

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:  
James Gillett  
Angie Grove

February 2009

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of Flathead Valley Community College for the fiscal year ended June 30, 2008.

The audit was conducted by Denning, Downey & Associates, CPA's PC under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tori Hunthausen".

Tori Hunthausen, CPA  
Legislative Auditor

08C-06

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

**TABLE OF CONTENTS**

|  |       |
|--|-------|
| Organization   | 1     |
| Management Discussion and Analysis   | 2-8   |
| Independent Auditor's Report   | 9-10  |
| <b>Financial Statements</b>  |       |
| Statement of Net Assets  | 11    |
| Statement of Revenues, Expenses and Changes in Net Assets  | 12    |
| Statement of Cash Flows  | 13    |
| Statement of Financial Position  | 14    |
| Statement of Activities  | 15    |
| Statement of Cash Flows  | 16    |
| Fiduciary Funds – Statement of Fiduciary Net Assets  | 17    |
| Fiduciary Funds – Statement of Changes in Fiduciary Net Assets   | 18    |
| Notes to Financial Statements  | 19-29 |
| <b>Supplemental Information</b>  |       |
| Student Financial Aid Modified Statement of Cash Receipts and Disbursements  | 30    |
| Schedule of Expenditures - Student Financial Assistance Programs   | 31    |
| Schedule of Full Time Equivalent   | 32    |
| Schedule of Functional Classification of Operating Expenses  | 33    |
| <b>Single Audit Section</b>  |       |
| Schedule of Expenditures of Federal Awards 2007  | 34    |
| Schedule of Expenditures of Federal Awards 2008  | 35    |
| Notes to the Schedule of Expenditures of Federal Awards  | 36    |
| 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 | 37-38 |

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

**TABLE OF CONTENTS - continued**

|  |       |
|--|-------|
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 39-40 |
| Schedule of Findings and Questioned Costs  | 41-42 |
| Report on Other Compliance, Financial, and Internal Accounting Control Matters   | 43    |
| Report on Prior Audit Recommendations  | 44    |
| Auditee's Response to Report   | 45    |

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2008

**BOARD OF TRUSTEES**

John Engebretson  
Robert Nystuen  
Thomas Harding  
Ralene Sliter  
John Phelps  
Alison Young  
Mark Holston

Chairperson  
Vice Chairperson  
Trustee  
Trustee  
Trustee  
Trustee  
Secretary

**DISTRICT OFFICIALS**

Jane Karas

President

***Denning, Downey & Associates, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

*1740 U.S. Hwy 93 South - Suite 101, PO Box 1957, Kalispell, MT 59903*

**FLATHEAD VALLEY COMMUNITY COLLEGE, FLATHEAD COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR 2008**

Flathead Valley Community College (FVCC) is dedicated to improving lives through learning. FVCC is located on two campuses located in Kalispell and Libby, Montana.

**Reading the Annual Financial Report**

A requirement of GASB 35 is the Management Discussion and Analysis (MD&A) of the annual financial statements. This section includes narrative descriptions of the FVCC financial condition, results of operations and cash flows. The MD&A's purpose is to aid readers in understanding the accompanying financial statements through analysis of FVCC's financial activities based on currently known facts and conditions. This MD&A should be read in conjunction with the accompanying financial statements and footnote disclosures.

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of FVCC for fiscal year ended June 30, 2008.

**How the Financial Statements Relate to Each Other**

The financial statements included are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting simply means that the transaction is recognized (recorded) when an exchange takes place. An exchange can be defined as a situation in which each party receives and gives something of equal value. For example, a student registers for a class on July 1<sup>st</sup> and sets up a payment plan to pay tuition and fees in full by July 31<sup>st</sup>. On July 1<sup>st</sup>, there is no cash presented, however, because the registration (exchange) takes place (reserved seat in class equals commitment to pay), revenue is recognized on July 1<sup>st</sup>. An offsetting student receivable is set up to track the amount the student owes. As the student pays for the tuition and fees, the receivable is reduced by the same increment.

The most basic relationships between the statements are described below. The Statement of Net Assets presents a snap shot of the financial condition of FVCC on June 30. The Statement of Revenues, Expenses, and Changes in Net Assets presents the results of activities for FVCC throughout the fiscal year. The Statement of Cash Flows indicates where and how cash was utilized and provided in order to operate throughout the fiscal year.

## Statement of Net Assets

Assets and liabilities are presented in a classified format. This format differentiates between current and non-current assets and liabilities. Net Assets (assets less liabilities) are presented in three categories applicable to FVCC:

- Unrestricted
- Restricted – Expendable  
– Nonexpendable
- Invested in Capital Assets, Net of Related Debt

This statement is one way of measuring FVCC's financial position at the end of the fiscal year. Improvements or deterioration of financial position can be measured over time by analyzing the change in net assets.

The following is a summary of the Statement of Net Assets for each fiscal year:

### CONDENSED STATEMENT OF NET ASSETS

|  | At 6/30/08          | At 6/30/07          | At 6/30/06          | At 6/30/05          |
|--|---------------------|---------------------|---------------------|---------------------|
| Total Current Assets                     | \$8,954,631         | \$9,191,585         | \$8,323,068         | \$7,182,923         |
| Total Non-Current Assets                 | \$27,589,297        | \$25,902,851        | \$26,527,337        | \$18,854,572        |
| <b>TOTAL ASSETS</b>                      | <b>\$36,543,928</b> | <b>\$35,094,436</b> | <b>\$34,850,405</b> | <b>\$26,037,495</b> |
| Total Current Liabilities                | \$2,578,599         | \$3,118,919         | \$3,419,860         | \$2,509,070         |
| Total Non-Current Liabilities            | \$18,851,585        | \$16,523,457        | \$17,732,516        | \$12,554,669        |
| <b>TOTAL LIABILITIES</b>                 | <b>\$21,430,184</b> | <b>\$19,642,376</b> | <b>\$21,152,376</b> | <b>\$15,063,739</b> |
| Invested in capital, net of related debt | \$8,514,056         | \$9,334,987         | (\$4,918,200)       | (\$3,692,278)       |
| Restricted-expendable                    | \$258,154           | \$0                 | \$13,836,405        | \$10,745,202        |
| Unrestricted                             | \$6,341,534         | \$6,117,073         | \$4,779,824         | \$3,920,832         |
| <b>TOTAL NET ASSETS</b>                  | <b>\$15,113,744</b> | <b>\$15,452,060</b> | <b>\$13,698,029</b> | <b>\$10,973,756</b> |

Information significant to reading the Statement of Net Assets:

- The Net Assets Invested in capital, net of related debt is primarily made up of the value of the buildings and the land held by the College and the associated bond indebtedness. The FY2005 and FY2006 ending deficit balances in the Net Assets Invested in Capital, Net of Related Debt were due to the construction in progress. There were unspent bond proceeds for the college expansion. The cash balance from those proceeds was recorded in the Restricted-expendable category of Net Assets. With the expansion completed, the resulting assets from the project are now recorded in the Net Assets Invested in Capital, Net of Related Debt, and the previous deficit has been eliminated. This is simply a result of GASB 34/35 requirements for the classification of net assets and was an expected event during the expansion project involving bond indebtedness.

- Restricted-expendable Net Assets were held primarily in the grant and bond proceeds restricted for the campus expansion project.
- Unrestricted Net Assets is made up of operating activities, auxiliary activities, and also numerous designated activities which include:

1. **Student Activity Fee** – Any change in the student activity fee must be approved by a majority of the voting students, and approved by the Board of Trustees. The Student Activity Fee is deposited into an agency account and is administered by the Student Senate for the purpose of supporting programs, services, and activities for College students. 50% of the Student Activity Fee is specifically designated for the athletics programs of the College.
2. **Laboratory Fees** – Laboratory fees are intended to augment, not replace, basic operating expenses. They may be assessed and used for:
  - a. Consumable supplies (including computer software)
  - b. Special facility rental or services
  - c. Unusual vehicle costs

Laboratory fees are intended for use during the semester collected. The amount will be recommended by the instructor through the division chair to the appropriate administrator, with approval beginning in Business Services and final approval granted by the President.

Laboratory fees are not intended for:

- a. Equipment
  - b. Continuing personnel costs
  - c. Roll-over (accumulation of funds for a future purchase)
3. **Building Fees** – Building fees shall be collected specifically for the purpose of purchasing or selling land, installing major utilities, infrastructure requirements, completing major landscaping, purchasing or selling buildings, lease-purchasing buildings, constructing buildings, remodeling buildings, demolishing buildings, constructing parking lots, constructing roadways, constructing other campus improvements, and purchasing architectural and engineering services related to these buildings fee purposes.
  4. **Computer Fees** – Computer fees shall be collected for the purchase or lease of computer equipment, software, maintenance or related items which will benefit the instructional programs. Expenditures may not be made for recurring personnel services.
  5. **Equipment Fees** - Equipment fees shall be collected for the purchase, lease or maintenance of equipment and other related expenditures which will provide a primary benefit to the educational programs including the library.

6. **Grounds Maintenance Fee** – Grounds Maintenance Fees shall be collected for the construction, maintenance and safety of hard surface areas on the campus.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets reflects the results of operations for each fiscal year, distinguishing between operating and non-operating revenues and expenses as defined by GASB 35. GASB 35 has defined appropriations (state and local) as non-operating revenues, thus, FVCC is showing an operating loss \$8,499,530 for FY2008. Once the appropriations dollars are considered, the results become a gain of \$595,727 for FY2008. Inclusion of state and local appropriations is a more useful measure of FVCC regular activities.

**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

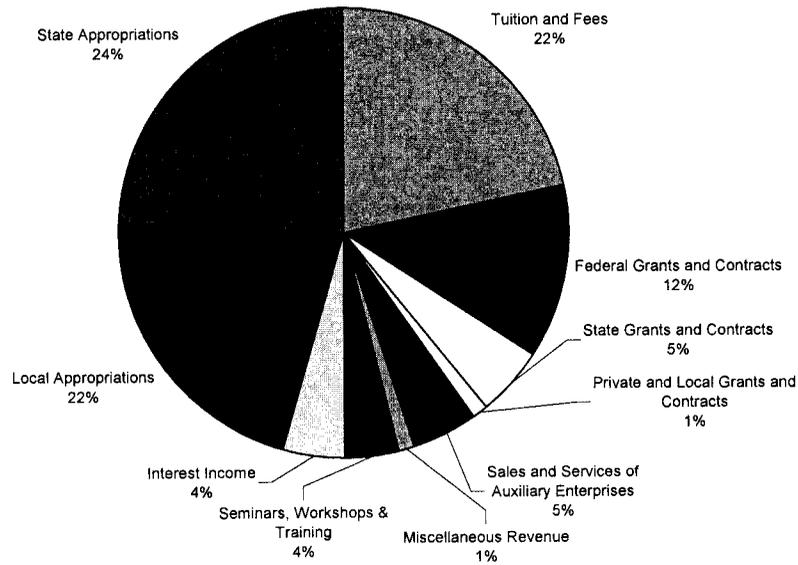
|                                      | <b>For Fiscal Year<br/>Ended 6/30/08</b> | <b>For Fiscal Year<br/>Ended 6/30/07</b> | <b>For Fiscal Year<br/>Ended 6/30/06</b> | <b>For Fiscal Year<br/>Ended 6/30/05</b> |
|--------------------------------------|--|--|--|--|
| Operating Revenues                   | \$ 11,917,111                            | \$ 9,282,427                             | \$ 9,388,854                             | \$ 8,676,817                             |
| Operating Expenses                   | \$ (20,416,641)                          | \$ (15,891,710)                          | \$ (15,406,553)                          | \$ (13,998,409)                          |
| Operating Loss                       | \$ (8,499,530)                           | \$ (6,609,283)                           | \$ (6,017,699)                           | \$ (5,321,592)                           |
| Net Nonoperating Revenues/(Expenses) | \$ 9,095,257                             | \$ 8,472,375                             | \$ 8,786,334                             | \$ 6,560,046                             |
| <b>Change in Net Assets</b>          | <b>\$ 595,727</b>                        | <b>\$ 1,863,092</b>                      | <b>\$ 2,768,635</b>                      | <b>\$ 1,238,454</b>                      |
| Beginning Net Assets                 | \$ 15,452,060                            | \$ 13,698,029                            | \$ 10,973,756                            | \$ 9,880,079                             |
| <b>Prior Period Adjustments</b>      | <b>\$ (934,043)</b>                      | <b>\$ (109,061)</b>                      | <b>\$ (44,362)</b>                       | <b>\$ (144,777)</b>                      |
| Net Assets - end of year             | \$ 15,113,744                            | \$ 15,452,060                            | \$ 13,698,029                            | \$ 10,973,756                            |

Information regarding revenue and expense items:

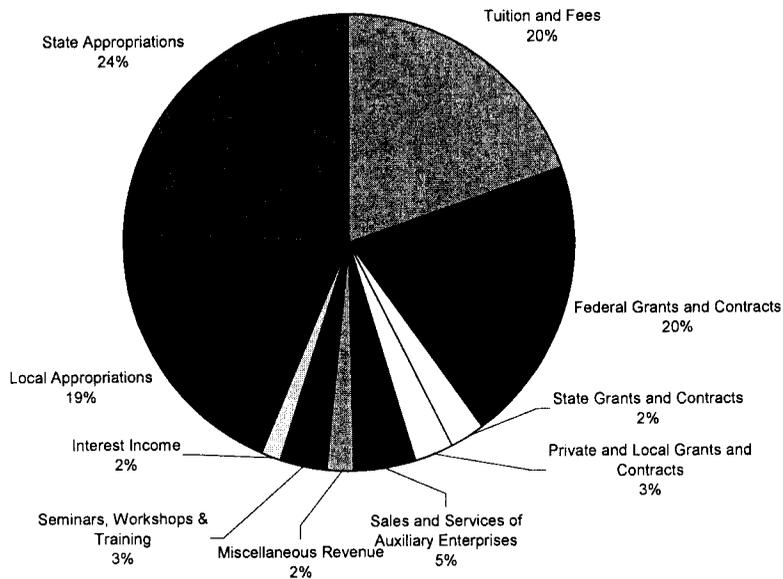
- Operating Revenue: Operating Revenues for FY2008 are \$11,917,111 compared to \$9,282,427 for FY2007. These results consisted of additional Tuition and Fee Revenues that partially offset decreased State and Federal Grant Revenue as compared to the same revenue items in FY2007.
- Operating Expense: Operating Expenses for FY2008 are \$20,416,641 versus \$15,891,710 for FY2007. Contributions to the operating expense included increased Scholarship and Depreciation expenses as compared to the same expense items in FY2007.
- Non Operating Revenues (Expenses): Non Operating Revenues for FY2008 are \$9,095,257 and \$8,472,375 for FY2007. This total included increased State and Local Appropriation revenue as compared to the same Non Operating Revenue item for FY2007.
- Prior Period Adjustment FY2008: Change in accounting method for asset capitalization.

All revenues by source are illustrated below (includes all funds, not just general operating):

**FY2007 REVENUES**

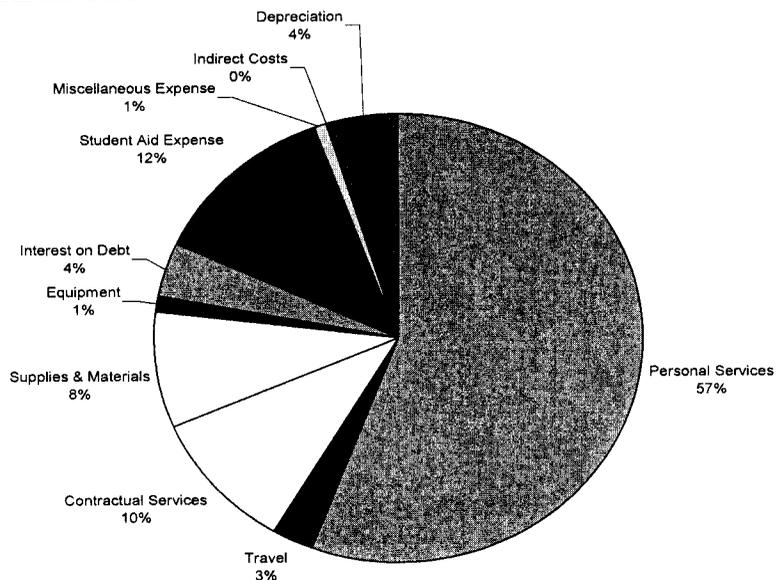


**FY2008 REVENUES**

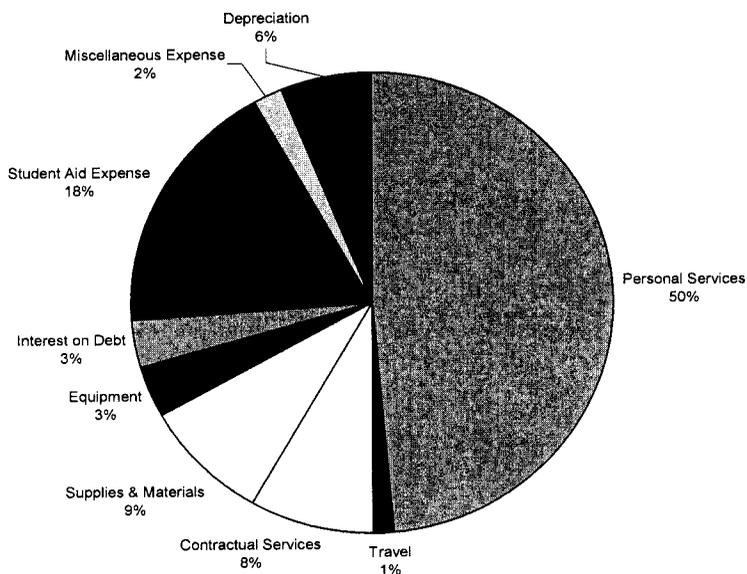


Expenses by natural classification are illustrated below for each fiscal year (includes all funds, not just general operating):

### FY2007 EXPENSES



### FY2008 EXPENSES



## Statement of Cash Flows

The Statement of Cash Flows summarizes where cash was provided or utilized throughout the fiscal year. Cash flows are presented in operating activities, non-capital financing activities, capital and related financing activities and investing activities. The sum of these four categories is the net change in cash which was an increase of \$369,128 for FY2008. The large increases in cash for FY2005 and FY2006 are primarily made up of the bond proceeds issued for the campus expansion. FY2007 shows the use of cash as the proceeds were spent for the construction project.

### CONDENSED STATEMENT CASH FLOWS

|  | For Fiscal<br>Year Ended<br>6/30/08 | For Fiscal<br>Year Ended<br>6/30/07 | For Fiscal<br>Year Ended<br>6/30/06 | For Fiscal<br>Year Ended<br>6/30/05 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Cash Provided (Used) by:                     |                                     |                                     |                                     |                                     |
| Operating Activities                         | \$ (7,566,343)                      | \$ (5,983,875)                      | \$ (4,267,109)                      | \$ (4,344,094)                      |
| Noncapital Financing Activities              | \$ 9,663,899                        | \$ 8,158,555                        | \$ 7,725,282                        | \$ 6,591,145                        |
| Capital and Related Financing Activities     | \$ (2,075,866)                      | \$ (15,166,207)                     | \$ 434,165                          | \$ 8,314,621                        |
| Investing Activities                         | \$ 347,438                          | \$ 782,183                          | \$ 889,587                          | \$ 166,773                          |
| Net Increase (Decrease) in Cash              | \$ 369,128                          | \$ (12,209,344)                     | \$ 4,781,925                        | \$ 10,728,445                       |
| Cash and Cash Equivalents, beginning of year | \$ 7,180,387                        | \$ 19,389,731                       | \$ 14,607,806                       | \$ 3,879,361                        |
| Cash and Cash Equivalents, end of year       | \$ 7,549,515                        | \$ 7,180,387                        | \$ 19,389,731                       | \$ 14,607,806                       |

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South - Suite 101, PO Box 1957, Kalispell, MT 59903*

---

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Flathead Valley Community College  
Flathead County  
Kalispell, Montana

We have audited the accompanying financial statements of the business-type activities, the aggregate remaining fund information, and the discretely presented component units of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Flathead Valley Community College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, which has a year end of December 31, 2007. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amount included for the audited component unit of the college, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors, provides a reasonable basis for our opinions.

In our opinion, based on our report and the report of other auditors, 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 units, and the aggregate remaining fund information of the Flathead Valley Community College, Flathead County, Montana, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008, on our consideration of the Flathead Valley Community College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Functional Classification of Operating Expenses, Student Financial Aid Modified Statement of Cash Receipts and Disbursements, Schedule for Full Time Equivalent and Schedule of Expenditures of Student Financial Assistance Programs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards for the years ended June 30, 2007 and 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Flathead Valley Community College. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Denning, Downey and Associates, CPAs, P.C.*

December 16, 2008

**Flathead Valley Community College, Flathead County, Montana**  
**Statement of Net Assets**  
**June 30, 2008**

|   |    | <u>Business-Type<br/>Activities</u> |
|---|----|-------------------------------------|
| <b>ASSETS</b>   |    |                                     |
| Current assets:                                       |    |                                     |
| Cash and cash equivalents                             | \$ | 7,291,361                           |
| Taxes receivable                                      |    | 300,673                             |
| Grants receivable                                     |    | 566,311                             |
| Accounts receivable (Net of allowance of \$417,001)   |    | 446,529                             |
| Other Assets  |    | 170,700                             |
| Inventory   |    | 179,057                             |
| Total current assets                                  | \$ | <u>8,954,631</u>                    |
| Noncurrent assets:                                    |    |                                     |
| Restricted cash                                       | \$ | 258,154                             |
| Bond issuance costs                                   |    | 190,295                             |
| Land  |    | 2,014,863                           |
| Capital assets - construction in progress             |    | 51,145                              |
| Capital assets - depreciable, net                     |    | 25,074,840                          |
| Total noncurrent assets                               | \$ | <u>27,589,297</u>                   |
| Total assets  | \$ | <u><u>36,543,928</u></u>            |
| <b>LIABILITIES</b>                                    |    |                                     |
| Current liabilities:                                  |    |                                     |
| Accounts payable and accrued liabilities              | \$ | 599,627                             |
| Accrued payroll                                       |    | 111,644                             |
| Deferred revenue - tuition and fees                   |    | 557,138                             |
| Due to student organizations - private purpose trusts |    | 183,279                             |
| Bond premium  |    | 131,195                             |
| Current portion of compensated absences payable       |    | 78,225                              |
| Current portion of long-term capital liabilities      |    | 917,491                             |
| Total current liabilities                             | \$ | <u>2,578,599</u>                    |
| Noncurrent liabilities:                               |    |                                     |
| Noncurrent compensated absences payable               | \$ | 1,142,284                           |
| Noncurrent portion of long-term capital liabilities   |    | 17,709,301                          |
| Total noncurrent liabilities                          | \$ | <u>18,851,585</u>                   |
| Total liabilities                                     | \$ | <u><u>21,430,184</u></u>            |
| <b>NET ASSETS</b>                                     |    |                                     |
| Invested in capital assets, net of related debt       | \$ | 8,514,056                           |
| Restricted for debt service                           |    | 236,122                             |
| Restricted for grants                                 |    | 8,152                               |
| Restricted for scholarships                           |    | 13,880                              |
| Unrestricted  |    | 6,341,534                           |
| Total net assets                                      | \$ | <u>15,113,744</u>                   |
| Total liabilities and net assets                      | \$ | <u><u>36,543,928</u></u>            |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College, Flathead County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2008**

|   |    | <u>Business-Type<br/>Activities</u> |
|---|----|-------------------------------------|
| <b>OPERATING REVENUES</b>   |    |                                     |
| Tuition and fees (net of scholarship allowances of \$387,896)           | \$ | 4,266,987                           |
| Federal grants and contracts  |    | 4,437,344                           |
| State grants and contracts  |    | 512,128                             |
| Private and local grants and contracts                                  |    | 588,746                             |
| Indirect cost recoveries  |    | 54,868                              |
| Seminars and workshops (net of waivers of \$0)                          |    | 676,557                             |
| Auxiliary activities  |    | 1,021,914                           |
| Other operating revenues  |    | 358,567                             |
| Total operating revenues  | \$ | <u>11,917,111</u>                   |
| <b>OPERATING EXPENSES</b>   |    |                                     |
| Personal services   | \$ | 10,261,571                          |
| Travel  |    | 282,858                             |
| Supplies  |    | 1,838,469                           |
| Contracted services   |    | 1,766,324                           |
| Bond issue expense  |    | 10,902                              |
| Bad debt expense  |    | 239,122                             |
| Scholarships and grants   |    | 3,825,377                           |
| Noncapitalized equipment (under \$5,000)                                |    | 739,058                             |
| Other operating expenses  |    | 173,602                             |
| Depreciation expense  |    | 1,279,358                           |
| Total operating expenses  | \$ | <u>20,416,641</u>                   |
| Operating income (loss)   | \$ | <u>(8,499,530)</u>                  |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                 |    |                                     |
| Interest income   |    | 347,438                             |
| State appropriations  |    | 5,336,963                           |
| Local appropriations  |    | 4,115,196                           |
| Interest payments   |    | (711,294)                           |
| Total non-operating revenues (expenses)                                 | \$ | <u>9,088,303</u>                    |
| Income (loss) before transfers  | \$ | 588,773                             |
| Transfers from fiduciary funds  |    | 6,954                               |
| Change in net assets  | \$ | <u>595,727</u>                      |
| Net assets - beginning  | \$ | 15,452,060                          |
| Restatements - Change in accounting method for reporting capital assets |    | (934,043)                           |
| Net assets - beginning restated   | \$ | <u>14,518,017</u>                   |
| Net assets - ending   | \$ | <u>15,113,744</u>                   |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College, Flathead County, Montana**  
**Statement of Cash Flows**  
**Fiscal Year Ended June 30, 2008**

|   | <b>Business-Type<br/>Activities</b> |
|---|-------------------------------------|
| <b>Cash flows from operating activities:</b>  |                                     |
| Cash received from providing services-tuition and fees  | \$ 4,723,404                        |
| Cash received from federal grants and contracts   | 4,413,192                           |
| Cash received from state grants and contracts   | 512,128                             |
| Cash received from private and local grants   | 427,910                             |
| Cash received from seminars and workshops   | 676,557                             |
| Cash received from auxiliary activities   | 1,021,914                           |
| Cash received from miscellaneous sources  | 413,435                             |
| Cash payments to suppliers  | (3,803,400)                         |
| Cash payment for contracted services  | (1,766,324)                         |
| Cash payments for scholarships and grants   | (4,064,499)                         |
| Cash payments to employees  | (10,120,660)                        |
| Net cash provided (used) by operating activities  | \$ (7,566,343)                      |
| <b>Cash flows from capital and related financing activities:</b>                                      |                                     |
| Acquisition and construction of capital assets  | \$ (3,418,841)                      |
| Principal paid on debt  | (1,270,630)                         |
| Interest paid on debt   | (719,357)                           |
| Proceeds from bonds, loans and advances   | 3,332,962                           |
| Net cash provided (used) by capital and related financing activities                                  | \$ (2,075,866)                      |
| <b>Cash flows from non-capital financing activities:</b>  |                                     |
| Cash received from state appropriations   | \$ 5,304,406                        |
| Cash received from local appropriations   | 4,171,368                           |
| Cash received from private purpose trusts   | 6,954                               |
| Cash received from other funds  | 181,171                             |
| Net cash provided (used) from non-capital financing activities  | \$ 9,663,899                        |
| <b>Cash flows from investing activities:</b>  |                                     |
| Interest on investments   | \$ 347,438                          |
| Net cash provided (used) by investing activities  | \$ 347,438                          |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | \$ 369,128                          |
| <b>Cash and cash equivalents at beginning</b>   | 7,180,387                           |
| <b>Restatements - includes beginning restricted cash</b>  |                                     |
| <b>Cash and cash equivalents at end</b>   | \$ 7,549,515                        |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                                     |
| Operating income (loss)   | \$ (8,499,530)                      |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities:        |                                     |
| Depreciation  | 1,279,358                           |
| Changes in assets and liabilities:  |                                     |
| Accounts receivable   | 353,733                             |
| Deferred tuition waivers  | 5,278                               |
| Deferred revenue  | 5,880                               |
| Tuition deposits  | (636)                               |
| Deposits  | 68,010                              |
| Grants receivable   | (160,836)                           |
| Prepaid expenses  | 3,621                               |
| Inventory   | (8,547)                             |
| Other assets  | (170,700)                           |
| Accounts payable  | (582,885)                           |
| Accrued wages   | 38,448                              |
| Compensated absences  | 102,463                             |
| Net cash provided (used) by operating activities  | \$ (7,566,343)                      |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College Foundation**  
**Statement of Financial Position**  
**December 31, 2007**

**ASSETS**

**ASSETS**

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 1,445,650        |
| Investments               | 2,624,196           |
| Pledges receivable        | 611,894             |
| Other assets              | 48,083              |
| Software                  | 1,625               |
| Total assets              | \$ <u>4,731,448</u> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|  |                   |
|--|-------------------|
| Accounts payable and other liabilities | \$ 80,797         |
| Foundation scholarships payable        | 93,550            |
| Other scholarships payable             | 99,776            |
| Total liabilities                      | \$ <u>274,123</u> |

**NET ASSETS**

|                        |                     |
|------------------------|---------------------|
| Unrestricted           | \$ 411,250          |
| Temporarily restricted | 1,928,596           |
| Permanently restricted | 2,117,479           |
| Total net assets       | \$ <u>4,457,325</u> |

|                                  |                            |
|----------------------------------|----------------------------|
| Total Liabilities and Net Assets | \$ <u><u>4,731,448</u></u> |
|----------------------------------|----------------------------|

See accompanying Notes to the Financial Statements

**Flathead Valley Community College Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2007**

| <b>REVENUES, GAINS AND OTHER SUPPORT</b>     | <b>Unrestricted</b>   | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>            |
|--|-----------------------|-----------------------------------|-----------------------------------|-------------------------|
| Pledges and other public support             | \$ 59,812             | \$ 279,318                        | \$ 576,344                        | \$ 915,474              |
| In-kind donations                            | 228,714               | -                                 | 248,240                           | 476,954                 |
| Net realized and unrealized investment gains | -                     | 136,298                           | -                                 | 136,298                 |
| Investment income                            | 34,986                | 83,480                            | -                                 | 118,466                 |
| Net assets released from restrictions        | 67,300                | (67,300)                          | -                                 | -                       |
| Total revenues, gains and other support      | \$ 390,812            | \$ 431,796                        | \$ 824,584                        | \$ 1,647,192            |
| <br><b>ALLOCATION AND EXPENSES</b>           |                       |                                   |                                   |                         |
| Program services                             |                       |                                   |                                   |                         |
| Scholarship awards                           | \$ 94,200             | \$ -                              | \$ -                              | \$ 94,200               |
| Program disbursements                        | 160,158               | -                                 | -                                 | 160,158                 |
| Other program expenses                       | 90,703                | -                                 | -                                 | 90,703                  |
| Prizes                                       | 11,046                | -                                 | -                                 | 11,046                  |
| Supporting services                          |                       |                                   |                                   |                         |
| Professional fees                            | 6,590                 | -                                 | -                                 | 6,590                   |
| Investment management fees                   | 4,108                 | -                                 | -                                 | 4,108                   |
| Management and general                       | 86,570                | -                                 | -                                 | 86,570                  |
| Total allocations and expenses               | \$ 453,375            | \$ -                              | \$ -                              | \$ 453,375              |
| <br><b>CHANGE IN NET ASSETS</b>              | <br>\$ (62,563)       | <br>\$ 431,796                    | <br>\$ 824,584                    | <br>\$ 1,193,817        |
| <br><b>NET ASSETS, BEGINNING OF PERIOD</b>   | <br><u>473,813</u>    | <br><u>1,496,800</u>              | <br><u>1,292,895</u>              | <br><u>3,263,508</u>    |
| <br><b>NET ASSETS, END OF PERIOD</b>         | <br><u>\$ 411,250</u> | <br><u>\$ 1,928,596</u>           | <br><u>\$ 2,117,479</u>           | <br><u>\$ 4,457,325</u> |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College Foundation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2007**

|   |                                |
|---|--------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                |
| Change in net assets  | \$ 1,193,817                   |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |                                |
| Net realized and unrealized investment gains  | (136,298)                      |
| (Increase) decrease in assets:  |                                |
| Pledges receivables   | (260,087)                      |
| Other assets  | 1,113                          |
| Increase (decrease) in liabilities:   |                                |
| Accounts payable and other liabilities  | 44,759                         |
| Scholarships payable  | (4,335)                        |
| Net cash provided by operating activities   | <u>\$ 838,969</u>              |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                |
| Payments for purchase of investments  | <u>\$ (419,303)</u>            |
| <br><b>INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <br><u>\$ 419,666</u>          |
| <br><b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>  | <br><u>\$ 1,025,984</u>        |
| <br><b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>  | <br><u><u>\$ 1,445,650</u></u> |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College, Flathead County, Montana**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

|                                     | <u>Private<br/>Purpose<br/>Trusts</u> |
|-------------------------------------|---------------------------------------|
| <b>ASSETS</b>                       |                                       |
| Cash and short-term investments     | \$ 245                                |
| Due from business-type activities   | 183,279                               |
| Total assets                        | \$ <u>183,524</u>                     |
| <br><b>LIABILITIES</b>              |                                       |
| Deferred revenue - tuition and fees | 10,081                                |
| Total liabilities                   | \$ <u>10,081</u>                      |
| <br><b>NET ASSETS</b>               |                                       |
| Assets held in trust                | \$ <u><u>173,443</u></u>              |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College, Flathead County, Montana**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2008**

|   |    | <b>Private<br/>Purpose<br/>Trusts</b> |
|---|----|---------------------------------------|
|   |    | <u>          </u>                     |
| <b>ADDITIONS:</b>   |    |                                       |
| Contributions from private sources                        | \$ | 10,594                                |
| Miscellaneous revenue                                     |    | 55,759                                |
| Agency revenue  |    | 75,656                                |
| Total additions   | \$ | <u>142,009</u>                        |
| <b>DEDUCTIONS:</b>  |    |                                       |
| Student activities  |    | 149,052                               |
| Transfers to business-type funds                          |    | <u>6,954</u>                          |
| Total deductions  | \$ | <u>156,006</u>                        |
| Change in net assets                                      | \$ | <u>(13,997)</u>                       |
| Net assets - beginning of the year                        | \$ | 9,122                                 |
| Restatements - reclassification of prior year liabilities |    | 178,318                               |
| Net assets - beginning of the year - restated             | \$ | <u>187,440</u>                        |
| Net assets - end of the year                              | \$ | <u><u>173,443</u></u>                 |

See accompanying Notes to the Financial Statements

FLATHEAD VALLEY COMMUNITY COLLEGE  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The College complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB statement Nos. 20 and 34 provide the College the option of electing to apply FASB pronouncements issued after November 30, 1989. The College has elected not to apply those pronouncements.

**Financial Reporting Entity**

In determining the financial reporting entity, the College complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the College appointed a voting majority of the units' board; the College is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Primary Government*

The College was established under Montana law to provide post-secondary educational services. Based on the criteria for determining the reporting entity (separate legal entity and financial or fiscal dependency on other governments) the College is a primary government as defined by GASB Cod. Sec. 2100 and has component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending December 31, 2007. The College has the following discretely presented component units:

Flathead Valley Community College Foundation

FLATHEAD VALLEY COMMUNITY COLLEGE  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Summary of Significant Accounting Policies

Nature of Activities

The Flathead Valley Community College Foundation is a non profit organization exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Flathead Valley Community College Foundation assists the Flathead Valley Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Flathead Valley Community College Foundation is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Endowment are from contributions and investment income.

Basis of Accounting

The accounts of the Foundation are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Foundation uses a public purpose trust fund to account for its activities.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Classification of Net Assets

The Foundation classifies contributions as unrestricted, temporarily restricted and permanently restricted net assets in accordance with donor stipulations. Permanently restricted net assets consist of endowed gifts where donors have specified investment in perpetuity to generate income for specified restricted and unrestricted purposes. Temporarily restricted net assets include gifts restricted as to purpose of time. When a donor restriction expires (time restriction ends, purpose restriction is accomplished, or payments re received for unconditional promises to give), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. All expenses are reported in unrestricted net assets.

In-Kind Donations

The Foundation seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. All donated goods are considered gifts in-kind and are valued at their fair market value at the time of donation. The value of donated services is determined by the donors as the usual fees they would receive for such service in the normal course of their business.

FLATHEAD VALLEY COMMUNITY COLLEGE  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Donors are provided receipts showing estimated fair market value for their in-kind donations: these values are established by the donors. Donated goods and services are recorded in the financial statements as unrestricted functional expense or capitalized assets.

Investments

The investments are carried at fair value, unrecognized gains and losses are reflected in the Statement of Activities. All gains and investment income are allocated to unrestricted, temporarily restricted or permanently restricted net assets based on the nature of the restrictions, if any, on the invested assets. Investment income earned from temporarily restricted or permanently restricted net assets that is used to pay scholarships within the same reporting period is accounted for as unrestricted.

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance, if applicable, based on its assessment of the current status of individual accounts. As of December 31, 2007, no valuation of allowance has been established as management does not anticipate any material loss with respect to the remaining balance of pledges receivable.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years.

Contributions

Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted or permanently restricted revenue in accordance with donor stipulations. Unconditional promised to give with payments due in the future periods are recognized as temporarily restricted revenue. Restricted contributions whose restrictions are met within the same reporting period are accounted for as unrestricted support. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Donors included individuals and businesses who principally reside in Flathead Montana.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

FLATHEAD VALLEY COMMUNITY COLLEGE  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Proprietary Funds:***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recoded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed. The College has only one fund other than Fiduciary Funds.

***Fiduciary Funds***

The College reports the student activities funds as fiduciary funds as they represent assets held in a trust capacity for the student activities and therefore cannot be used to support the College's own programs.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

The College's cash is held by the County Treasurer and pooled with other County cash. With the College cash that is not necessary for short-term obligations, the College participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investments is distributed to each contributing entity and fund on a pro rata basis.

The College does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding investment risk, collateral, security, and fair values for Flathead County deposits and investments is available from Flathead County Treasurer's office, 800 S. Main Street, Kalispell, Montana 59901. The Flathead County external investment pool is not rated. The College has also directed the County Treasurer to invest certain funds. These investments are STIP and U.S. Government bonds.

FLATHEAD VALLEY COMMUNITY COLLEGE  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

Authorized investments allowed by Section 20-9-213, MCA, include savings or time deposits in a state or national bank, building or loan association, or credit union insured by the FDIC or NCUA located in the state; repurchase agreements; and the State Unified Investment Program. Further, Section 7-6-202, MCA, authorized investments in U. S. government treasury bills, notes, bonds, U.S. Treasury obligations, treasury receipts, general obligations of certain agencies of the United States, and U.S. government security money market fund if the fund meets certain conditions.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

Component Unit Cash and Cash Equivalents

The components of cash and cash equivalents as of December 31, 2007 are as follows:

|                                    |                     |
|------------------------------------|---------------------|
| Cash in bank and on hand           | \$ 147,014          |
| Endowment money market investments | 112,727             |
| Other money market investments     | <u>1,185,909</u>    |
| Total                              | \$ <u>1,445,650</u> |

Component Unit Investments

The Foundation invests primarily in U.S. Treasury bonds, government agency bonds, mutual funds, equity securities, and corporate debt securities. At December 31, 2007, investments are comprised of the following:

|                                | <u>Amortized Cost</u> | <u>FMV</u>          |
|--------------------------------|-----------------------|---------------------|
| Government and agencies        | \$ 706,710            | \$ 717,814          |
| Corporate binds and bond funds | 492,215               | 489,858             |
| Equity securities              | <u>995,580</u>        | <u>1,416,524</u>    |
| Total                          | \$ <u>2,194,505</u>   | \$ <u>2,624,196</u> |

**NOTE 3. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Property tax levies are set in August, in connection with the budget process, and are based on taxable values listed as of January 1 for all property located in the District. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

FLATHEAD VALLEY COMMUNITY COLLEGE  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

Real property taxes are generally billed in October and are payable 50% by November 30 and 50% by May 31. After these dates, taxes become delinquent and become a lien on the property. Personal property is assessed and personal property taxes are billed throughout the year, with a significant portion generally billed in May, June, and July. Personal property taxes are based on levies set during the prior August. These taxes become delinquent 30 days after billing.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

**NOTE 4. PREPAIDS**

Prepays record payments to vendors that benefit future reporting periods and are reported on the consumption basis.

**NOTE 5. CAPITAL ASSETS**

The College's assets are capitalized at historical cost or estimated historical cost. College policy has set the capitalization threshold for reporting capital assets based on the type of capital asset. Buildings and building improvements costing more than \$25,000, any land purchases regardless of cost, land improvements and infrastructure costing \$10,000 or more, and library books treated as a collection is 3% or more of total capital assets reported by the Flathead Valley Community College are capitalized. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

|                              |             |
|------------------------------|-------------|
| Information Technology ..... | 10-20 years |
| Buildings .....              | 40 years    |
| Building Improvements .....  | 40 years    |
| Equipment .....              | 5-20 years  |
| Library .....                | 10 years    |
| Land Improvements .....      | 20 years    |

FLATHEAD VALLEY COMMUNITY COLLEGE  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in the basic financial statements. In accordance with Statement No. 34, the College has included the value of all infrastructure into the 2007-08 Basic Financial Statements. The College has elected not to retroactively report general infrastructure assets.

The following is a summary of capital assets:

|   | Balance<br><u>July 1, 2007</u> | <u>Additions</u>     | Restatements/<br><u>Transfers</u> | Balance<br><u>June 30, 2008</u> |
|---|--------------------------------|----------------------|-----------------------------------|---------------------------------|
| Capital assets not being depreciated:         |                                |                      |                                   |                                 |
| Land  | \$ 2,014,863                   | \$ -                 | \$ -                              | \$ 2,014,863                    |
| Construction in Progress                      | <u>17,288,476</u>              | <u>51,145</u>        | <u>(17,288,476)</u>               | <u>51,145</u>                   |
| Total capital assets not being depreciated    | <u>\$ 19,303,339</u>           | <u>\$ 51,145</u>     | <u>\$(17,288,476)</u>             | <u>\$ 2,066,008</u>             |
| Other Capital Assets:                         |                                |                      |                                   |                                 |
| Buildings                                     | \$ 6,781,167                   | \$ 383,138           | \$ 16,745,634                     | \$ 23,909,939                   |
| Improvements Other than Buildings             | 472,981                        | 1,402,211            | -                                 | 1,875,192                       |
| Machinery and Equipment                       | 3,616,878                      | 1,344,474            | (2,001,203)                       | 2,960,149                       |
| Leased Equipment                              | 378,115                        | -                    | (378,115)                         | -                               |
| Library Inventory                             | 243,295                        | 47,914               | (17,951)                          | 273,258                         |
| Leasehold Improvements                        | 365,586                        | -                    | -                                 | 365,586                         |
| Information Technology                        | <u>294,077</u>                 | <u>189,958</u>       | <u>389,707</u>                    | <u>873,742</u>                  |
| Total other Capital Assets at historical cost | <u>\$ 12,152,099</u>           | <u>\$ 3,367,695</u>  | <u>\$ 14,738,072</u>              | <u>\$ 30,257,866</u>            |
| Less Accumulated Depreciation                 | <u>\$(5,552,587)</u>           | <u>\$(1,279,358)</u> | <u>\$ 1,648,919</u>               | <u>\$(5,183,026)</u>            |
| Total   | <u>\$ 25,902,851</u>           | <u>\$ 2,139,482</u>  | <u>\$ (901,485)</u>               | <u>\$ 27,140,848</u>            |

**NOTE 6. LONG TERM DEBT OBLIGATIONS**

In the proprietary financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2008, the following changes occurred in liabilities reported in long-term debt:

Business-type Activities:

|                          | Balance<br><u>July 1, 2007</u> | <u>Additions</u>    | <u>Deletions</u>     | Balance<br><u>June 30, 2008</u> | Due within<br><u>one year</u> |
|--------------------------|--------------------------------|---------------------|----------------------|---------------------------------|-------------------------------|
| Contracted Debt          | \$ 371,864                     | \$ -                | \$ (94,375)          | \$ 277,489                      | \$ 57,131                     |
| General Obligation Bonds | 16,196,000                     | -                   | (1,006,000)          | 15,190,000                      | 590,000                       |
| Compensated Absences     | 1,118,046                      | 102,463             | -                    | 1,220,509                       | 78,225                        |
| Intercap Loans           | <u>-</u>                       | <u>3,258,780</u>    | <u>(99,747)</u>      | <u>3,159,033</u>                | <u>270,360</u>                |
| Total                    | <u>\$17,685,910</u>            | <u>\$ 3,361,243</u> | <u>\$(1,200,122)</u> | <u>\$19,847,031</u>             | <u>\$995,716</u>              |

FLATHEAD VALLEY COMMUNITY COLLEGE  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

**General Obligation Bonds:**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2008 were as follows:

| <u>Purpose</u> | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Balance June 30, 2008</u> |
|----------------|-------------------------|----------------------|-------------|----------------------|-------------------------|------------------------------|
| Series 2005    | 3/15/05                 | 3.5-5.0%             | 20 yrs      | 7/1/25               | 9,900,000               | \$ 9,345,000                 |
| Series 2006    | 7/1/06                  | 3.75-5.0%            | 20 yrs      | 7/1/26               | <u>5,916,000</u>        | <u>5,845,000</u>             |
| Total          |                         |                      |             |                      | <u>\$15,816,000</u>     | <u>\$15,190,000</u>          |

Annual requirement to amortize debt:

| <u>For Fiscal Year Ended</u> | <u>Principal</u>    | <u>Interest</u>    |
|------------------------------|---------------------|--------------------|
| 2009                         | \$ 565,000          | \$ 578,769         |
| 2010                         | 590,000             | 553,406            |
| 2011                         | 625,000             | 529,700            |
| 2012                         | 650,000             | 506,812            |
| 2013                         | 675,000             | 483,025            |
| 2014-2018                    | 3,775,000           | 2,011,595          |
| 2019-2023                    | 4,605,000           | 1,215,509          |
| 2024-2029                    | <u>3,705,000</u>    | <u>267,074</u>     |
| Total                        | <u>\$15,190,000</u> | <u>\$6,145,890</u> |

**Loans/contracted debt:**

Loans/contracted debt outstanding as of June 30, 2008 was as follows:

| <u>Purpose</u>        | <u>Origination Date</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Balance June 30, 2008</u> |
|-----------------------|-------------------------|----------------------|-------------|----------------------|-------------------------|------------------------------|
| Glacier Notes Payable | 8/14/01                 | 5.3%                 | 10 yrs      | 8/14/11              | <u>\$675,000</u>        | <u>\$277,489</u>             |

Annual requirement to amortize debt:

| <u>For Fiscal Year Ended</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------|------------------|-----------------|
| 2009                         | \$ 74,226        | \$13,835        |
| 2010                         | 78,197           | 9,821           |
| 2011                         | 82,428           | 5,590           |
| 2012                         | <u>42,638</u>    | <u>1,371</u>    |
| Total                        | <u>\$277,489</u> | <u>\$30,617</u> |

FLATHEAD VALLEY COMMUNITY COLLEGE  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

**InterCap Loans:**

InterCap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

InterCap loans outstanding as of June 30, 2008 were as follows:

| <u>Origination</u><br><u>Date</u> | <u>Interest</u><br><u>Rate</u> | <u>Term</u> | <u>Maturity</u> | <u>Principal</u><br><u>Amount</u> | <u>Balance</u><br><u>June 30, 2008</u> |
|-----------------------------------|--------------------------------|-------------|-----------------|-----------------------------------|--|
| 2008                              | 4.85%                          | 10 years    | 2018            | \$ <u>3,258,780</u>               | \$ <u>3,159,033</u>                    |

Annual requirements to amortize debt:

| <u>For Fiscal</u><br><u>Year Ended</u> | <u>Principal</u>   | <u>Interest</u>   |
|--|--------------------|-------------------|
| 2009                                   | \$ 270,360         | \$ 79,025         |
| 2010                                   | 254,428            | 141,890           |
| 2011                                   | 266,917            | 129,401           |
| 2012                                   | 280,020            | 116,298           |
| 2013                                   | 293,765            | 102,552           |
| 2014                                   | 308,185            | 88,132            |
| 2015                                   | 323,314            | 73,004            |
| 2016                                   | 339,184            | 57,133            |
| 2017                                   | 355,834            | 40,483            |
| 2018                                   | 373,302            | 23,016            |
| 2019                                   | <u>93,724</u>      | <u>4,691</u>      |
| Total                                  | <u>\$3,159,033</u> | <u>\$ 855,625</u> |

**Compensated Absences**

Non-teaching College employees earn vacation leave ranging from fifteen to twenty-four days per year depending on the employee's years of service. Vacation leave may be accumulated not to exceed two times the maximum number of days earned annually. Sick leave is earned at a rate of one day per month for non-teaching and teaching employees. Upon retirement or termination, employees are paid for 100% of unused vacation leave and 25% of unused sick leave. Upon termination, all payments are made at the employee's current rate of pay.

FLATHEAD VALLEY COMMUNITY COLLEGE  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2008

**NOTE 7. STATE-WIDE RETIREMENT PLANS**

The College participates in two cost-sharing, multiple-employer defined benefit pension plans. The plans provide retirement, death, and disability benefits to plan members and beneficiaries with amounts determined by the State. Teaching employees (including principals and superintendents) are covered by Montana Teachers Retirement Plan (TRS), and substantially all other College employees are covered by the Montana Public Employees Retirement System (PERS). The plans are established by Montana law and administered by the State of Montana.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2008, were:

|          | <u>PERS</u> | <u>TRS</u> |
|----------|-------------|------------|
| Employer | 6.935%      | 7.47%      |
| Employee | 6.90%       | 7.15%      |
| State    | 0.10%       | 0.20%      |

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the College's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154
2. Teachers' Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134

Total contributions for the years ended June 30, 2006, 2007, and 2008, as listed below, were equal to the required contributions for each year.

|      | <u>PERS</u> | <u>TRS</u> |
|------|-------------|------------|
| 2006 | \$ 477,766  | \$ 520,301 |
| 2007 | \$ 460,842  | \$ 494,513 |
| 2008 | \$ 496,564  | \$ 637,124 |

**NOTE 8. POST EMPLOYMENT BENEFITS**

Terminated employees may remain on the College's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the College's health plan to age 65, provided they pay the monthly premiums. State law requires the College to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

FLATHEAD VALLEY COMMUNITY COLLEGE  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

The College had 16 retired employees and no terminated employees participating in the plan as of June 30, 2008.

**NOTE 9. RESTRICTED CASH/INVESTMENTS**

Component Unit – Board Restrictions

Unrestricted net assets include Board restricted cash and investments for various foundation projects and other uses. Total Board restricted cash and investments at December 31, 2007 was \$255,717.

**NOTE 10. RELATED PARTY TRANSACTIONS**

**Related Party Transactions Component units**

The following schedule presents significant transactions between the primary government and its component units during the year ended June 30, 2008:

| <u>Component Unit</u>                        | <u>Significant Transactions</u> |
|--|---------------------------------|
| Flathead Valley Community College Foundation | Donated \$ 495,331              |

**NOTE 11. RISK MANAGEMENT**

The College faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the College has no coverage for potential losses from environmental damages.

**NOTE 12. PENDING LITIGATION**

There was no pending or threatened litigation or unasserted claims or assessments against the College at June 30, 2008.

**Flathead Valley Community College, Flathead County, Montana**  
**Supplemental Information**  
**For the Year Ended June 30, 2008**

**Student Financial Aid Modified Statement**  
**of Cash Receipts and Disbursements**

|                           | <u>PELL</u>                | <u>CWA</u>               | <u>SEOG</u>              |
|---------------------------|----------------------------|--------------------------|--------------------------|
| Beginning Cash Balance    | \$ <u>(16,759)</u>         | \$ <u>(5,949)</u>        | \$ <u>(12,611)</u>       |
| Additions:                |                            |                          |                          |
| Federal advances          | \$ 1,193,925               | \$ 32,435                | \$ 43,981                |
| State matching            | -                          | 38,413                   | 11,632                   |
| Total additions           | \$ <u>1,193,925</u>        | \$ <u>70,848</u>         | \$ <u>55,613</u>         |
| Deductions:               |                            |                          |                          |
| Distributions to students | \$ 1,327,489               | \$ 71,500                | \$ 46,336                |
| Administrative expenses   | -                          | 3,341                    | -                        |
| Total deductions          | \$ <u>1,327,489</u>        | \$ <u>74,841</u>         | \$ <u>46,336</u>         |
| Net change in cash        | \$ <u>(133,564)</u>        | \$ <u>(3,993)</u>        | \$ <u>9,277</u>          |
| Ending cash balance       | \$ <u><u>(150,323)</u></u> | \$ <u><u>(9,942)</u></u> | \$ <u><u>(3,334)</u></u> |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College, Flathead County, Montana**  
**Supplemental Information**  
**For the Year Ended June 30, 2008**

**Schedule of Expenditures -**  
**Student Financial Assistant Programs**

|  |                              |
|--|------------------------------|
| Perkins loan program                             |                              |
| Student loan advances                            | \$ <u>          -</u>        |
| College work study                               |                              |
| Wages  | \$       33,087              |
| Administrative cost                              | 3,341                        |
| Total college work study                         | \$ <u>          36,428</u>   |
| Supplemental Education Opportunity Grant Program |                              |
| Student Grants                                   | \$ <u>          46,336</u>   |
| Pell grant program                               |                              |
| Student grants                                   | \$ <u>         1,327,489</u> |

See accompanying Notes to the Financial Statements

**Flathead Valley Community College, Flathead County, Montana**  
**Supplemental Information**  
**For the Year Ended June 30, 2008**

**Schedule of Full Time Equivalent**

| <b>Semester</b> | <b>Resident</b> | <b>WUE</b> | <b>Nonresident</b> | <b>Total</b> |
|-----------------|-----------------|------------|--------------------|--------------|
| Summer 2007     | 228.07          | 0.73       | 10.57              | 239.37       |
| Fall 2007       | 1,194.70        | 7.33       | 33.53              | 1,235.56     |
| Spring 2008     | 1,196.56        | 7.20       | 41.04              | 1,244.80     |

Flathead Valley Community College, Flathead County, Montana

Schedule of Functional

Classification of Operating Expenses

For the Year Ended June 30, 2008

|                           | Instruction         | Public Service    | Academic Support    | Student Services    | Institutional Support | Scholarships and Fellowships | Operation and Maintenance of Plant | Auxiliary           | Total                |
|---------------------------|---------------------|-------------------|---------------------|---------------------|-----------------------|------------------------------|------------------------------------|---------------------|----------------------|
| Salaries                  | \$ 3,834,212        | \$ 247,120        | \$ 620,186          | \$ 1,057,719        | \$ 1,319,793          | \$ 313,401                   | \$ 378,387                         | \$ 249,286          | \$ 8,020,104         |
| Benefits                  | 903,867             | 53,875            | 201,394             | 273,981             | 371,175               | 158,256                      | 152,111                            | 126,808             | 2,241,467            |
| Travel                    | 108,336             | 22,536            | 32,573              | 45,997              | 50,563                | 22,277                       | -                                  | 576                 | 282,858              |
| Supplies                  | 362,963             | 199,764           | 50,938              | 83,165              | 284,209               | 31,434                       | 135,085                            | 690,911             | 1,838,469            |
| Contracted services       | 143,045             | 382,718           | 76,811              | 131,598             | 234,073               | 65,515                       | 685,429                            | 47,135              | 1,766,324            |
| Bond issue expense        | -                   | -                 | -                   | -                   | -                     | -                            | 10,902                             | -                   | 10,902               |
| Bad debt expense          | -                   | -                 | -                   | -                   | 239,122               | -                            | -                                  | -                   | 239,122              |
| Scholarships and grants   | 15,000              | 500               | -                   | 2,740               | -                     | 3,807,137                    | -                                  | -                   | 3,825,377            |
| Non capitalized equipment | 30,413              | 2,029             | 20,796              | 12,435              | 69,797                | 57,174                       | 530,729                            | 15,685              | 739,058              |
| Other operating expense   | -                   | -                 | -                   | 147,390             | -                     | 26,212                       | -                                  | -                   | 173,602              |
| Depreciation expense      | -                   | -                 | -                   | -                   | -                     | -                            | 1,279,358                          | -                   | 1,279,358            |
|                           | <u>\$ 5,397,836</u> | <u>\$ 908,542</u> | <u>\$ 1,002,698</u> | <u>\$ 1,755,025</u> | <u>\$ 2,568,732</u>   | <u>\$ 4,481,406</u>          | <u>\$ 3,172,001</u>                | <u>\$ 1,130,401</u> | <u>\$ 20,416,641</u> |

Flathead Valley Community College, Flathead County, Montana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Fiscal Year Ended June 30, 2007

| <b>Federal Grantor/Pass-Through Grantor/Program Title</b>                  | <b>Federal CFDA Number</b> | <b>Pass-Through Grantor's Number</b> | <b>Program or Award Amount</b> | <b>Federal Expenditures</b> | <b>Ending Balance June 30, 2007</b> |
|--|----------------------------|--------------------------------------|--------------------------------|-----------------------------|-------------------------------------|
| <b>U.S. Department of Agriculture</b>                                      |                            |                                      |                                |                             |                                     |
| <i>Passed through the Montana Office of Public Instruction:</i>            |                            |                                      |                                |                             |                                     |
| Summer Food Program  | 10.559                     | N/A                                  | \$ 6,421                       | 6,421                       | -                                   |
| <b>Total U.S. Department of Agriculture</b>                                |                            |                                      |                                | <b>\$ 6,421</b>             | <b>\$ -</b>                         |
| <b>U.S. Department of Labor</b>  |                            |                                      |                                |                             |                                     |
| <i>Direct:</i>   |                            |                                      |                                |                             |                                     |
| WIA, Pilots, Demonstrations and Research Projects                          | 17.261                     | AF-13626-D4-60                       | \$ 53,821                      | \$ 55,453                   | \$ (1,632)                          |
| <b>Total U.S. Department of Interior</b>                                   |                            |                                      |                                | <b>\$ 55,453</b>            | <b>\$ (1,632)</b>                   |
| <b>National Endowment for the Humanities</b>                               |                            |                                      |                                |                             |                                     |
| <i>Passed through the Montana Communities for Humanities:</i>              |                            |                                      |                                |                             |                                     |
| Promotion of the Humanities, Federal/State Partnership                     | 45.129                     | 30-1-13                              | \$ 3,000                       | \$ 3,000                    | -                                   |
| <b>Total National Endowment for the Humanities</b>                         |                            |                                      |                                | <b>\$ 3,000</b>             | <b>\$ -</b>                         |
| <b>U.S. Department of Education</b>  |                            |                                      |                                |                             |                                     |
| <i>Direct:</i>   |                            |                                      |                                |                             |                                     |
| Federal Supplemental Educational Opportunity Grants (FSEOG)                | 84.007                     | P007A062416                          | \$ 34,897                      | \$ 39,576                   | \$ (4,679)                          |
| Federal Family Education Loans   | 84.032                     | N/A                                  | \$ 870,863                     | 870,863                     | -                                   |
| Federal Work-Study Program (FWS)   | 84.033                     | P033A062416                          | \$ 45,851                      | 45,851                      | -                                   |
| Trio - Student Support Services  | 84.042                     | P042A050770                          | \$ 307,708                     | 31,143                      | 276,565                             |
| Trio - Student Support Services  | 84.042                     | P042A050770                          | \$ 307,708                     | 250,905                     | 56,803                              |
| Trio - Upward Bound  | 84.047                     | P047A030694                          | \$ 287,703                     | 73,139                      | 214,564                             |
| Trio - Upward Bound  | 84.047                     | P047A030694                          | \$ 287,703                     | 237,449                     | 50,254                              |
| Federal Pell Grant Program (PELL)  | 84.063                     | P063P062851                          | \$ 1,121,241                   | 1,121,241                   | -                                   |
| Academic Competitiveness Grant (ACG)                                       | 84.375                     | N/A                                  | \$ 15,566                      | 15,566                      | -                                   |
| <i>Passed through the Montana Office of Public Instruction:</i>            |                            |                                      |                                |                             |                                     |
| Adult Education - Basic Grants to States                                   | 84.002                     | 586503-56-07BG                       | \$ 81,865                      | 81,699                      | 166                                 |
| Adult Education - Basic Grants to States                                   | 84.002                     | 586503-56-07EL                       | \$ 14,323                      | 14,258                      | 65                                  |
| <i>Passed through the Office of the Commissioner of Higher Education:</i>  |                            |                                      |                                |                             |                                     |
| Career and Technical Education - Basic Grants to States                    | 84.048                     | N/A                                  | \$ 36,077                      | \$ 36,077                   | -                                   |
| Career and Technical Education - Basic Grants to States                    | 84.048                     | N/A                                  | \$ 13,980                      | 13,980                      | -                                   |
| Career and Technical Education - Basic Grants to States                    | 84.048                     | FVCC LP07                            | \$ 120,538                     | 108,409                     | 12,129                              |
| Perkins Tech Prep Grant  | 84.243                     | TP NW 001                            | \$ 112,407                     | 112,407                     | -                                   |
| <b>Total U.S. Department of Education</b>                                  |                            |                                      |                                | <b>\$ 3,052,563</b>         | <b>\$ 605,867</b>                   |
| <b>U.S. Department of Health and Human Services</b>                        |                            |                                      |                                |                             |                                     |
| <i>Passed through the Montana Department of Health and Human Services:</i> |                            |                                      |                                |                             |                                     |
| Child Care and Development Block Grant                                     | 93.575                     | 0702HIED0006                         | \$ 32,138                      | \$ 8,511                    | \$ 23,627                           |
| Child Care and Development Block Grant                                     | 93.575                     | 0702HIED0007                         | \$ 32,138                      | \$ 24,760                   | \$ 7,378                            |
| <b>Total U.S. Department of Health and Human Services</b>                  |                            |                                      |                                | <b>\$ 33,271</b>            | <b>\$ 31,005</b>                    |
| <b>Corporation for National and Community Service</b>                      |                            |                                      |                                |                             |                                     |
| <i>Passed through the Montana Arts Council:</i>                            |                            |                                      |                                |                             |                                     |
| Learn and Serve America - Higher Education                                 | 94.005                     | PG-27924-03LR                        | \$ 26,820                      | \$ 26,820                   | -                                   |
| <b>Total Corporation for National and Community Service</b>                |                            |                                      |                                | <b>\$ 26,820</b>            | <b>\$ -</b>                         |
| <b>Total Federal Financial Assistance</b>                                  |                            |                                      |                                | <b>\$ 3,177,528</b>         | <b>\$ 635,240</b>                   |

N/A = Not Applicable or Not Available

Flathead Valley Community College, Flathead County, Montana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Fiscal Year Ended June 30, 2008

| Federal Grantor/Pass-Through<br>Grantor/Program Title                      | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Program or<br>Award<br>Amount | Federal<br>Expenditures | Ending<br>Balance<br>June 30, 2008 |
|--|---------------------------|-------------------------------------|-------------------------------|-------------------------|------------------------------------|
| <b>U.S. Department of Agriculture</b>                                      |                           |                                     |                               |                         |                                    |
| <i>Passed through the Montana Office of Public Instruction:</i>            |                           |                                     |                               |                         |                                    |
| Summer Food Service Program  | 10.559                    | N/A                                 | \$ 3,714                      | \$ 203                  | \$ 3,511                           |
| <b>Total U.S. Department of Agriculture</b>                                |                           |                                     |                               | <u>203</u>              | <u>3,511</u>                       |
| <b>National Endowment for the Humanities</b>                               |                           |                                     |                               |                         |                                    |
| <i>Passed through the Montana Communities for Humanities:</i>              |                           |                                     |                               |                         |                                    |
| Promotion of the Humanities - Federal/State Partnership                    | 45.129                    | 31-1-11                             | \$ 4,500                      | \$ 4,500                | \$ -                               |
| <b>Total Corporation for National and Community Service</b>                |                           |                                     |                               | <u>4,500</u>            | <u>-</u>                           |
| <b>U.S. Department of Education</b>  |                           |                                     |                               |                         |                                    |
| <i>Direct:</i>   |                           |                                     |                               |                         |                                    |
| Federal Supplemental Educational Opportunity Grants (FSEOG)                | 84.007                    | P007A072416                         | \$ 34,897                     | \$ 34,704               | \$ 193                             |
| Federal Family Education Loans (FFEL)                                      | 84.032                    | N/A                                 | \$ 1,957,255                  | 1,957,255               | -                                  |
| Federal Work Study Program (FWS)   | 84.033                    | P033A072416                         | \$ 39,351                     | 35,463                  | 3,888                              |
| Trio - Student Support Services  | 84.042                    | P042A050770-08                      | \$ 307,708                    | 75,359                  | 232,349                            |
| Trio - Student Support Services  | 84.042                    | P042A050770-08                      | \$ 307,708                    | 191,098                 | 116,610                            |
| Trio - Upward Bound  | 84.047                    | P047A030694                         | \$ 287,703                    | 107,455                 | 180,248                            |
| Trio - Upward Bound  | 84.047                    | P047A080807                         | \$ 296,334                    | 162,730                 | 133,604                            |
| Federal Pell Grant   | 84.063                    | P063P072851                         | \$ 1,327,489                  | 1,327,489               | -                                  |
| Academic Competitiveness Grant (ACG)                                       | 84.375                    | P375A072851                         | \$ 19,272                     | 19,272                  | -                                  |
| <i>Passed through the Office of Public Instruction:</i>                    |                           |                                     |                               |                         |                                    |
| Adult Education - Basic Grants to States                                   | 84.002                    | 58-6503-56-08-BG                    | \$ 81,865                     | 81,865                  | -                                  |
| Adult Education - Basic Grants to States                                   | 84.002                    | 58-6503-56-08-EL                    | \$ 9,313                      | 9,313                   | -                                  |
| <i>Passed through the Office of Commissioner of Higher Education:</i>      |                           |                                     |                               |                         |                                    |
| Career and Technical Education - Basic Grants to States                    | 84.048                    | FVCC LP08                           | \$ 105,137                    | 104,770                 | 367                                |
| Perkins Tech Prep Grant  | 84.243                    | TP 2008-2010                        | \$ 465,000                    | 361,763                 | 103,237                            |
| <b>Total U.S. Department of Education</b>                                  |                           |                                     |                               | <u>\$ 4,468,536</u>     | <u>\$ 770,496</u>                  |
| <b>U.S. Department of Health and Human Services</b>                        |                           |                                     |                               |                         |                                    |
| <i>Passed through the Montana Department of Health and Human Services:</i> |                           |                                     |                               |                         |                                    |
| Child Care and Development Block Grant                                     | 93.575                    | 0702HIED0007                        | \$ 32,138                     | \$ 5,739                | \$ 26,399                          |
| Child Care and Development Block Grant                                     | 93.575                    | 0802HIED0008                        | \$ 27,210                     | 26,094                  | 1,116                              |
| <b>Total U.S. Department of Health and Human Services</b>                  |                           |                                     |                               | <u>31,833</u>           | <u>27,515</u>                      |
| <b>Corporation for National and Community Service</b>                      |                           |                                     |                               |                         |                                    |
| <i>Passed through the Montana Arts Council:</i>                            |                           |                                     |                               |                         |                                    |
| Lear and Serve America - Higher Education                                  | 94.005                    | PG-08-67041-03                      | \$ 29,160                     | \$ 29,160               | \$ -                               |
| <b>Total Corporation for National and Community Service</b>                |                           |                                     |                               | <u>\$ 29,160</u>        | <u>\$ -</u>                        |
| <b>Total Federal Financial Assistance</b>                                  |                           |                                     |                               | <u>\$ 4,534,232</u>     | <u>\$ 801,522</u>                  |

N/A = Not Applicable or Not Available

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHAD COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2008

*Basis of Presentation*

The accompanying Schedules of Expenditures of Federal Awards include the federal grant activity of Flathead Valley Community College, Flathead County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South - Suite 101, PO Box 1957, Kalispell, MT 59903

---

**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  
Flathead Valley Community College  
Flathead County  
Kalispell, Montana

We have audited the financial statements of the business-type activities, the aggregate remaining fund information, and the discretely presented component units of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the Flathead Valley Community College's basic financial statements and have issued our report thereon dated December 16, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Flathead Valley Community College'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*.

This report is intended solely for the information and use of the College, management, the Montana Department of Administration, the Montana Office of Public Instruction, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Derringer, Downey and Associates, CPA's, P.C.*

December 16, 2008

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South - Suite 101, PO Box 1957, Kalispell, MT 59903

---

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Flathead Valley Community College  
Flathead County  
Kalispell, Montana

Compliance

We have audited the compliance of Flathead Valley Community College, Flathead County, Montana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion of the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Flathead Valley Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Board of Trustees, the State of Montana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning, Downey and Associates, CPAs, P.C.*

December 16, 2008

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHAD COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2008

**Section I – Summary of Auditor’s Results**

**Financial Statements**

|  |                    |
|--|--------------------|
| Type of auditor’s report issued  | <i>Unqualified</i> |
| Internal control over financial reporting:                                       |                    |
| Material weakness(es) identified?  | No                 |
| Significant deficiency(s) identified<br>not considered to be material weaknesses | None Reported      |
| Noncompliance material to financial statements<br>noted?                         | No                 |

**Federal Awards**

|   |                    |
|---|--------------------|
| Internal control over major programs:   |                    |
| Material weakness(es) identified?   | No                 |
| Significant deficiency(s) identified<br>not considered to be material weaknesses  | None Reported      |
| Type of auditor’s report issued on compliance<br>for major programs:  | <i>Unqualified</i> |
| Any audit findings disclosed that are required<br>to be reported in accordance with<br>Circular A-133, Section .510(a)? | No                 |

Identification of major programs:

| <u>CFDA Number</u>     | <u>Name of Federal Program or Cluster</u> |
|------------------------|---|
| 84.243                 | Perkins Tech Prep Grant                   |
| 84.042, 84.047         | TRIO Cluster                              |
| 84.007, 84.032, 84.033 | Student Financial Aid Cluster             |
| 84.063, 84.375         |   |

|   |                   |
|---|-------------------|
| Dollar threshold used to distinguish<br>between Type A and Type B programs: | <u>\$ 300,000</u> |
| Auditee qualified as low-risk auditee?                                      | No                |

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

There were no financial statements findings reported.

### Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs.

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South - Suite 101, PO Box 1957, Kalispell, MT 59903*

---

**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING  
CONTROL MATTERS**

Board of Trustees  
Flathead Valley Community College  
Flathead County  
Kalispell, Montana

There were no other compliance, financial, or internal accounting matters.

*Denning, Downey and Associates, CPAs, P.C.*

December 16, 2008

***Denning, Downey & Associates, P.C.***  
***CERTIFIED PUBLIC ACCOUNTANTS***

*1740 U.S. Hwy 93 South - Suite 101, PO Box 1957, Kalispell, MT 59903*

---

**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board of Trustees  
Flathead Valley Community College  
Flathead County  
Kalispell, Montana

The prior audit report contained no recommendations.

*Denning, Downey and Associates, CPA's, P.C.*

December 16, 2008



Flathead Valley Community College

777 Grandview Drive, Kalispell, MT 59901 • 406.756.3822 • Fax: 406.756.3815

February 13, 2009

Denning, Downey and Associates  
1740 US Hwy 93 South  
Kalispell, MT. 59901

RE: Fiscal Year 2008 Audit

Dear Denning, Downey and Associates:

Flathead Valley Community College is pleased to receive an unqualified opinion on our annual financial statements. FVCC would like to thank your auditors and staff for their hard work and professionalism in conducting the audit.

Thank you for the opportunity to reply to the audit report for Flathead Valley Community College.

Sincerely,

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form the name 'Chuck Jensen'.

Chuck Jensen  
V.P. Admin and Finance