31, 2016 and the income tax increase terminates on December 31, 2018. It should be noted that the funding from Proposition 30 is only temporary. Community College Districts and the State of California continue to find funding sources for the significant increase for the state retirement system STRS and PERS which is currently projecting an employer contribution of 19.10% and 20.40% respectively by 2020-21. There still seems to be exposure in the area of property tax shortfalls due to statewide forecast of property values. As Proposition 30 funds sunset there will be a significant need to replace that funding source for education and the impact and uncertainty it will have on the ability for students to obtain a quality education.

Uncertainty continues regarding the exact amount of Redevelopment Agency funds that will be available, which might impact the current and future years.

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

The State of California will continue to face budget challenges due to the dependency related to the national and state economic recovery. The uncertainties are not as prominent as prior years but remain a presence as to the ability to fund community colleges. Examples of these uncertainties include annual deficit factors, limited or unfunded growth funding, and small cost of living adjustments (COLA).

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

The State economy continues to show encouraging signs of a stable and sustained recovery which should continue positive overall State budget recoveries. The prioritization of the available funds to restore student access, improve student success, focus on low income and disadvantaged populations, and reducing the wall of debt which constitutes deferrals and mandated costs has been significantly funded in the 2016-16 fiscal year State budget. This trend will hopefully give those citizens the opportunity to acquire, improve, and expand their education pursuits, and contribute to the economic recovery.

Historical Perspective: 2015-2016 Fiscal Year

Revenues for the 2015-2016 fiscal year increased slightly due to the fact that the actual FTES generated was 1,622, which increased from the prior year. The District made the decision to move the census enrollment for summer classes into the 2015-2016 fiscal year. The actual out of state tuition revenue increased from the budgeted revenues that were included in the 2015-16 fiscal year. The District FTES base is fully restored from the decline of prior years.

Operating costs continued to rise due to salary step increases and overall non-discretionary expenditures. The District did receive a cost of living adjustment (COLA) of .85% for approximately \$93,000. These additional funds were used to help pay a portion of the increases to employees' salaries and benefits. There has been a significant impact of not having any State funded COLA's for past years. This has resulted in reduced available funds to offset operational increases. As in the past years, effective District management of expenses during the fiscal year helped to offset some of the increases to non-discretionary expenditures.

Net position, formerly classified as fund balance, are an indicator of the District's financial position. For the past six fiscal years, the District's fund balance for the general fund has been strong with adequate reserves to offset operating expenditures as needed due to any short term emergency. Even during challenging financial times, the District has remained structurally balanced.

Projected 2016-2017 Fiscal Year

The Board of Trustees for Feather River Community College District adopted a balanced final budget for the 2016-17 fiscal year, in September 2016. The current general fund operating budget approved by the Board of Trustees, projects revenues equaling expenses of \$20.7 million. The balanced budget required that \$1,403,511 of Beginning Fund Balance be used to accomplish this position. The District's budgeted revenue was projected based on 1,620 FTES with the difference between the revenue and expenses being supported with the use of Beginning Fund Balance.

Revenues for the 2016-2017 fiscal year will be funded based on the 1,620 FTES base established in the prior years. This represents expected total computational revenue of approximately \$11.4 million for the unrestricted general fund.

The District which began the 2010-11 fiscal period with an agreement with the Feather River Foundation to assume the management of the Fitness Center continues to manage the facility in the 2016-17 fiscal year. The District also manages the Feather River Residence Hall for the Foundation owned facility which requires occupancy guarantees as well as repairs and support staffing. The 2015-16 fiscal year offered challenges regarding the availability for student housing. The anticipated shortage of student housing prompted the District and Foundation to purchase an apartment complex, Meadow Apartments, which required significant repairs. The District began managing the Meadow Apartments in the 2015-16 fiscal year. The District and Foundation is currently in the process of purchasing The Pines which is a vacated former assisted living complex. This will provide more housing opportunities for the students attending Feather River College.

The State of California maintained most categorical funding with only selected moderate increases from the prior year. The District's apportionment revenue per FTES did receive a cost of living adjustment (COLA) of 1.02% for the 2015-2016 fiscal year, after prior years of no COLA to very little COLA which have not kept pace with non-discretionary cost increases. The 2016-17 fiscal year budget did not include COLA.

Student enrollment fees are currently at \$46 per credit unit. There are no student enrollment fee increases in the current year.

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

State funding in the 2015-16 fiscal year has been extremely well funded for community colleges. The District is receiving additional revenues for a base funding increase which is shared with all Districts in the State as well as a small college ongoing base increase of slightly over \$500,000. The State has eliminated system deferrals, and are funding prior years mandated cost liabilities to all Districts. The State has restored all the categorical programs to the pre-recession level with most programs receiving increases in funding.

Feather River Community College applied and received one of fifteen baccalaureate pilot programs offered by the Board of Governors for Community Colleges in the State of California. Feather River College will offer a four-year degree in Equine Ranch Management with a scheduled start-up date for Fall 2016.

There are ongoing legal requirements for sick leave and medical benefits that will impact the District beginning the fiscal year 2016-17. Sick leave of twenty-four hours is provided for all eligible employees, which would typically be for employees designated as short-term, substitutes, and student employees, after a designated period of employment. Medical benefits are required to be offered employees that are designated as short-term, substitutes and Associate Faculty, depending on a measurement period of one fiscal year. If the average number of hours worked during that measurement period is in excess of a set number of hours per month, an offer of benefits is provided to those eligible employees. The District would then contribute a set upon amount in behalf of the eligible employee.

Beyond Fiscal Year 2016-2017

With the economy showing signs of sustainability for the past three years, the State budget for the current fiscal year 2016-17, is balanced and for the fifth year in a row. The State budget remains in surplus and projections for the next several years are very positive. Not all the problems are behind us because cautiously the possibility of a derailment of the current delicate economy could certainly happen. Forces that are out of our control like international events, government shutdowns, interest rates, federal and state debt, and unrealistic revenue projections are but a few things that could severely impact the economic recovery. Any potential slowdown in the economy in turn lowers the revenue forecast assumed in the current year budget as well as the subsequent year budgets. Overall the budget challenges are significantly fewer and the funding is definitely more stable than what has been experienced the last five years. The State of California has set aside surplus revenues to be used as needed in future years when the economy has another down turn.

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

Budget assumptions going through the 2017 year would indicate potentially small increases as well as the elimination of all deferrals from the State of California that took place prior to the 2015-16 fiscal year. The impact on the District's reserve and the required expenditures to meet the Strategic Plan and the District's mission and goals in providing necessary instructional and student support services, will require constant attention and prioritization.

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

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

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

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

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

ASSETS

Current assets:

| | |
|---|-------------------|
| Cash and cash equivalents | \$ 8,905,965 |
| Receivables, net | 1,036,045 |
| Notes receivable from Foundation, current | 42,759 |
| Stores inventories | 96,537 |
| Prepaid expenses | <u>83,161</u> |
| Total current assets | <u>10,164,467</u> |

Noncurrent assets:

| | |
|--|-------------------|
| Restricted cash and cash equivalents | 35,934 |
| Notes receivable from Foundation, noncurrent | 439,815 |
| Non-depreciable capital assets | 277,099 |
| Depreciable capital assets, net | <u>11,491,187</u> |
| Total noncurrent assets | <u>12,244,035</u> |

| | |
|--------------|-------------------|
| Total assets | <u>22,408,502</u> |
|--------------|-------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|----------------------|
| Deferred outflows of resources - pensions | <u>1,089,303</u> |
| Total assets and deferred outflows of resources | <u>\$ 23,497,805</u> |

LIABILITIES

Current liabilities:

| | |
|--|------------------|
| Accounts payable | \$ 1,836,627 |
| Unearned revenue | 2,828,674 |
| Compensated absences payable - current portion | 169,245 |
| Long-term debt - current portion | <u>96,711</u> |
| Total current liabilities | <u>4,931,257</u> |

Noncurrent liabilities:

| | |
|-------------------------------------|-------------------|
| Long-term debt - noncurrent portion | <u>11,065,214</u> |
| Total liabilities | <u>15,996,471</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|------------------|
| Deferred inflows of resources - pensions | <u>1,292,000</u> |
|--|------------------|

NET POSITION

| | |
|--|----------------------|
| Net investment in capital assets | 11,702,335 |
| Restricted for: | |
| Expendable: | |
| Legally restricted programs | 83,161 |
| Capital projects | 17,030 |
| Unrestricted | <u>(5,593,192)</u> |
| Total net position | <u>6,209,334</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 23,497,805</u> |

See accompanying notes to the basic financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
DISCRETELY PRESENTED COMPONENT UNIT -
FEATHER RIVER COMMUNITY COLLEGE FOUNDATION, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

Current assets:

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 466,179 |
| Investments, current | 1,061,773 |
| Receivables | <u>83,581</u> |

Total current assets 1,611,533

| | |
|---------------------------------|-----------|
| Investments, noncurrent | 48,792 |
| Non-depreciable capital assets | 623,298 |
| Depreciable capital assets, net | 3,031,874 |

Other assets:

| | |
|---|---------------|
| Deposits | 1,900 |
| Horses, net of accumulated depreciation of \$189,397 | 65,263 |
| Bond issuance costs, net of accumulated amortization of \$180,908 | <u>83,498</u> |

Total assets \$ 5,466,158

LIABILITIES

Current liabilities:

| | |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | \$ 53,221 |
| Tenant deposits payable | 6,437 |
| Current portion of long-term debt | <u>227,759</u> |

Total current liabilities 287,417

Noncurrent liabilities:

| | |
|--------------------------------------|------------------|
| Long-term debt, less current portion | <u>2,109,815</u> |
|--------------------------------------|------------------|

Total liabilities 2,397,232

NET ASSETS

| | |
|------------------------|---------------|
| Unrestricted 2,719,270 | |
| Temporarily restricted | 299,069 |
| Permanently restricted | <u>50,587</u> |

Total net assets 3,068,926

Total liabilities and net assets \$ 5,466,158

See accompanying notes to the basic financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the Year Ended June 30, 2016

| | |
|---|----------------------------|
| Operating revenues: | |
| Tuition and fees | \$ 1,869,517 |
| Less: scholarship discounts and allowances | <u>(991,277)</u> |
| Net tuition and fees | <u>878,240</u> |
| Grants and contracts, non-capital: | |
| Federal | 3,110,791 |
| State | 4,688,491 |
| Local | 179,917 |
| Auxiliary enterprise sales and charges | <u>49,752</u> |
| Total operating revenues | <u>8,907,191</u> |
| Operating expenses: | |
| Salaries | 8,900,365 |
| Employee benefits | 3,888,728 |
| Supplies, materials, and other operating expenses and services | 5,802,499 |
| Utilities | 439,642 |
| Depreciation | 671,250 |
| Student financial aid and scholarships | <u>4,037,666</u> |
| Total operating expenses | <u>23,740,150</u> |
| Loss from operations | <u>(14,832,959)</u> |
| Non-operating revenues (expenses): | |
| State apportionment, non-capital | 5,500,198 |
| Local property taxes | 6,694,029 |
| State taxes and other revenues | 486,127 |
| Interest expense on capital asset related debt | (107,365) |
| Interest income | 25,644 |
| Pell grants | <u>1,665,938</u> |
| Total non-operating revenues | <u>14,264,571</u> |
| Loss before capital revenues | (568,388) |
| Capital revenues: | |
| Local property taxes and revenues | <u>1,091,465</u> |
| Change in net position | 523,077 |
| Net position, July 1, 2015 | <u>5,686,257</u> |
| Net position, June 30, 2016 | <u><u>\$ 6,209,334</u></u> |

See accompanying notes to the basic 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, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-------------------------|-----------------------------------|-----------------------------------|-------------------------|
| Revenues, gains and other support: | | | | |
| Contributions | \$ - | \$ 117,604 | \$ - | \$ 117,604 |
| Registration fees | 14,150 | - | - | 14,150 |
| Contributions by Feather River College | 54,000 | - | - | 54,000 |
| Rental income | 694,844 | - | - | 694,844 |
| Investment income | 6,927 | 466 | - | 7,393 |
| Other operating income | 25,355 | 81,353 | - | 106,708 |
| Gain on sale of horses / livestock | 24,341 | 148,624 | - | 172,965 |
| Fish sales, net | - | 850 | - | 850 |
| Fundraising income, net | - | 58,285 | - | 58,285 |
| Other income | 32,000 | - | - | 32,000 |
| Change for underwater endowments | (2,875) | 2,875 | - | - |
| Net assets released from restrictions | <u>231,170</u> | <u>(231,170)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | <u>1,079,912</u> | <u>178,887</u> | <u>-</u> | <u>1,258,799</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Fitness center operations | 22,250 | - | - | 22,250 |
| College housing operations | 584,555 | - | - | 584,555 |
| Purchases on behalf of Feather River College | 99,400 | - | - | 99,400 |
| Scholarships granted | 46,169 | - | - | 46,169 |
| Supporting services: | | | | |
| Management and general | <u>184,989</u> | <u>-</u> | <u>-</u> | <u>184,989</u> |
| Total expenses | <u>937,363</u> | <u>-</u> | <u>-</u> | <u>937,363</u> |
| Change in net assets | 142,549 | 178,887 | - | 321,436 |
| Net assets, July 1, 2015 | <u>2,576,721</u> | <u>120,182</u> | <u>50,587</u> | <u>2,747,490</u> |
| Net assets, June 30, 2016 | <u>\$ 2,719,270</u> | <u>\$ 299,069</u> | <u>\$ 50,587</u> | <u>\$ 3,068,926</u> |

See accompanying notes to the basic financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Tuition and fees | \$ 934,415 |
| Federal grants and contracts | 3,141,179 |
| State grants and contracts | 4,652,880 |
| Local grants and contracts | 1,047,962 |
| Payments to suppliers | (5,248,088) |
| Payment for utilities | (439,642) |
| Payments to employees | (12,341,114) |
| Payments to students | (4,037,666) |
| Auxiliary enterprises sales and charges | <u>54,611</u> |
| Net cash used in operating activities | <u>(12,235,463)</u> |
| Cash flows from noncapital financing activities: | |
| State appropriations | 5,500,198 |
| Local property taxes | 6,694,029 |
| State taxes and other revenues | 486,127 |
| Pell grants | <u>1,665,938</u> |
| Net cash provided by noncapital financing activities | <u>14,346,292</u> |
| Cash flows from capital and related financing activities: | |
| Local revenue for capital purposes | 1,091,465 |
| Purchase of capital assets | (303,983) |
| Principal paid on capital debt | (141,870) |
| Interest Expense | <u>(107,365)</u> |
| Net cash provided by capital and related financing activities | <u>538,247</u> |
| Cash flows from investing activities: | |
| Investment income | <u>25,644</u> |
| Net cash provided by investing activities | <u>25,644</u> |
| Change in cash and cash equivalents | 2,674,720 |
| Cash balance, beginning of year | <u>6,267,179</u> |
| Cash balance, end of year | <u><u>\$ 8,941,899</u></u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Reconciliation of loss from operations to net cash used in operating activities:

| | |
|---|------------------------|
| Loss from operations | \$ (14,832,959) |
| Adjustments to reconcile loss from operations to net cash used in operating activities: | |
| Depreciation expense | 671,250 |
| Changes in assets and liabilities: | |
| Receivables, net | 71,400 |
| Inventory and prepaids | (39,681) |
| Deferred outflows of resources - pensions | (498,091) |
| Accounts payable | 594,091 |
| Due to fiduciary fund | (296,677) |
| Unearned revenue | 1,047,301 |
| Compensated absences | 45,737 |
| SERP liability | 75,584 |
| Other postemployment benefits | 21,832 |
| Net pension liability | 1,940,000 |
| Deferred inflows of resources - pensions | <u>(1,035,250)</u> |
| Net cash used in operating activities | <u>\$ (12,235,463)</u> |

See accompanying notes to the basic 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, 2016

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 321,436 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 182,920 |
| Amortization | 13,916 |
| Donated horses included in contributions | (13,000) |
| Gain on sale of horses / equipment | (172,965) |
| Increase in accounts receivable | (38,578) |
| Increase tenant deposit payable | 6,437 |
| Decrease in accounts payable and accrued expenses | <u>(185,206)</u> |
| Net cash provided by operating activities | <u>114,960</u> |
| Cash flows from investing activities: | |
| Purchase of fixed assets | (93,163) |
| Purchase of investments | (15,820) |
| Proceeds from the sale of investments | 2,143 |
| Purchase of horses | (6,500) |
| Proceeds from sale of horses | <u>179,673</u> |
| Net cash provided by investing activities | <u>66,333</u> |
| Cash flows from financing activities: | |
| Payments on long-term debt | <u>(241,057)</u> |
| Net cash used in financing activities | <u>(241,057)</u> |
| Change in cash and cash equivalents | (59,764) |
| Cash and cash equivalents - beginning of year | <u>525,943</u> |
| Cash and cash equivalents - end of year | <u>\$ 466,179</u> |
| Supplemental disclosure of cash flow information: | |
| Interest paid | \$ 107,823 |

See accompanying notes to the basic financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

| | Agency Fund | Trust Fund |
|-------------------------------------|--------------------------------|----------------------------|
| | Associated Students Fund | Retiree Benefit Fund |
| ASSETS | | |
| Cash and cash equivalents | \$ 1,058 | \$ 1,554,154 |
| Accounts receivable | - | 630 |
| Amounts due from District | - | 420,151 |
| | 1,058 | 1,974,935 |
| Total assets | \$ 1,058 | \$ 1,974,935 |
| LIABILITIES AND NET POSITION | | |
| Accounts payable | \$ - | \$ 1,312 |
| Amounts held for others | 1,058 | - |
| | 1,058 | 1,312 |
| Total liabilities | \$ 1,058 | 1,312 |
| Net position held in trust | | 1,973,623 |
| Total liabilities and net position | | \$ 1,974,935 |

See accompanying notes to the basic financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

| | Retiree Benefits Fund |
|-------------------------------------|-----------------------------|
| Additions: | |
| Employer contributions | \$ 476,530 |
| Interest income | <u>5,461</u> |
| Total additions | <u>481,991</u> |
| Deductions: | |
| Benefits | <u>229,148</u> |
| Excess of additions over deductions | 252,843 |
| Net position held in trust: | |
| Net position, July 1, 2015 | <u>1,720,780</u> |
| Net position, June 30, 2016 | <u><u>\$ 1,973,623</u></u> |

See accompanying notes to the basic financial statements.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fair Value of Investments: The District records its investment in funds held by Plumas County Treasury at fair value. Changes in fair value are reported as revenue in the Statement of Revenues, Expenses and Change in Net Position. The fair value of investments, including the Plumas County Treasury external investment pool, at June 30, 2016 approximated their carrying value.

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

Receivables: Receivables consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of California. Receivables also include amounts due from the Federal Government, State and Local Governments, or private sources, in connection with reimbursements of allowable expenditures made pursuant to the District's grants and contracts. The District provides an allowance for doubtful accounts as an estimation of amounts that may not be received. The allowance is based on management's estimates and historical analysis.

Foundation receivables are amounts due from students for housing in the residence halls. An allowance for doubtful accounts is established for accounts that management believes are uncollectible. At June 30, 2016, no allowance for doubtful accounts was deemed necessary.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the acquisition 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. The Foundation's policy is to capitalize property and equipment greater than \$500. 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.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the statement of net position. Amortization for the year ended June 30, 2016 totaled \$390,888.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position. Amortization for the year ended June 30, 2016 totaled \$92,000.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

| | <u>CalSTRS</u> | <u>CalPERS</u> | <u>Total</u> |
|--------------------------------|---------------------|---------------------|---------------------|
| Deferred outflows of resources | <u>\$ 350,065</u> | <u>\$ 739,238</u> | <u>\$ 1,089,303</u> |
| Deferred inflows of resources | <u>\$ 526,000</u> | <u>\$ 766,000</u> | <u>\$ 1,292,000</u> |
| Net pension liability | <u>\$ 4,416,000</u> | <u>\$ 4,808,000</u> | <u>\$ 9,224,000</u> |
| Pension expense | <u>\$ 560,471</u> | <u>\$ 898,641</u> | <u>\$ 1,459,112</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Compensated absences are recorded as a liability of the District when earned by employees. This liability is for earned but unused benefits.

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

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

Net Position: The District's net position are classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component net investment in capital assets.

Restricted net position: Restricted expendable net position include resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2016, there is no balance of nonexpendable restricted net position.

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

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

Net Assets: The Foundation's net assets are classified as follows:

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

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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

Operating revenues and expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital asset related debt.

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

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Scholarship Discounts and Allowances: Student tuition and fee revenue are reported net of the Board of Governors fee waiver and allowances in the Statement of Revenues, Expenses and Change in Net Position. Scholarship discounts and allowances represent the difference between stated charges for goods and services provided by the District and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state and nongovernmental programs, are recorded as revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

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

Tax Status of the Foundation: The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation does not expect the total amount of unrecognized total benefits to significantly change in the next 12 months. Interest and penalties on tax assessments are classified as an expense when incurred. For the year ended June 30, 2016, 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.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at June 30, 2016, consisted of the following:

| | <u>District</u> | <u>Foundation</u> | <u>Agency Funds</u> | <u>Trust Fund</u> |
|---------------------------------|---------------------|---------------------|-------------------------|-----------------------|
| Pooled Funds: | | | | |
| Cash in County Treasury | \$ 8,823,061 | \$ - | \$ - | \$ 1,554,154 |
| Deposits: | | | | |
| Cash on hand and in banks | <u>118,838</u> | <u>466,179</u> | <u>1,058</u> | <u>-</u> |
| Total cash and cash equivalents | <u>8,941,899</u> | <u>466,179</u> | <u>1,058</u> | <u>1,554,154</u> |
| Less: restricted cash | <u>35,934</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net cash and cash equivalents | <u>\$ 8,905,965</u> | <u>\$ 466,179</u> | <u>\$ 1,058</u> | <u>\$ 1,554,154</u> |
| Investments | <u>\$ -</u> | <u>\$ 1,110,565</u> | <u>\$ -</u> | <u>\$ -</u> |

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District and fiduciary accounts in banks was \$119,896 and the bank balance totaled \$118,766, of which all was FDIC insured.

The Foundation limits custodial credit risk by ensuring uninsured balances are collateralized by respective financial institution. Cash balances held in banks are insured up to \$250,000 by the FDIC and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the Foundation's cash on hand and in banks was \$466,179 and the bank balance was \$503,423, of which \$344,575 was FDIC insured and \$158,848 remained uninsured.

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Plumas County Treasurer's Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2016.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk: 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, 2016, 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, 2016, the District had no concentrations of credit risk.

Foundation Investments: Investments are stated at fair value as of June 30, 2016 and consist of revenue bond proceeds invested in the following mutual fund, community foundation, and guaranteed investment contract:

| | |
|---|---------------------|
| US Bank Mutual Funds, short-term | \$ 1,061,773 |
| Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher), long-term | <u>48,792</u> |
| | <u>\$ 1,110,565</u> |

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC. At June 30, 2016, the Foundation investment in pool consisted of 4% cash and short term investments, and 96% equity securities.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2016, 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: | | | | |
| FCCC/Osher | \$ 48,792 | \$ - | \$ - | \$ 48,792 |
| Mutual fund | <u>1,061,773</u> | <u>1,061,773</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,110,565</u> | <u>\$ 1,061,773</u> | <u>\$ -</u> | <u>\$ 48,792</u> |

There were no significant transfers between the fair value levels during the year ending June 30, 2016.

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

FCCC/Osher - The fair value of the investments held by FCCC were based upon the net asset values ("NAVs") of the assets at June 30, 2016. The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

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

There were no changes in the valuation techniques used during the year ended June 30, 2016.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The following table presents changes in Level 3 instruments measured on a recurring basis for the year ended June 30, 2016. Net gains/losses are recorded in the statement of activities.

| | Guaranteed Investment Contract | FCCC/ Osher |
|------------------------|--------------------------------------|------------------|
| Balance, July 1, 2015 | \$ 321,027 | \$ 52,730 |
| Distributions | (321,027) | (2,667) |
| Management fees | - | (166) |
| Realized gain | - | 308 |
| Investment income | - | 999 |
| Change in fair value | <u>-</u> | <u>(2,412)</u> |
| Balance, June 30, 2016 | <u>\$ -</u> | <u>\$ 48,792</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, 2016

\$ (2,412)

The Foundation had no non recurring assets and no liabilities at June 30, 2016, which were required to be disclosed using the fair value hierarchy.

NOTE 3 - RECEIVABLES

| | |
|-----------------------------------|---------------------|
| Receivables: | |
| Federal | \$ 145,550 |
| State | 614,009 |
| Local and other, net of allowance | <u>276,486</u> |
| | <u>\$ 1,036,045</u> |

The allowance for doubtful accounts of \$288,314 is maintained at an amount that management considers sufficient to fully reserve and provide for possible uncollectibility of student fees receivable.

At June 30, 2016, the Foundation had \$83,581 in receivables due from local sources.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 4 - NOTE RECEIVABLE FROM FOUNDATION

The District entered into a unsecured loan agreement up to the amount of \$350,000 with the Foundation for the purpose of financing repairs for the Feather River College Residence Halls, dated May 27, 2010. Effective December 15, 2010, the loan agreement was modified reducing the maximum loan agreement to the amount of \$300,000. The note accrues interest, tied to the Plumas County Pooled Money Investment Account combined rate of return on county funds, with interest only payments for the first five years. As of June 30, 2016, 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, 2016, the Foundation had drawn down \$220,649.

The District entered into a loan agreement up to the amount of \$365,000 with the Foundation for the purpose of purchasing the Meadows Apartment Complex, dated September 11, 2014. The note is non-interest bearing. Principal payments will be made twice annually for no more than 15 years, with the final installment due before June 30, 2027. As of June 30, 2016, the Foundation had drawn down \$306,347, with an outstanding balance of \$261,925.

NOTE 5 - CAPITAL ASSETS

District capital asset activity consists of the following:

| | Balance July 1, <u>2015</u> | Additions and <u>Transfers</u> | Deletions and <u>Transfers</u> | Balance June 30, <u>2016</u> |
|--------------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 277,099 | \$ - | \$ - | \$ 277,099 |
| Depreciable: | | | | |
| Land improvements | 476,563 | - | - | 476,563 |
| Buildings & building improvements | 17,335,454 | 77,098 | - | 17,412,552 |
| Equipment | <u>4,359,748</u> | <u>226,885</u> | - | <u>4,586,633</u> |
| Total | <u>22,448,864</u> | <u>303,983</u> | - | <u>22,752,847</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | (401,196) | (9,299) | - | (410,495) |
| Buildings | (6,393,153) | (450,339) | - | (6,843,492) |
| Equipment | <u>(3,518,962)</u> | <u>(211,612)</u> | - | <u>(3,730,574)</u> |
| Total | <u>(10,313,311)</u> | <u>(671,250)</u> | - | <u>(10,984,561)</u> |
| Capital assets, net | <u>\$ 12,135,553</u> | <u>\$ (367,267)</u> | <u>\$ -</u> | <u>\$ 11,768,286</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS (Continued)

Foundation capital asset activity consists of the following:

| | Balance July 1, <u>2015</u> | <u>Additions</u> | <u>Deletions</u> | Balance June 30, <u>2016</u> |
|--------------------------------|-----------------------------------|--------------------|------------------|------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 412,884 | \$ - | \$ - | \$ 412,884 |
| Construction in progress | 149,916 | 60,498 | - | 210,414 |
| Depreciable: | | | | |
| Buildings and improvements | 4,589,109 | - | - | 4,589,109 |
| Machinery and equipment | 224,394 | 20,038 | - | 244,432 |
| Furniture and fixtures | <u>142,008</u> | <u>12,627</u> | <u>-</u> | <u>154,635</u> |
| Total | <u>5,518,311</u> | <u>93,163</u> | <u>-</u> | <u>5,611,474</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (1,446,752) | (142,573) | - | (1,589,325) |
| Machinery and equipment | (207,590) | (3,369) | - | (210,959) |
| Furniture and fixtures | <u>(142,008)</u> | <u>(14,010)</u> | <u>-</u> | <u>(156,018)</u> |
| Total | <u>(1,796,350)</u> | <u>(159,952)</u> | <u>-</u> | <u>(1,956,302)</u> |
| Capital assets, net | <u>\$ 3,721,961</u> | <u>\$ (66,789)</u> | <u>\$ -</u> | <u>\$ 3,655,172</u> |

NOTE 6 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

| | |
|---|---------------------|
| Unearned Federal and State revenue | \$ 1,138,980 |
| Unearned local revenue | 1,134,260 |
| Unearned tuition and other student fees | <u>555,434</u> |
| Total unearned revenue | <u>\$ 2,828,674</u> |

NOTE 7 - LONG-TERM LIABILITIES

SERP Liability: During the year ended June 30, 2012, the District provided the option of a Supplemental Employee Retirement Plan ("SERP") to the District employees. As of June 30, 2016, there were 11 employees under the SERP. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 7 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the SERP liability outstanding as of June 30, 2016 are as follows:

| | |
|--------------------------------|------------------|
| Year Ending <u>June 30,</u> | |
| 2017 | \$ <u>75,584</u> |
| | \$ <u>75,584</u> |

Capitalized Lease Obligations: The District leases certain equipment and software with a gross book value of \$175,145, with accumulated amortization of \$144,430, for a net book value of \$30,715, under long-term lease purchase agreements. The following is a schedule of future minimum lease payments for capitalized lease obligations as of June 30, 2016:

| | |
|-----------------------------------|---------------------------|
| Year Ending <u>June 30,</u> | <u>Lease Payments</u> |
| 2017 | \$ 23,765 |
| 2018 | 23,765 |
| 2019 | <u>23,765</u> |
| Total payments | 71,295 |
| Less amount representing interest | <u>(5,344)</u> |
| Net minimum lease payments | <u>\$ 65,951</u> |

District Changes in Long-Term Debt: A schedule of changes in the District's long-term debt for the year ended June 30, 2016 is as follows:

| | <u>Balance July 1, 2015</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2016</u> | <u>Amounts Due Within One Year</u> |
|----------------------------------|---------------------------------|---------------------|-------------------|--------------------------------------|--|
| SERP Liability | \$ 151,168 | \$ - | \$ 75,584 | \$ 75,584 | \$ 75,584 |
| Capitalized lease obligations | 207,821 | - | 141,870 | 65,951 | 21,127 |
| Compensated absences | 442,654 | 189,882 | 144,145 | 488,391 | 169,245 |
| Net pension liability | 7,284,000 | 1,940,000 | - | 9,224,000 | - |
| Other postemployment benefits | <u>1,499,076</u> | <u>208,548</u> | <u>230,380</u> | <u>1,477,244</u> | <u>-</u> |
| | <u>\$ 9,584,719</u> | <u>\$ 2,338,430</u> | <u>\$ 591,979</u> | <u>\$ 11,331,170</u> | <u>\$ 265,956</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 7 - 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 July 1, 2022. Future payments are scheduled as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|----------------------------|
| 2017 | \$ 185,000 |
| 2018 | 195,000 |
| 2019 | 210,000 |
| 2020 | 220,000 |
| 2021 | 230,000 |
| 2022-2023 | <u>815,000</u> |
| | <u><u>\$ 1,855,000</u></u> |

Foundation Residence Hall Loan: The Foundation entered into a loan agreement up to the amount of \$350,000 with the District for the purpose of financing the repairs for the Feather River College Residency 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 by formula 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, due August 1. As of June 30, 2016, the nominal interest rate was at 2%. Principal and interest payments will be made for the remaining 14 years, with the final installment due August 1, 2030. As of June 30, 2016 and 2015, the Foundation had drawn down \$220,649. Future principal payments at June 30, 2016 are scheduled as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|--------------------------|
| 2017 | \$ 12,759 |
| 2018 | 13,014 |
| 2019 | 13,275 |
| 2020 | 13,540 |
| 2021 | 13,811 |
| 2022-2026 | 73,310 |
| 2027-2031 | <u>80,940</u> |
| | <u><u>\$ 220,649</u></u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Foundation Meadows Apartment Loan: The Foundation entered into a loan agreement up to the amount of \$365,000 with the District for the purpose of purchasing the Meadows Apartment Complex, dated September 11, 2014. The note is non-interest bearing, with imputed interest of three percent. Principal payments will be made twice annually for no more than 15 years, with the final installment due before June 30, 2027. As of June 30, 2016, the Foundation had drawn down \$306,347.

| Year Ending June 30, | |
|------------------------------------|-------------------|
| 2017 | \$ 30,000 |
| 2018 | 30,000 |
| 2019 | 30,000 |
| 2020 | 30,000 |
| 2021 | 30,000 |
| 2022-2026 | 150,000 |
| 2027 | <u>6,347</u> |
| | 306,347 |
| Less amounts representing interest | <u>(44,422)</u> |
| | <u>\$ 261,925</u> |

Foundation Changes in Long-Term Debt: A schedule of changes in the Foundation's long-term debt for the year ended June 30, 2016 is as follows:

| | Balance July 1, 2015 | Additions | Deductions | Balance June 30, 2016 | Amounts Due Within One Year |
|--|----------------------------|-------------|-------------------|-----------------------------|-----------------------------------|
| Student housing bonds | \$ 2,030,000 | \$ - | \$ 175,000 | \$ 1,855,000 | \$ 185,000 |
| Feather River Fitness and Recreation mortgage | 33,894 | - | 33,894 | - | - |
| Loans from District: | | | | | |
| Residence hall | 220,649 | - | - | 220,649 | 12,759 |
| Meadows apartments, net | <u>294,088</u> | <u>-</u> | <u>32,163</u> | <u>261,925</u> | <u>30,000</u> |
| | <u>\$ 2,578,631</u> | <u>\$ -</u> | <u>\$ 241,057</u> | <u>\$ 2,337,574</u> | <u>\$ 227,759</u> |

The Foundation is subject to certain covenants in accordance with its long-term liability agreements. As of June 30, 2016, management believes the Foundation was in compliance with these covenants.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - PROPERTY TAXES

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

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members – Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 10.73 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>Increase</u> | <u>Total</u> |
|-----------------------|-------------------|--|--------------|
| July 01, 2015 | 8.25% | 2.48% | 10.73% |
| July 01, 2016 | 8.25% | 4.33% | 12.58% |
| July 01, 2017 | 8.25% | 6.18% | 14.43% |
| July 01, 2018 | 8.25% | 8.03% | 16.28% |
| July 01, 2019 | 8.25% | 9.88% | 18.13% |
| July 01, 2020 | 8.25% | 10.85% | 19.10% |
| July 01, 2046 | 8.25% | Increase from prior rate ceases in 2046-47 | |

The District contributed \$350,065 to the plan for the fiscal year ended June 30, 2016.

State – 7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-47.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

| <u>Effective Date</u> | <u>Base Rate</u> | <u>AB 1469 Increase For 1990 Benefit Structure</u> | <u>SBMA Funding</u> | <u>Total State Appropriation to DB Program</u> |
|--------------------------------|------------------|--|---------------------|--|
| July 01, 2015 | 2.017% | 2.874% | 2.50% | 7.391% |
| July 01, 2016 | 2.017% | 4.311% | 2.50% | 8.828% |
| July 01, 2017 to June 30, 2046 | 2.017% | 4.311%* | 2.50% | 8.828%* |
| July 01, 2046 and thereafter | 2.017% | * | 2.50% | 4.517%* |

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---------------------|
| District's proportionate share of the net pension liability | \$ 4,416,000 |
| State's proportionate share of the net pension liability associated with the District | <u>2,335,000</u> |
| Total | <u>\$ 6,751,000</u> |

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2015, the District's proportion was 0.007 percent, which was an increase of zero from its proportion measured as of June 30, 2014.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$560,471 and revenue of \$238,150 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 74,000 |
| Changes of assumptions | - | - |
| Net differences between projected and actual earnings on investments | - | 360,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 92,000 |
| Contributions made subsequent to measurement date | <u>350,065</u> | <u>-</u> |
| Total | <u>\$ 350,065</u> | <u>\$ 526,000</u> |

\$350,065 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|------|----|-----------|
| 2017 | \$ | (176,333) |
| 2018 | \$ | (176,333) |
| 2019 | \$ | (176,333) |
| 2020 | \$ | 59,667 |
| 2021 | \$ | (27,333) |
| 2022 | \$ | (29,335) |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2015. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2014 |
| Experience Study | July 1, 2006, through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.60% |
| Consumer Price Inflation | 3.00% |
| Wage Growth | 3.75% |
| Post-retirement Benefit Increases | 2.00% simple for DB Not applicable for DBS/CBB |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

| <u>Asset Class</u> | <u>Assumed Asset Allocation</u> | <u>Long-Term* Expected Real Rate of Return</u> |
|---------------------|---------------------------------|--|
| Global Equity | 47% | 4.50% |
| Private Equity | 12% | 6.20% |
| Real Estate | 15% | 4.35% |
| Inflation Sensitive | 5% | 3.20% |
| Fixed Income | 20% | 0.20% |
| Cash / Liquidity | 1% | 0.00% |

* 10-year geometric average

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 9 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

| | 1% Decrease (6.60%) | Current Discount Rate (7.60%) | 1% Increase (8.60%) |
|--|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net pension liability | <u>\$ 6,667,000</u> | <u>\$ 4,416,000</u> | <u>\$ 2,544,000</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

Members – The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

Employers – The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$464,238 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$4,808,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2015, the District’s proportion was 0.033 percent, which was an decrease of 0.001 percent from its proportion measured as of June 30, 2014.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$898,641. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 275,000 | \$ - |
| Changes of assumptions | - | 295,000 |
| Net differences between projected and actual earnings on investments | - | 165,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 306,000 |
| Contributions made subsequent to measurement date | <u>464,238</u> | <u>-</u> |
| Total | <u>\$ 739,238</u> | <u>\$ 766,000</u> |

\$464,238 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------|--------------|
| 2017 | \$ (124,416) |
| 2018 | \$ (124,416) |
| 2019 | \$ (124,416) |
| 2020 | \$ (117,750) |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|--|
| Valuation Date | June 30, 2014 |
| Experience Study | July 1, 2006, through June 30, 2010 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.65% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter |

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

| <u>Asset Class</u> | <u>Long-Term* Assumed Asset Allocation</u> | <u>Expected Real Rate of Return</u> |
|-----------------------------|--|---|
| Global Equity | 51% | 5.25% |
| Global Fixed Income | 19% | 0.99% |
| Inflation Insensitive | 6% | 0.45% |
| Private Equity | 10% | 6.83% |
| Real Estate | 10% | 4.50% |
| Infrastructure & Forestland | 2% | 4.50% |
| Liquidity | 2% | (0.55)% |

* 10-year geometric average

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 10 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

The discount rate was 7.50 percent in 2015 and 7.65 percent in 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

| | 1% Decrease <u>(6.65%)</u> | Current Discount Rate <u>(7.65%)</u> | 1% Increase <u>(8.65%)</u> |
|--|----------------------------------|--|----------------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 7,826,000</u> | <u>\$ 4,808,000</u> | <u>\$ 2,299,000</u> |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9 and 10, the District provides retiree and dependent medical coverage to eligible employees who retire from the District. Duration of benefits is calculated on a prorated basis, up to a maximum of 10 years, based on years of service. The District operates the single-employer defined benefit OPEB Plan on a pay-as-you-go basis and pays a set amount each month towards the cost of the medical coverage. Any costs in excess of this amount will be paid by the retiree. If the eligible employee remains in the Plan after the age of 64, the retirees must pay 100% of their premiums resulting in no liability for the District. Although the plan has no segregated assets, for employees hired before August 1, 1994, a fund was established in 1995-96 to accumulate funds to pay for the District's share of future medical premiums of eligible future retirees. This fund is not established as an irrevocable trust. At June 30, 2016 the assigned fund balance for retiree benefits was \$448,917. The Plan does not issue separate financial statements.

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 | \$ 124,156 |
| Interest on net OPEB obligation | 6,277 |
| Adjustment to annual required contribution | <u>(61,556)</u> |
| Annual OPEB cost (expense) | 68,877 |
| Contributions made | <u>84,057</u> |
| Decrease in net OPEB obligation | (15,180) |
| Net OPEB liability - beginning of year | <u>313,867</u> |
| Net OPEB liability - end of year | <u><u>\$ 298,687</u></u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2016 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, 2014 | \$ 75,185 | 126.4% | \$ 344,802 |
| June 30, 2015 | \$ 69,496 | 144.5% | \$ 313,867 |
| June 30, 2016 | \$ 68,877 | 122.0% | \$ 298,687 |

As of March 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$606,678, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$606,678. As of the last actuarial, covered payroll (annual payroll of active employees covered by the Plan) was \$363,907, and the ratio of the UAAL to the covered payroll was 167 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 March 1, 2015, actuarial valuation the entry age normal cost method was used. The actuarial assumptions included a 2.75 percent discount rate, which is based on assumed long-term investment returns on employer assets, an annual healthcare cost trend rate and payroll increase of 4 and 2.75 percent, respectively. The UAAL is being amortized utilizing the flat dollar amount method on a closed basis. The District's obligation was fully amortized as of June 30, 2010.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

"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 fund is not an irrevocable trust and therefore are not considered assets of the Peralta Group Plan. The fund does not issue separate financial statements. At June 30, 2015, the fund balance was \$1,102,528. The District serves as a processing center for monthly health benefit costs as well as individual payments for Medicare Part B.

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 | \$ 266,026 |
| Interest on net OPEB obligation | 53,334 |
| Adjustment to annual required contribution | <u>(179,689)</u> |
| Annual OPEB cost (expense) | 139,671 |
| Contributions made | <u>146,323</u> |
| Decrease in net OPEB obligation | (6,652) |
| Net OPEB liability - beginning of year | <u>1,185,209</u> |
| Net OPEB liability - end of year | <u><u>\$ 1,178,557</u></u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2016 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, 2014 | \$ 176,283 | 73.6% | \$ 1,187,705 |
| June 30, 2015 | \$ 139,405 | 101.8% | \$ 1,185,209 |
| June 30, 2016 | \$ 139,671 | 104.8% | \$ 1,178,557 |

As of March 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,754,677, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,754,677. As of the last actuarial, the covered payroll (annual payroll of active employees covered by the Plan) was \$142,694, and the ratio of the UAAL to the covered payroll was 1,230 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 March 1, 2015, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent discount rate, which is based on assumed long-term investment returns on employer assets, and an annual healthcare cost trend rate and payroll increase of 4 and 2.75 percent, respectively. The UAAL is being amortized utilizing the flat dollar amount method on a closed basis. The District's obligation was fully amortized as of June 30, 2010.

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

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

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Capital Lease: The District signed a new \$410,000 capital lease with California First National Bank on April 11, 2016, for what will be the District's new Maintenance Facility. As of June 30, 2016 construction on the facility had not begun and the lease remained as a future commitment.

NOTE 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, 2015 (the most recent information available):

| | | |
|------------------------|----|-----------|
| Total assets | \$ | 3,059,426 |
| Total liabilities | \$ | 1,019,324 |
| Net position | \$ | 2,040,102 |
| Total revenues | \$ | 7,770,155 |
| Total expenses | \$ | 7,732,139 |
| Change in net position | \$ | 38,016 |

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, 2015 (the most recent information available):

| | | |
|------------------------|----|-------------|
| Total assets | \$ | 16,472,909 |
| Total liabilities | \$ | 12,371,637 |
| Net position | \$ | 4,101,272 |
| Total revenues | \$ | 61,147,199 |
| Total expenses | \$ | 69,732,098 |
| Change in net position | \$ | (8,584,899) |

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, 2015 (the most recent information available):

| | | |
|------------------------|----|------------|
| Total assets | \$ | 53,936,821 |
| Total liabilities | \$ | 23,420,128 |
| Net position | \$ | 30,516,693 |
| Total revenues | \$ | 17,548,276 |
| Total expenses | \$ | 17,540,625 |
| Change in net position | \$ | 7,651 |

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

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

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 13 - JOINT POWERS AGREEMENTS (Continued)

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

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage from coverage in the prior year.

NOTE 14 - OPERATING EXPENSES

The following schedule details the functional classifications of the operating expenses reported in the statement of revenues, expenses and change in net position for the year ended June 30, 2016.

| | <u>Salaries</u> | <u>Employee Benefits</u> | <u>Supplies Materials and Other Operating Expenses</u> | <u>Utilities</u> | <u>Depreciation</u> | <u>Student Financial Aid and Scholarships</u> | <u>Total</u> |
|---|---------------------|--------------------------|--|-------------------|---------------------|---|----------------------|
| Instruction | \$ 4,430,634 | \$ 1,189,469 | \$ 3,046,865 | \$ - | \$ - | \$ - | \$ 8,666,968 |
| Academic Support | 486,793 | 175,841 | 86,900 | - | - | - | 749,534 |
| Student Services | 1,740,122 | 613,574 | 705,549 | - | - | - | 3,059,245 |
| Operations and Maintenance of Plant | 779,973 | 356,614 | 217,694 | - | - | - | 1,354,281 |
| Institution Support | 773,653 | 1,323,633 | 1,079,508 | 439,642 | - | - | 3,616,436 |
| Community Services and Economic Development | 94,846 | 31,967 | 307,471 | - | - | - | 434,284 |
| Auxiliary Operations | 594,344 | 197,630 | 358,512 | - | - | - | 1,150,486 |
| Student Aid | - | - | - | - | - | 4,037,666 | 4,037,666 |
| Physical Property and Related Acquisitions | - | - | - | - | 671,250 | - | 671,250 |
| | <u>\$ 8,900,365</u> | <u>\$ 3,888,728</u> | <u>\$ 5,802,499</u> | <u>\$ 439,642</u> | <u>\$ 671,250</u> | <u>\$ 4,037,666</u> | <u>\$ 23,740,150</u> |

NOTE 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, 2016, the value of the contributions totaled \$54,000.

The Foundation and the District entered into an agreement where the District agrees to pay any shortfalls to the Foundation if occupancy of the residence halls falls below a 90% occupancy target. There were no payments under this agreement for the year ended June 30, 2016.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 16 - ENDOWMENT NET ASSETS - FOUNDATION

Changes in endowment net assets for the fiscal year ended June 30, 2016, consisted of the following:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ - | \$ 2,143 | \$ 50,587 | \$ 52,730 |
| Investment income | - | 466 | - | 466 |
| Change in fair value of investments | - | (1,737) | - | (1,737) |
| Appropriation of endowment assets for expenditure | - | (2,667) | - | (2,667) |
| Changes in underwater endowment | <u>(2,875)</u> | <u>2,875</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, end of year | <u>\$ (2,875)</u> | <u>\$ 1,080</u> | <u>\$ 50,587</u> | <u>\$ 48,792</u> |

At June 30, 2016, endowment net assets were donor restricted funds. There were no board restricted endowments.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There was one individual endowment fund with such deficiencies as of June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2016

| Actuarial Valuation Date | <u>Schedule of Funding Progress</u> | | | | | |
|--------------------------------|-------------------------------------|--|---|-----------------|--------------------|---|
| | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| <u>Non-Peralta Group</u> | | | | | | |
| September 18, 2009 | \$ - | \$ 899,168 | \$ 899,168 | 0% | \$ 644,953 | 139% |
| April 1, 2012 | \$ - | \$ 846,874 | \$ 846,874 | 0% | \$ 826,522 | 102% |
| March 1, 2015 | \$ - | \$ 606,678 | \$ 606,678 | 0% | \$ 363,907 | 173% |
| <u>Peralta Group</u> | | | | | | |
| September 18, 2009 | \$ - | \$ 1,630,087 | \$ 1,630,087 | 0% | \$ 169,759 | 960% |
| April 1, 2012 | \$ - | \$ 1,497,695 | \$ 1,497,695 | 0% | \$ 241,950 | 619% |
| March 1, 2015 | \$ - | \$ 1,754,677 | \$ 1,754,677 | 0% | \$ 142,694 | 1271% |

See independent auditor's report on required supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2016

State Teacher's Retirement Plan
 Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> |
|---|---------------------|---------------------|
| District's proportion of the net pension liability | 0.007% | 0.007% |
| District's proportionate share of the net pension liability | \$ 3,924,000 | \$ 4,416,000 |
| State's proportionate share of the net pension liability associated with the District | <u>2,370,000</u> | <u>2,335,000</u> |
| Total net pension liability | <u>\$ 6,294,000</u> | <u>\$ 6,751,000</u> |
| | | |
| District's covered-employee payroll | \$ 2,991,000 | \$ 3,044,000 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 131% | 145% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | 74.02% |

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2016

Public Employers Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> |
|--|--------------|--------------|
| District's proportion of the net pension liability | 0.034% | 0.033% |
| District's proportionate share of the net pension liability | \$ 3,360,000 | \$ 4,808,000 |
| District's covered-employee payroll | \$ 3,554,000 | \$ 3,612,000 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 95% | 133% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | 79.43% |

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

All years prior to 2015 are not available.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> |
|--|--------------|--------------|
| Contractually required contribution | \$ 270,321 | \$ 350,065 |
| Contributions in relation to the contractually required contribution | \$ 270,321 | \$ 350,065 |
| District's covered-employee payroll | \$ 3,044,000 | \$ 3,262,000 |
| Contributions as a percentage of covered-employee payroll | 8.88% | 10.73% |

All years prior to 2015 are not available.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2016

Public Employers Retirement Fund B
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> |
|--|--------------|--------------|
| Contractually required contribution | \$ 425,112 | \$ 464,238 |
| Contributions in relation to the contractually required contribution | \$ 425,112 | \$ 464,238 |
| District's covered-employee payroll | \$ 3,612,000 | \$ 3,919,000 |
| Contributions as a percentage of covered-employee payroll | 11.77% | 11.85% |

All years prior to 2015 are not available.

NOTE 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.

Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50 and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
ORGANIZATION
(Unaudited)
June 30, 2016

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, 2016 were composed of the following members:

BOARD OF TRUSTEES

| <u>Members</u> | <u>Office</u> | <u>Term Expires</u> |
|---------------------|----------------------|---------------------|
| Mr. John Sheehan | President | December 2016 |
| Mr. William Elliott | Member | December 2018 |
| Mr. Guy McNett | Member | December 2018 |
| Dr. Dana Ware | Member | December 2016 |
| Dr. James Meyers | Member - Provisional | December 2016 |

DISTRICT ADMINISTRATION

Dr. Kevin Trutna
President/District Superintendent

Mr. James Scoubes
Chief Financial Officer

Dr. Derek Lerch
Chief Instructional Officer

Dr. Karen Pierson
Chief Student Services Officer

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
COMBINING STATEMENT OF NET POSITION BY FUND
(Unaudited)
June 30, 2016

| | <u>General</u> | <u>Capital Outlay Projects Fund</u> | <u>Child Development Fund</u> | <u>Student Financial Aid Fund</u> | <u>Bookstore Fund</u> | <u>Totals</u> | <u>Reconciling Adjustments/ Eliminations</u> | <u>Statement of Net Position</u> |
|--|----------------------|---|---------------------------------------|---|---------------------------|----------------------|--|--------------------------------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 8,358,003 | \$ - | \$ 71,872 | \$ 317,689 | \$ 158,401 | \$ 8,905,965 | \$ - | \$ 8,905,965 |
| Receivables, net | 1,682,711 | - | 2,000 | 25,081 | 6,108 | 1,715,900 | (679,855) | 1,036,045 |
| Note receivable from Foundation, current | 42,759 | - | - | - | - | 42,759 | - | 42,759 |
| Due from other funds | 287,298 | - | 1,591 | 2,241 | - | 291,130 | (291,130) | - |
| Stores inventories | - | - | - | - | 96,537 | 96,537 | - | 96,537 |
| Prepaid expenses | 83,161 | - | - | - | - | 83,161 | - | 83,161 |
| Total current assets | <u>10,453,932</u> | <u>-</u> | <u>75,463</u> | <u>345,011</u> | <u>261,046</u> | <u>11,135,452</u> | <u>(970,985)</u> | <u>10,164,467</u> |
| Noncurrent assets: | | | | | | | | |
| Restricted cash and cash equivalents | - | 35,934 | - | - | - | 35,934 | - | 35,934 |
| Note receivable from Foundation, noncurrent | 439,815 | - | - | - | - | 439,815 | - | 439,815 |
| Non-depreciable capital assets | - | - | - | - | - | - | 277,099 | 277,099 |
| Depreciable capital assets, net | - | - | - | - | - | - | 11,491,187 | 11,491,187 |
| Total noncurrent assets | <u>439,815</u> | <u>35,934</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>475,749</u> | <u>11,768,286</u> | <u>12,244,035</u> |
| Total assets | <u>10,893,747</u> | <u>35,934</u> | <u>75,463</u> | <u>345,011</u> | <u>261,046</u> | <u>11,611,201</u> | <u>10,797,301</u> | <u>22,408,502</u> |
| Deferred Outflows of Resources | | | | | | | | |
| Deferred outflows of resources - pensions | - | - | - | - | - | - | 1,089,303 | 1,089,303 |
| Total assets & deferred outflows of resources | <u>\$ 10,893,747</u> | <u>\$ 35,934</u> | <u>\$ 75,463</u> | <u>\$ 345,011</u> | <u>\$ 261,046</u> | <u>\$ 11,611,201</u> | <u>\$ 11,886,604</u> | <u>\$ 23,497,805</u> |
| Liabilities | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 1,407,654 | \$ 96 | \$ 1,159 | \$ 2,335 | \$ 5,232 | \$ 1,416,476 | \$ 420,151 | \$ 1,836,627 |
| Due to other funds | 423,983 | - | - | 287,298 | - | 711,281 | (711,281) | - |
| Unearned revenue | 3,465,546 | 18,808 | - | 24,175 | - | 3,508,529 | (679,855) | 2,828,674 |
| Compensated absences payable - current | - | - | - | - | - | - | 169,245 | 169,245 |
| Long-term debt - current portion | - | - | - | - | - | - | 96,711 | 96,711 |
| Total current liabilities | <u>5,297,183</u> | <u>18,904</u> | <u>1,159</u> | <u>313,808</u> | <u>5,232</u> | <u>5,636,286</u> | <u>(705,029)</u> | <u>4,931,257</u> |
| Noncurrent liabilities: | | | | | | | | |
| Long-term debt - noncurrent portion | - | - | - | - | - | - | 11,065,214 | 11,065,214 |
| Total liabilities | <u>5,297,183</u> | <u>18,904</u> | <u>1,159</u> | <u>313,808</u> | <u>5,232</u> | <u>5,636,286</u> | <u>10,360,185</u> | <u>15,996,471</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 COMBINING STATEMENT OF NET POSITION BY FUND
 (Unaudited)
 June 30, 2016

| | <u>General</u> | <u>Capital Outlay Projects Fund</u> | <u>Child Development Fund</u> | <u>Student Financial Aid Fund</u> | <u>Bookstore Fund</u> | <u>Totals</u> | <u>Reconciling Adjustments/ Eliminations</u> | <u>Statement of Net Position</u> |
|--|----------------------|---|---------------------------------------|---|---------------------------|----------------------|--|--------------------------------------|
| Deferred Inflows of Resources | | | | | | | | |
| Deferred inflows of resources - pensions | - | - | - | - | - | - | 1,292,000 | 1,292,000 |
| Net Position | | | | | | | | |
| Net investment in capital assets | - | - | - | - | - | - | 11,702,335 | 11,702,335 |
| Restricted for: | | | | | | | | |
| Expendable: | | | | | | | | |
| Capital projects | - | 17,030 | - | - | - | 17,030 | - | 17,030 |
| Other special purposes | 83,161 | - | - | - | - | 83,161 | - | 83,161 |
| Unrestricted | <u>5,513,403</u> | <u>-</u> | <u>74,304</u> | <u>31,203</u> | <u>255,814</u> | <u>5,874,724</u> | <u>(11,467,916)</u> | <u>(5,593,192)</u> |
| Total net position | <u>5,596,564</u> | <u>17,030</u> | <u>74,304</u> | <u>31,203</u> | <u>255,814</u> | <u>5,974,915</u> | <u>234,419</u> | <u>6,209,334</u> |
| Total liabilities, deferred inflows of resources & net position | <u>\$ 10,893,747</u> | <u>\$ 35,934</u> | <u>\$ 75,463</u> | <u>\$ 345,011</u> | <u>\$ 261,046</u> | <u>\$ 11,611,201</u> | <u>\$ 11,886,604</u> | <u>\$ 23,497,805</u> |

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND
 (Unaudited)
 For the Year Ended June 30, 2016

| | <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 Position</u> |
|---|---------------------|---|---------------------------------------|---|---------------------------|---------------------|--|---|
| Operating revenues: | | | | | | | | |
| Tuition and fees | \$ 1,969,181 | \$ 528 | \$ - | \$ - | \$ - | \$ 1,969,709 | \$ (100,192) | \$ 1,869,517 |
| Less: Scholarship discounts and allowance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(991,277)</u> | <u>(991,277)</u> |
| Net tuition and fees | <u>1,969,181</u> | <u>528</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,969,709</u> | <u>(1,091,469)</u> | <u>878,240</u> |
| Grants and contracts, non-capital: | | | | | | | | |
| Federal | 1,215,035 | - | 13,062 | 3,548,632 | - | 4,776,729 | (1,665,938) | 3,110,791 |
| State | 4,284,836 | - | 106,668 | 116,286 | - | 4,507,790 | 180,701 | 4,688,491 |
| Local | 370,379 | (345,241) | 31,451 | 121,331 | 1,997 | 179,917 | - | 179,917 |
| Auxiliary enterprise sales and charges | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>200,161</u> | <u>200,161</u> | <u>(150,409)</u> | <u>49,752</u> |
| Total operating revenues | <u>7,839,431</u> | <u>(344,713)</u> | <u>151,181</u> | <u>3,786,249</u> | <u>202,158</u> | <u>11,634,306</u> | <u>(2,727,115)</u> | <u>8,907,191</u> |
| Operating expenses: | | | | | | | | |
| Salaries | 8,680,430 | - | 146,584 | - | 27,614 | 8,854,628 | 45,737 | 8,900,365 |
| Employee benefits | 2,950,976 | - | 43,344 | - | 5,054 | 2,999,374 | 889,354 | 3,888,728 |
| Supplies, materials and other operating expenses and services | 6,865,949 | 120,953 | (56,769) | 16,239 | 160,168 | 7,106,540 | (1,304,041) | 5,802,499 |
| Utilities | - | - | - | - | - | - | 439,642 | 439,642 |
| Depreciation | - | - | - | - | - | - | 671,250 | 671,250 |
| Student financial aid and scholarships | <u>251,417</u> | <u>-</u> | <u>-</u> | <u>3,786,249</u> | <u>-</u> | <u>4,037,666</u> | <u>-</u> | <u>4,037,666</u> |
| Total operating expenses | <u>18,748,772</u> | <u>120,953</u> | <u>133,159</u> | <u>3,802,488</u> | <u>192,836</u> | <u>22,998,208</u> | <u>741,942</u> | <u>23,740,150</u> |
| (Loss) gain from operations | <u>(10,909,341)</u> | <u>(465,666)</u> | <u>18,022</u> | <u>(16,239)</u> | <u>9,322</u> | <u>(11,363,902)</u> | <u>(3,469,057)</u> | <u>(14,832,959)</u> |
| Non-operating revenues (expenses): | | | | | | | | |
| State apportionment, non-capital | 5,500,198 | - | - | - | - | 5,500,198 | - | 5,500,198 |
| Local property taxes | 6,694,029 | - | - | - | - | 6,694,029 | - | 6,694,029 |
| State taxes and other revenues | 486,127 | - | - | - | - | 486,127 | - | 486,127 |
| Interest expense on capital asset related debt | (29,492) | - | - | - | - | (29,492) | (77,873) | (107,365) |
| Interest income | 23,503 | 939 | 561 | - | 642 | 25,645 | (1) | 25,644 |
| Debt reduction | (209,153) | - | - | - | - | (209,153) | 209,153 | - |
| Pell grants | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,665,938</u> | <u>1,665,938</u> |
| Total non-operating revenues (expenses) | <u>12,465,212</u> | <u>939</u> | <u>561</u> | <u>-</u> | <u>642</u> | <u>12,467,354</u> | <u>1,797,217</u> | <u>14,264,571</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION BY FUND
 (Unaudited)
 For the Year Ended June 30, 2016

| | <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 Position</u> |
|---|---------------------|---|---------------------------------------|---|---------------------------|---------------------|--|---|
| Income (loss) before capital revenues | <u>1,555,871</u> | <u>(464,727)</u> | <u>18,583</u> | <u>(16,239)</u> | <u>9,964</u> | <u>1,103,452</u> | <u>(1,671,840)</u> | <u>(568,388)</u> |
| Capital revenues: | | | | | | | | |
| Local property taxes and other revenues, capital | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,091,465</u> | <u>1,091,465</u> |
| Change in net position | <u>1,555,871</u> | <u>(464,727)</u> | <u>18,583</u> | <u>(16,239)</u> | <u>9,964</u> | <u>1,103,452</u> | <u>(580,375)</u> | <u>523,077</u> |
| Net position, July 1, 2015 | <u>4,040,693</u> | <u>481,757</u> | <u>55,721</u> | <u>47,442</u> | <u>245,850</u> | <u>4,871,463</u> | <u>814,794</u> | <u>5,686,257</u> |
| Net position, June 30, 2016 | <u>\$ 5,596,564</u> | <u>\$ 17,030</u> | <u>\$ 74,304</u> | <u>\$ 31,203</u> | <u>\$ 255,814</u> | <u>\$ 5,974,915</u> | <u>\$ 234,419</u> | <u>\$ 6,209,334</u> |

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

| <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> | | | |
| <i>Direct Programs:</i> | | | |
| Student Financial Aid Cluster: | | | |
| Federal Direct Student Loans | 84.268 | P268K123097 | \$ 1,899,500 |
| Federal Work Study Program | 84.033 | P033A100600 | 24,282 |
| Federal Pell Grant Program | 84.063 | P063P101180 | 1,665,938 |
| Administrative Allowance | 84.063 | P063P101180 | 134,999 |
| Federal Supplementary Educational Opportunity Grant | 84.007 | P007A070600 | <u>23,527</u> |
| Subtotal Student Financial Aid Cluster | | | <u>3,748,246</u> |
| TRIO Cluster: | | | |
| TRIO - Student Support Services | 84.042A | P042A100546 | 220,818 |
| TRIO - Talent Search | 84.044 | P044A110711 | 243,617 |
| TRIO - Upward Bound | 84.047 | P047A120549 | <u>233,654</u> |
| Subtotal TRIO Cluster | | | <u>698,089</u> |
| Career and Technical Education Programs: | | | |
| <i>Passed through the California Community College Chancellor's Office:</i> | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 09-C01-015 | 47,485 |
| <i>Passed through Butte Community College District:</i> | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 09-C01-015 | <u>789</u> |
| Subtotal Career and Technical Education Programs | | | <u>48,274</u> |
| <i>Passed through the California Community College Chancellor's Office:</i> | | | |
| Higher Education Institutional Aid | 84.031A | 27303/27525A | <u>57,131</u> |
| Total U.S. Department of Education | | | <u>4,551,740</u> |
| <u>U.S. Department of Agriculture</u> | | | |
| <i>Passed through the California Department of Education:</i> | | | |
| Child and Adult Care Food Program | 10.558 | 32-1488-5-A | 13,062 |
| <i>Passed through Plumas County:</i> | | | |
| Forest Reserve | 10.665 | 30120 | <u>181,293</u> |
| Total U.S. Department of Agriculture | | | <u>194,355</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2016

| <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> | | | |
| <i>Direct Program:</i> | | | |
| Survivors and Dependents Educational Assistance | 64.027 | | \$ 2,876 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| <i>Passed through Yosemite Community College District:</i> | | | |
| Child Care and Development Block Grant | 93.575 | 09-10-4061 | 6,453 |
| <i>Passed through California Community College Chancellor's Office:</i> | | | |
| Temporary Assistance for Needy Families | 93.667 | | <u>21,305</u> |
| Total U.S. Department of Health and Human Services | | | <u>27,758</u> |
| Total Federal Programs | | | <u>\$ 4,776,729</u> |

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
For the Year Ended June 30, 2016

| | Program Revenues | | | Total | Total Program Expenditures |
|---|------------------|------------------------|--|-----------|----------------------------------|
| | Cash Received | Accounts Receivable | Account Payable or Unearned Income | | |
| Cal Grants | \$ 88,665 | \$ 621 | \$ - | \$ 89,286 | \$ 89,286 |
| Disabled Student Programs and Services | 183,758 | - | 1,606 | 182,152 | 182,152 |
| Extended Opportunity Programs and Services | 257,403 | - | 6,323 | 251,080 | 251,080 |
| CARE | 44,197 | - | 2,097 | 42,100 | 42,100 |
| Staff Development | 199 | - | 199 | - | - |
| IELM Block Grant | 105,105 | - | 25 | 105,080 | 105,080 |
| CDE Early Childhood Mentor Program | 643 | - | 230 | 413 | 413 |
| Equal Employment Opportunity | 8,797 | - | 4,355 | 4,442 | 4,442 |
| Child Development | 105,149 | 721 | - | 105,870 | 105,870 |
| Prop 39 Clean Energy | 111,632 | - | 53,507 | 58,125 | 58,125 |
| Child Care Food Program | 798 | - | - | 798 | 798 |
| Full Time Student Success Grant | 34,366 | - | 7,366 | 27,000 | 27,000 |
| Cal WORKs | 79,644 | - | 22,019 | 57,625 | 57,625 |
| SSSP | 517,845 | - | 181,400 | 336,445 | 336,445 |
| Telecommunications | 8,298 | - | 8,298 | - | - |
| Boating Safety | - | 11,727 | - | 11,727 | 11,727 |
| BFAP 2% | 18,464 | - | - | 18,464 | 18,464 |
| CTE Dual Enrollment | 8,800 | 4,967 | - | 13,767 | 13,767 |
| Student Equity | 432,491 | - | 116,414 | 316,077 | 316,077 |
| AEBG | 750,000 | - | 316,648 | 433,352 | 433,352 |
| Basic Skills | 112,701 | - | 24,004 | 88,697 | 88,697 |
| PT Faculty Office Hours & Comp | 84,930 | - | - | 84,930 | 84,930 |
| CTE AG CTE 20035 | 12,080 | 27,442 | - | 39,522 | 39,522 |
| CTE Transitions Y5 | 18,047 | 26,106 | - | 44,153 | 44,153 |
| AEBG Data & Accountability | 123,711 | - | 123,711 | - | - |
| Mandated Cost | 943,091 | - | - | 943,091 | 943,091 |
| R2T4 | 757 | - | 757 | - | - |
| Maintenance Allowance | - | 9,653 | - | 9,653 | 9,653 |
| Block Grant/Maintenance and Repairs | 105,105 | - | 35,063 | 70,042 | 70,042 |
| SB 10-70 Y2 | 218,963 | 116,721 | - | 335,684 | 335,684 |
| OTF BS Equine & Ranch Management | 350,000 | - | 350,000 | - | - |
| Block Grant Deferred Maintenance | 97,371 | - | 2,838 | 94,533 | 94,533 |
| Unrestricted Lottery | 280,427 | 41,550 | - | 321,977 | 321,977 |
| Lottery/Instructional Materials | 207,583 | 43,724 | 179,014 | 72,293 | 72,293 |
| IDRC | 330,070 | 98,211 | - | 428,281 | 428,281 |
| WEDD Global Trade & Logistics | 243,000 | 72,403 | - | 315,403 | 315,403 |

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, 2016

| <u>Categories</u> | <u>Reported Data</u> | <u>Audit Adjustments</u> | <u>Revised Data</u> |
|---|--------------------------|------------------------------|-------------------------|
| A. Summer Intersession (Summer 2016 only) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 191 | - | 191 |
| B. Summer Intersession (Summer 2016 - Prior to July 1, 2016) | | | |
| 1. Noncredit | - | - | - |
| 2. Credit | 100 | - | 100 |
| C. Primary Terms (Exclusive of Summer Intersession) | | | |
| 1. Census Procedure Courses | | | |
| a. Weekly Census Contact Hours | 593 | - | 593 |
| b. Daily Census Contact Hours | 62 | - | 62 |
| 2. Actual Hours of Attendance Procedure Courses | | | |
| a. Noncredit | 22 | - | 22 |
| b. Credit | 255 | - | 255 |
| 3. Independent Study/Work Experience | | | |
| a. Weekly Census Contact Hours | 273 | - | 273 |
| b. Daily Census Contact Hours | 132 | - | 132 |
| c. Noncredit Independent Study/ Distance Education Courses | - | - | - |
| D. Total FTES | <u>1,628</u> | <u>-</u> | <u>1,628</u> |
| Supplementary Information: | | | |
| E. In-Service Training Courses (FTES) | 18 | - | 18 |
| H. Basic Skills Courses and Immigrant Education | | | |
| a. Noncredit | 67 | - | 67 |
| b. Credit | 62 | - | 62 |
| <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, 2016

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

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

| | | |
|--|--------|----------------|
| General fund | \$ | 5,596,564 |
| Capital projects funds | | 17,030 |
| Special revenue funds | | <u>361,321</u> |
| Total fund balances - business-type activity funds | \$ | 5,974,915 |

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. However, capital assets, net of accumulated depreciation are added to total net assets.

| | | |
|-------------------------------|--|------------|
| Total District capital assets | | 11,768,286 |
|-------------------------------|--|------------|

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:

| | | |
|---|----|--------------------|
| Deferred outflows of resources relating to pensions | \$ | 1,089,303 |
| Deferred inflows of resources relating to pensions | | <u>(1,292,000)</u> |
| | | (202,697) |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of:

| | | |
|-------------------------------|----|---------------------|
| SERP liability | \$ | (75,584) |
| Capitalized lease obligations | | (65,951) |
| Compensated absences | | (488,391) |
| Net pension liability | | (9,224,000) |
| Other postemployment benefits | | <u>(1,477,244)</u> |
| | | <u>(11,331,170)</u> |

| | | |
|---|----|------------------|
| Total net position - business-type activities | \$ | <u>6,209,334</u> |
|---|----|------------------|

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

| | Object/TOP Codes | Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|--|---------------------|---|----------------------|------------------|---|----------------------|-------------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| <u>Academic Salaries</u> | | | | | | | |
| Instructional salaries: | | | | | | | |
| Contract or regular | 1100 | \$ 2,175,886 | \$ - | \$ 2,175,886 | \$ 2,175,886 | \$ - | \$ 2,175,886 |
| Other | 1300 | <u>1,087,274</u> | <u>-</u> | <u>1,087,274</u> | <u>1,088,242</u> | <u>-</u> | <u>1,088,242</u> |
| Total instructional salaries | | <u>3,263,160</u> | <u>-</u> | <u>3,263,160</u> | <u>3,264,128</u> | <u>-</u> | <u>3,264,128</u> |
| Non-instructional salaries: | | | | | | | |
| Contract or regular | 1200 | - | - | - | 604,807 | - | 604,807 |
| Other | 1400 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total non-instructional salaries | | <u>-</u> | <u>-</u> | <u>-</u> | <u>604,807</u> | <u>-</u> | <u>604,807</u> |
| Total academic salaries | | <u>3,263,160</u> | <u>-</u> | <u>3,263,160</u> | <u>3,868,935</u> | <u>-</u> | <u>3,868,935</u> |
| <u>Classified Salaries</u> | | | | | | | |
| Non-instructional salaries: | | | | | | | |
| Regular status | 2100 | - | - | - | 1,793,111 | - | 1,793,111 |
| Other | 2300 | <u>-</u> | <u>-</u> | <u>-</u> | <u>47,026</u> | <u>-</u> | <u>47,026</u> |
| Total non-instructional salaries | | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,840,137</u> | <u>-</u> | <u>1,840,137</u> |
| Instructional aides: | | | | | | | |
| Regular status | 2200 | 147,520 | - | 147,520 | 147,520 | - | 147,520 |
| Other | 2400 | <u>10,621</u> | <u>-</u> | <u>10,621</u> | <u>10,621</u> | <u>-</u> | <u>10,621</u> |
| Total instructional aides | | <u>158,141</u> | <u>-</u> | <u>158,141</u> | <u>158,141</u> | <u>-</u> | <u>158,141</u> |
| Total classified salaries | | <u>158,141</u> | <u>-</u> | <u>158,141</u> | <u>1,998,278</u> | <u>-</u> | <u>1,998,278</u> |
| Employee benefits | 3000 | 1,111,262 | - | 1,111,262 | 1,964,987 | - | 1,964,987 |
| Supplies and materials | 4000 | - | - | - | 445,767 | - | 445,767 |
| Other operating expenses | 5000 | 762,497 | - | 762,497 | 2,465,232 | - | 2,465,232 |
| Equipment replacement | 6420 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures prior to exclusions | | <u>5,295,060</u> | <u>-</u> | <u>5,295,060</u> | <u>10,743,199</u> | <u>-</u> | <u>10,743,199</u> |

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
For the Year Ended June 30, 2016

| | Object/TOP Codes | Activity (ECSA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6110 | | | Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799 | | |
|---|---------------------|---|----------------------|-----------------|---|----------------------|-----------------|
| | | Reported Data | Audit Adjustments | Revised Data | Reported Data | Audit Adjustments | Revised Data |
| <u>Exclusions</u> | | | | | | | |
| Activities to exclude: | | | | | | | |
| Instructional staff-retirees' benefits and retirement incentives | 5900 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Student health services above amount collected | 6441 | - | - | - | 75,915 | - | 75,915 |
| Student transportation | 6491 | - | - | - | 209,186 | - | 209,186 |
| Noninstructional staff-retirees' benefits and retirement incentives | 6740 | - | - | - | 176,530 | - | 176,530 |
| Objects to exclude: | | | | | | | |
| Rents and leases | 5060 | - | - | - | 171,959 | - | 171,959 |
| Lottery expenditures | | - | - | - | - | - | - |
| Academic salaries | 1000 | - | - | - | - | - | - |
| Classified salaries | 2000 | - | - | - | - | - | - |
| Employee benefits | 3000 | - | - | - | - | - | - |
| Supplies and materials: | | | | | | | |
| Software | 4100 | - | - | - | - | - | - |
| Books, magazines and periodicals | 4200 | - | - | - | 22,586 | - | 22,586 |
| Instructional supplies and materials | 4300 | - | - | - | 234,061 | - | 234,061 |
| Noninstructional supplies and materials | 4400 | - | - | - | - | - | - |
| Total supplies and materials | | - | - | - | 256,647 | - | 256,647 |
| Other operating expenses and services | 5000 | - | - | - | 709 | - | 709 |
| Capital outlay | 6000 | - | - | - | - | - | - |
| Library books | 6300 | - | - | - | 9,448 | - | 9,448 |
| Equipment: | | | | | | | |
| Equipment - additional | 6410 | - | - | - | 55,173 | - | 55,173 |
| Equipment - replacement | 6420 | - | - | - | - | - | - |
| Total equipment | | - | - | - | 64,621 | - | 64,621 |
| Total capital outlay | | - | - | - | 64,621 | - | 64,621 |
| Other outgo | 7000 | - | - | - | - | - | - |
| Total exclusions | | - | - | - | 955,567 | - | 955,567 |
| Total for ECS 84362, 50% Law | | \$ 5,295,060 | \$ - | \$ 5,295,060 | \$ 9,787,632 | \$ - | \$ 9,787,632 |
| Percent of CEE (instructional salary cost /Total CEE) | | 54.10% | - | 54.10% | 100% | - | 100% |
| 50% of current expense of education | | \$ - | \$ - | \$ - | \$ 4,893,816 | \$ - | \$ 4,893,816 |

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 PROP 30 EPA EXPENDITURE REPORT
 For the Year Ended June 30, 2016

| | | | | | | |
|----------------------|--------------------------------|----------------------------------|--|---------------------------------------|------------------------------|--------------|
| EPA Proceeds: | | \$ 2,044,593 | | | | |
| | <u>Activity Classification</u> | <u>Activity Code (0100-5900)</u> | <u>Salaries and Benefits (1000-3000)</u> | <u>Operating Expenses (4000-5000)</u> | <u>Capital Outlay (6000)</u> | <u>Total</u> |
| | Instructional Activities | - | \$ 2,044,593 | - | - | \$ 2,044,593 |

See accompanying notes to supplementary information.

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

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

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

B - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Feather River Community College District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowance or are limited as to reimbursement. The District has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance.

C - Schedule of State Financial Awards

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

D - Schedule of Workload Measures for State General Apportionment

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

E - Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited financial statements.

F - Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides the information necessary to reconcile the fund balances to the audited financial statements.

G - 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.

H - Prop 30 EPA Expenditure Report

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

INDEPENDENT AUDITOR'S REPORT
ON STATE COMPLIANCE REQUIREMENTS

Board of Trustees
Feather River Community College District
Quincy, California

Report on Compliance with State Laws and Regulations

We have audited the compliance of Feather River Community College District with the types of compliance requirements described in Section 400 of the *California State Chancellor's Office's California Community College Contracted District Audit Manual (CDAM)* that are applicable to community colleges in the State of California for the year ended June 30, 2016:

- 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
- Students Success and Support Programs
- Scheduled Maintenance Program
- Gann Limit Calculation
- Open Enrollment
- Student Fees - Health Fees and Use of Health Fee Funds
- Proposition 39 Clean Energy
- Intercession Extension Program
- Disabled Student Programs and Services (DSPS)
- To Be Arranged Hours (TBA)
- Proposition 1D State Bond Funded Projects
- Proposition 30 Education Protection Account Funds

Management's Responsibility

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

Auditor's Responsibility

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

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

(Continued)

Opinion with State Laws and Regulations

In our opinion, Feather River Community College District, complied in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations for the year ended June 30, 2016.

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

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

Board of Trustees
Feather River Community College District
Quincy, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the discretely presented component unit and the fiduciary activities of Feather River Community College District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Feather River Community College District's basic financial statements, and have issued our report thereon dated November 29, 2016. The financial statements of Feather River Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Feather River Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

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

Board of Trustees
Feather River Community College District
Quincy, California

Report on Compliance for Each Major Federal Program

We have audited Feather River Community College District's compliance with the types of compliance requirements described in the *OMB 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, 2016. Feather River Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Feather River Community College District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Feather River Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Feather River Community College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 29, 2016

FINDINGS AND RECOMMENDATIONS

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | |
|--|-----------|-----------------------|
| Material weakness(es) identified? | _____ Yes | ___X___ No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | ___X___ None reported |

Noncompliance material to financial statements noted?

| | | |
|--|-----------|------------|
| | _____ Yes | ___X___ No |
|--|-----------|------------|

FEDERAL AWARDS

Internal control over major programs:

| | | |
|--|-----------|-----------------------|
| Material weakness(es) identified? | _____ Yes | ___X___ No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | ___X___ None reported |

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

| | | |
|--|-----------|------------|
| | _____ Yes | ___X___ No |
|--|-----------|------------|

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------------------|---|
| 84.007, 84.033, 84.063, 84.268 | Student Financial Aid Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

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

STATE AWARDS

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

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

FEATHER RIVER COMMUNITY COLLEGE DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2016

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>District Explanation If Not Fully Implemented</u> |
|---|-----------------------|--|
| 2015-001 | | |
| <u>Condition:</u> The District has policies in place to collect tuition payment by the first day of the semester in attendance prior to providing services to students. However, the District is not receiving tuition payment on a significant portion of its student accounts receivable. | Implemented | |
| <u>Recommendation:</u> The District should implement controls to ensure its policy on tuition collection is enforced. | | |