

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

AUDIT REPORT



Prepared Under Contract With:
MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena, MT 59620-1705

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:
James Gillett
Angie Grove

February 2011

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, 2010.

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.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

10C-07



FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

AUDIT REPORT

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



FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-6
Independent Auditor's Report	7-8
Financial Statements	
College:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Fiduciary Funds – Statement of Fiduciary Net Assets	12
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	13
Foundation:	
Statement of Financial Position	14
Statement of Activities	15
Statement of Cash Flows	16
Notes to Financial Statements – College	17-25
Notes to Financial Statements – Foundation	26-30
Required Supplemental Information	
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	31
Supplemental Information	
Unaudited:	
Student Financial Aid Modified Statement of Cash Receipts and Disbursements	32
Schedule of Expenditures - Student Financial Assistance Programs	33
Audited:	
Schedule of Full Time Equivalent	34
Schedule of Functional Classification of Operating Expenses	35
Single Audit Section	
Schedule of Expenditures of Federal Awards 2009	36
Schedule of Expenditures of Federal Awards 2010	37
Notes to the Schedule of Expenditures of Federal Awards	38
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	39-40

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	41-42
Schedule of Findings and Questioned Costs	43-44
Report on Other Compliance, Financial, and Internal Accounting Control Matters	45
Report on Prior Audit Recommendations	46

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2010

BOARD OF TRUSTEES

John Engebretson
Robert Nystuen
Thomas Harding
Ralene Sliter
John Phelps
Tom McElwain
Mark Holston

Chairperson
Vice Chairperson
Trustee
Trustee
Trustee
Trustee
Secretary

DISTRICT OFFICIALS

Jane Karas
Monica Settles

President
District Clerk

This page intentionally left blank

Flathead Valley Community College, Flathead County, Montana
Management's Discussion and Analysis
Fiscal Year 2010

Flathead Valley Community College (FVCC) is dedicated to improving lives through learning. FVCC is 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, 2010.

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 1st and sets up a payment plan to pay tuition and fees in full by July 31st. On July 1st, 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 1st. 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 present 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 6/30/10	At 6/30/09	At 6/30/08	At 6/30/07
Total Current Assets	\$11,283,779	\$9,089,821	\$8,954,631	\$9,191,585
Total Non-Current Assets	\$27,493,958	\$28,054,403	\$27,589,297	\$25,902,851
TOTAL ASSETS	\$38,777,737	\$37,144,224	\$36,543,928	\$35,094,436
Total Current Liabilities	\$3,624,025	\$3,972,408	\$2,578,599	\$3,118,919
Total Non-Current Liabilities	\$17,433,755	\$17,641,212	\$18,851,585	\$16,523,457
TOTAL LIABILITIES	\$21,057,780	\$21,613,620	\$21,430,184	\$19,642,376
Invested in capital, net of related debt	\$9,957,595	\$9,224,584	\$8,514,056	\$9,334,987
Restricted-expendable	\$654,205	\$992,799	\$258,154	\$0
Unrestricted	\$7,108,157	\$5,313,221	\$6,341,534	\$6,117,073
TOTAL NET ASSETS	\$17,719,957	\$15,530,604	\$15,113,744	\$15,452,060

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.
- Restricted-expendable Net Assets were held primarily in the grant, scholarship and bond funds.
- 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. A portion 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 \$8,281,115 for FY2010. Once the appropriations dollars are considered, the results become a gain of \$2,189,353 for FY2010. 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

	For Fiscal Year Ended 6/30/10	For Fiscal Year Ended 6/30/09	For Fiscal Year Ended 6/30/08	For Fiscal Year Ended 6/30/07
Operating Revenues	\$ 23,918,194	\$ 15,600,085	\$ 11,917,111	\$ 9,282,427
Operating Expenses	\$ (32,199,309)	\$ (24,465,591)	\$ (20,416,641)	\$ (15,891,710)
Operating Loss	\$ (8,281,115)	\$ (8,865,506)	\$ (8,499,530)	\$ (6,609,283)
Net Nonoperating Revenues/(Expenses)	\$ 10,475,031	\$ 9,282,366	\$ 9,088,303	\$ 8,472,375
Transfers	\$ (4,563)	\$ -	\$ 6,954	\$ -
Change in Net Assets	\$ 2,189,353	\$ 416,860	\$ 595,727	\$ 1,863,092
Beginning Net Assets	\$ 15,530,604	\$ 15,113,744	\$ 15,452,060	\$ 13,698,029
Prior Period Adjustments	\$ -	\$ -	\$ (934,043)	\$ (109,061)
Net Assets - end of year	\$ 17,719,957	\$ 15,530,604	\$ 15,113,744	\$ 15,452,060

Information regarding revenue and expense items:

- Operating Revenue: Operating Revenues for FY2010 are \$23,918,194 compared to \$15,600,085 for FY2009. These results consisted of additional Tuition and Fee Revenues and increased Federal Grant Revenue as compared to the same revenue items in FY2009.
- Operating Expense: Operating Expenses for FY2010 are \$32,199,309 versus \$24,465,591 for FY2009. Contributions to the operating expense included increased Scholarship and Personal Services expenses as compared to the same expense items in FY2009.
- Non Operating Revenues (Expenses): Non Operating Revenues for FY2010 are \$10,475,031 and \$9,282,366 for FY2009. This total included increased State and Local Appropriation revenue offset by lower Interest revenue as compared to the same Non Operating Revenue item for FY2009.
- Prior Period Adjustment FY2009: None.

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 a increase of \$429,798 for FY2010. The beginning year cash balance of \$19,389,731 for FY2007 was primarily made up of the bond proceeds issued for the campus expansion in FY2005 and FY2006. FY2007 shows the use of cash as the proceeds were spent for the construction project.

	For Fiscal Year Ended 6/30/10	For Fiscal Year Ended 6/30/09	For Fiscal Year Ended 6/30/08	For Fiscal Year Ended 6/30/07
Cash Provided (Used) by:				
Operating Activities	\$ (7,680,700)	\$ (6,498,686)	\$ (7,566,343)	\$ (5,983,875)
Noncapital Financing Activities	\$ 10,715,537	\$ 9,618,460	\$ 9,663,899	\$ 8,158,555
Capital and Related Financing Activities	\$ (2,775,610)	\$ (2,673,526)	\$ (2,075,866)	\$ (15,166,207)
Investing Activities	\$ 170,571	\$ 246,105	\$ 347,438	\$ 782,183
Net Increase (Decrease) in Cash	\$ 429,798	\$ 692,353	\$ 369,128	\$ (12,209,344)
Cash and Cash Equivalents, beginning of year	\$ 8,241,868	\$ 7,549,515	\$ 7,180,387	\$ 19,389,731
Cash and Cash Equivalents, end of year	\$ 8,671,666	\$ 8,241,868	\$ 7,549,515	\$ 7,180,387

This page intentionally left blank

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 unit of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2010, 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, 2009. 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 unit, and the aggregate remaining fund information of the Flathead Valley Community College, Flathead County, Montana, as of June 30, 2010, 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 January 21, 2011, 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 6, 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 Student Financial Aid Modified Statement of Cash Receipts and Disbursements 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on them. The accompanying Schedule of Full Time Equivalent and the Functional Classification of Operating Expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards for the years ended June 30, 2009 and 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit 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.

Derrington, Downey and Associates, CPAs, P.C.

January 21, 2011

Flathead Valley Community College, Flathead County, Montana
Statement of Net Assets
June 30, 2010

ASSETS

Current assets:

Cash and investments	\$ 8,046,666
Taxes and assessments receivable, net	422,748
Grants receivable	778,274
Accounts receivable - net	1,534,301
Other assets	255,656
Inventories	246,134
Total current assets	<u>\$ 11,283,779</u>

Noncurrent assets:

Restricted cash and investments	\$ 625,000
Bond issuance costs	168,489
Capital assets - land	2,579,863
Capital assets - construction in progress	47,005
Capital assets - depreciable, net	24,073,601
Total noncurrent assets	<u>\$ 27,493,958</u>
Total assets	<u><u>\$ 38,777,737</u></u>

LIABILITIES

Current liabilities:

Accounts payable and accrued liabilities	771,098
Deposits payable	32,250
Interest payable	21,115
Accrued payroll	146,640
Deferred revenue - tuition and fees	969,650
Deferred revenue - grants	101,765
Bond premium	116,198
Current portion of early retirement liabilities	16,033
Current portion of long-term capital liabilities	1,028,122
Current portion of compensated absences payable	421,154
Total current liabilities	<u>\$ 3,624,025</u>

Noncurrent liabilities:

Noncurrent portion of long-term capital liabilities	15,714,752
Noncurrent portion of compensated absences	821,644
Other post employment benefits	897,359
Total noncurrent liabilities	<u>\$ 17,433,755</u>
Total liabilities	<u><u>\$ 21,057,780</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 9,957,595
Restricted for debt service	625,000
Restricted for grants	18,106
Restricted for scholarships	11,099
Unrestricted	7,108,157
Total net assets	<u>\$ 17,719,957</u>
Total liabilities and net assets	<u><u>\$ 38,777,737</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, 2010

OPERATING REVENUES

Tuition and fees (net of scholarship allowances of \$ 645,179)	\$ 7,812,965
Federal grants and contracts	11,637,795
State grants and contracts	436,046
Private and local grants and contracts	1,078,082
Indirect cost recoveries	105,842
Seminars and workshops (net of waivers of \$82)	660,350
Auxiliary activities	1,912,485
Other operating revenues	274,629
Total operating revenues	<u>\$ 23,918,194</u>

OPERATING EXPENSES

Personal services	\$ 13,742,208
Travel	304,037
Supplies	2,401,094
Contracted services	2,279,457
Bond issue expense	10,903
Bad debt expense	312,774
Scholarships and grants	10,464,399
Noncapitalized equipment (under \$5000)	932,986
Other operating expenses	329,128
Depreciation expense	1,422,323
Total operating expenses	<u>\$ 32,199,309</u>
Operating income (loss)	<u>\$ (8,281,115)</u>

NON-OPERATING REVENUES (EXPENSES)

State appropriations	\$ 6,032,319
Local appropriations	4,889,108
Interest revenue	170,571
Debt service interest expense	(616,967)
Total non-operating revenues (expenses)	<u>\$ 10,475,031</u>
Income (loss) before contributions and transfers	<u>\$ 2,193,916</u>
Transfers to fiduciary funds	(4,563)
Change in net assets	<u>\$ 2,189,353</u>
Net Assets - Beginning of the year	<u>\$ 15,530,604</u>
Net Assets - End of the year	<u><u>\$ 17,719,957</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Cash flows from operating activities:

Cash received from tuition and fees	\$ 6,820,604
Cash received from federal grants and contracts	11,150,789
Cash received from grants and contracts	1,632,580
Cash received from seminars and workshops	660,350
Cash received from auxiliary activities	1,912,485
Cash received from miscellaneous sources	380,471
Cash payment to suppliers	(3,691,495)
Cash payment for contracted services	(2,279,457)
Cash payment for scholarships and grants	(10,464,399)
Cash payment to employees	(13,802,628)
Net cash provided (used) by operating activities	<u>\$ (7,680,700)</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(1,181,228)
Principal paid on debt	(966,607)
Interest paid on debt	(627,775)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,775,610)</u>

Cash flows from non-capital financing activities:

Cash received from state appropriations	6,032,319
Cash received from local appropriations	4,687,781
Cash paid to other funds	(4,563)
Net cash provided (used) from non-capital financing activities	<u>\$ 10,715,537</u>

Cash flows from investing activities:

Interest on investments	170,571
Net cash provided (used) by investing activities	<u>\$ 170,571</u>

Net Increase in cash and cash equivalents 429,798

Cash and cash equivalents at beginning of the year 8,241,868

Cash and cash equivalents at end of the year \$ 8,671,666

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ (8,281,115)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	1,422,323
Changes in assets and liabilities:	
Grants Receivable	(368,827)
Accounts Receivable	(772,151)
Inventory	(26,361)
Other Assets	(97,950)
Accounts Payable	(33,135)
Compensated absences payable	(5,180)
Accrued wages payable	(55,240)
Deferred revenue - tuition and fees	79,701
Deferred revenue - grants	273
Deposits Payable	12,863
Other Post Employment Benefits payable	444,099

Net Cash provided (used) by operating activities \$ (7,680,700)

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose Trust Funds</u>
ASSETS	
Cash and short-term investments	\$ 238,835
Receivables:	329
Total assets	\$ <u>239,164</u>
 LIABILITIES	
Accounts payable	4,223
Total liabilities	\$ <u>4,223</u>
 NET ASSETS	
Assets held in trust	\$ <u><u>234,941</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, 2010

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions from private sources	\$ 7,188
Misc. Revenue	55,715
State Revenue	7,459
Agency Revenue (net of Waivers \$ 1,196)	116,243
Transfers In	4,563
Total contributions	<u>191,168</u>
Total additions	<u>\$ 191,168</u>
DEDUCTIONS	
Student activities	<u>153,662</u>
Total deductions	\$ <u>153,662</u>
Change in net assets	\$ <u>37,506</u>
Net Assets - Beginning of the year	<u>\$ 197,435</u>
Net Assets - End of the year	<u><u>\$ 234,941</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College Foundation
Statement of Financial Position
December 31, 2009

ASSETS

ASSETS	
Cash and cash equivalents	\$ 1,595,469
Investments	3,007,270
Pledges receivable	246,946
Other assets	48,083
TOTAL ASSETS	\$ <u>4,897,768</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and other liabilities	\$ 87,019
Foundation scholarships payable	118,342
Other scholarships payable	173,541
Deferred gift liability	63,944
Total Liabilities	\$ <u>442,846</u>
NET ASSETS	
Unrestricted	\$ 23,806
Temporarily restricted	2,170,869
Permanently restricted	2,260,247
Total Net Assets	\$ <u>4,454,922</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,897,768</u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College Foundation
Statement of Activities
For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT				
Pledges and other public support	\$ 31,828	\$ 324,183	\$ 55,658	\$ 411,669
In-kind donations	134,646	-	7,743	142,389
Net realized and unrealized investment gains	955	320,503	-	321,458
Investment income	1,813	105,435	-	107,248
Impairment loss on investments	-	(81,998)	-	(81,998)
Net assets released from restrictions	166,602	(166,602)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 335,844	\$ 501,521	\$ 63,401	\$ 900,766
ALLOCATIONS AND EXPENSES				
Program services				
Scholarship awards	\$ 135,005	\$ -	\$ -	\$ 135,005
Program disbursements	49,149	-	-	49,149
Other program expenses	130,639	-	-	130,639
Prizes	11,824	-	-	11,824
Supporting Services				
Professional fees	10,820	-	-	10,820
Investment management fees	19,218	-	-	19,218
Management and general	138,800	-	-	138,800
TOTAL ALLOCATIONS AND EXPENSES	\$ 495,455	\$ -	\$ -	\$ 495,455
CHANGE IN NET ASSETS	\$ (159,611)	\$ 501,520	\$ 63,401	\$ 405,310
NET ASSETS, BEGINNING OF PERIOD	183,417	1,669,349	2,196,846	4,049,612
NET ASSETS, END OF PERIOD	\$ 23,806	\$ 2,170,869	\$ 2,260,247	\$ 4,454,922

See accompanying Notes to the Financial Statements

Flathead Valley Community College Foundation
Statement of Cash Flows
For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 405,310
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net realized and unrealized investment gains	(321,458)
(Increase) decrease in assets:	
Pledges receivables	157,122
Increase (decrease) in liabilities:	
Accounts payable and other liabilities	(15,364)
Scholarships payable	31,296

NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>256,906</u>
--	--------------------------

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for purchase of investments	\$ <u>(336,978)</u>
--------------------------------------	---------------------

(DECREASE) IN CASH AND CASH EQUIVALENTS	(80,072)
--	-----------------

CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>1,675,541</u>
--	-------------------------

CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ <u><u>1,595,469</u></u>
--	-----------------------------------

See accompanying Notes to the Financial Statements

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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, 2009. The College has the following discretely presented component units:

Flathead Valley Community College Foundation

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.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

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.

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 3. RECEIVABLES

Taxes

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.

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.

Student Accounts Receivable

An allowance for uncollectible accounts has been established for Student Accounts Receivable. As of June 30, 2010 total receivables were \$1,370,580 with an allowance for uncollectible accounts of \$699,020 for a net of \$671,560.

NOTE 4. 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:

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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

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 Basic Financial Statements. The College has elected not to retroactively report general infrastructure assets.

The following is a summary of capital assets:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	Balance <u>June 30, 2010</u>
Capital assets not being depreciated:			
Land	\$ 2,014,863	\$ 565,000	\$ 2,579,863
Construction in Progress	<u>32,778</u>	<u>14,227</u>	<u>47,005</u>
Total capital assets not being depreciated	\$ <u>2,047,641</u>	\$ <u>579,227</u>	\$ <u>2,626,868</u>
Other Capital Assets:			
Buildings	\$ 24,330,359	\$ 358,170	\$ 24,688,529
Improvements Other than Buildings	1,958,333	38,591	1,996,924
Machinery and Equipment	3,519,418	152,438	3,671,856
Library Inventory	321,168	41,910	363,078
Leasehold Improvements	365,586	-	365,586
Information Technology	<u>895,206</u>	<u>10,648</u>	<u>905,854</u>
Total other Capital Assets at historical cost	\$ <u>31,390,070</u>	\$ <u>601,757</u>	\$ <u>31,991,827</u>
Less Accumulated Depreciation	\$ <u>(6,496,147)</u>	\$ <u>(1,422,079)</u>	\$ <u>(7,918,226)</u>
Total	\$ <u>26,941,564</u>	\$ <u>(241,095)</u>	\$ <u>26,700,469</u>

NOTE 5. 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, 2010, the following changes occurred in liabilities reported in long-term debt:

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Business-type Activities:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year
General Obligation Bonds	\$ 14,625,000	\$ -	\$ (590,000)	\$ 14,035,000	\$ 625,000
Contracted Debt	203,306	-	(78,438)	124,868	82,449
Compensated Absences	1,247,978	-	(5,180)	1,242,798	421,154
Intercap Loans	2,888,674	-	(305,668)	2,583,006	320,673
OPEB Liability *	458,721	383,004	-	841,725	-
Total	<u>\$19,423,679</u>	<u>\$383,004</u>	<u>\$(979,286)</u>	<u>\$18,827,397</u>	<u>\$1,449,276</u>

* See Note 7

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, 2010 were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2010
Series 2005	3/15/05	3.5-5.0%	20 yrs	7/1/25	9,900,000	\$ 8,600,000
Series 2006	7/1/06	3.75-5.0%	20 yrs	7/1/26	5,916,000	5,435,000
Total					<u>\$15,816,000</u>	<u>\$14,035,000</u>

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2011	\$ 625,000	\$ 540,920
2012	650,000	518,481
2013	675,000	495,143
2014	700,000	470,906
2015	725,000	445,770
2016	755,000	419,731
2017	780,000	389,181
2018	815,000	357,606
2019	845,000	327,709
2020	880,000	296,022
2021	920,000	262,743
2022	960,000	227,350
2023	1,000,000	190,238
2024	1,040,000	150,607
2025	1,090,000	109,007
2026	1,135,000	64,722
2027	440,000	18,040
Total	<u>\$14,035,000</u>	<u>\$5,284,176</u>

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Loans/contracted debt:

Loans/contracted debt outstanding as of June 30, 2010 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, 2010</u>
Glacier Notes Payable	8/14/01	5.3%	10 yrs	8/14/11	<u>\$675,000</u>	<u>\$124,868</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 82,449	\$ 6,668
2012	<u>42,419</u>	<u>2,265</u>
Total	<u>\$124,868</u>	<u>\$ 8,933</u>

Intercept Loans:

Intercept loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th 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.

Intercept loans outstanding as of June 30, 2010 were as follows:

<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Balance June 30, 2010</u>
2008	1.95%	10 years	2017	<u>\$3,258,780</u>	<u>\$2,583,006</u>

Annual requirements to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 320,674	\$ 48,819
2012	336,119	42,492
2013	352,294	35,862
2014	369,252	28,909
2015	386,525	21,624
2016	404,931	14,003
2017	<u>413,211</u>	<u>5,983</u>
Total	<u>\$2,583,006</u>	<u>\$ 197,692</u>

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

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.

NOTE 6. 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, 2010, were:

	<u>PERS</u>	<u>TRS</u>
Employer	7.07%	7.47%
Employee	6.90%	7.15%
State	0.10%	2.49%

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, 2008, 2009, and 2010, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>TRS</u>
2008	\$ 496,564	\$ 637,124
2009	\$ 569,508	\$ 543,380
2010	\$ 665,859	\$ 836,216

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

NOTE 7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Flathead Valley Community College (FVCC) is a part of the Montana University System Employee Group Benefits Plan (MUSEGBP). FVCC is one of 13 active participants in a cost-sharing multiple-employer defined benefit OPEB plan.

A retiree may continue coverage with the MUSEGBP if the retiree is eligible to receive State Retirement Benefit for Teachers Retirement System (TRS) or the Public Employee Retirement System (PERS) at the time they leave their employment with MUS.

Retirees who are in the Optional Retirement Plan (ORP) (through TIAA-CREF) or any other defined contribution plan must have worked five or more years and be age 50, or have worked 25 years with the MUS to be eligible for Retiree insurance benefits.

An eligible Retiree must make arrangements with their campus Human Resources/Benefits Office to continue coverage as a Retiree on a self-pay basis within 63 days of retirement.

Additional benefit options are available for Non-Medicare Retirees, Medicare Retirees, Spouse coverage, and Spouse Coverage Options after the Death of Retiree.

Copies of the plan and additional benefit options can be obtained from the Montana University System.

There are no required contribution rates of the 13 active participants in the plan.

The actuarial valuation was prepared as of June 30, 2010. FVCC has a phase 2 June 30, 2009 implementation date for GASB #45. The information reported below is based on the June 30, 2010 actuarial valuation.

<u>All Participants at FVCC</u>	<u>June 30, 2010</u>
Accrued Liability	\$ 4,137,471
Annual Required Contribution (ARC)	\$ 454,671
Participant Count	167
Actuarial Value of Assets	\$ 0
Interest / Discount Rate	4.25%
Projected payroll increases	2.5%
Participation	
Future retirees	55%
Future eligible spouses	60%

FLATHEAD VALLEY COMMUNITY COLLEGE
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

Early Retirement Incentive Liability

In 2009 eligible employees were offered a choice between two Early Retirement Incentives. Choice #1 offered individual retiree medical insurance benefits up to \$500/month for a total of five years. Choice #2 offered a cash incentive in place of the above health insurance benefit. The amount will not exceed the amount the retiree health insurance would have cost and is not to exceed \$5,000 per year.

Five employees accepted the early retirement incentive. Assuming a projected increase in health insurance premiums of 8.10% and a present value discount rate of 2.56%, FVCC recognized a total liability of \$71,667.

NOTE 8. 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, 2010:

<u>Component Unit</u>	<u>Significant Transactions</u>
Flathead Valley Community College Foundation	Donated \$ 955,171

NOTE 9. 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 10. SUBSEQUENT EVENTS

The College is currently in binding arbitration concerning a personnel matter and does not anticipate that it will have a material adverse effect on its financial statements.

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Flathead Valley Community College Foundation is a nonprofit organization exempt from federal income taxes 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 FVCC 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 Foundation 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.

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. The components of cash and cash equivalents as of December 31, 2009, are as follows:

Cash in bank and on hand	\$ 118,611
Endowment money market investments	<u>1,476,858</u>
	<u>\$1,595,469</u>

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 or unrestricted purposes. Temporarily restricted net assets include gifts restricted as to purpose or time. When a donor restriction expires (time restriction ends, purpose restriction is accomplished, or payments are received for unconditional promises to give), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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 services in the normal course of their business.

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 revenue and as a corresponding 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 uncollectable 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, 2009, no valuation 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 live 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 promises to give with payments due in 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 include individuals and businesses who principally reside in Flathead County.

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 FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 -- INVESTMENTS

Fair Value Measurement

Effective January 1, 2008, the Organization adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), which provides a framework for measuring fair value under GAAP. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels, as described below:

- Level 1 - Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Organization has the ability to access at the measurement date;
- Level 2 - Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and
- Level 3 - Significant unobservable prices or inputs (including the Organization's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

Financial instruments are considered Level 3 when their values are determined using; pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. As required by SFAS No.157, investments are classified within the level of the lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

There are three general valuation techniques that may be used to measure fair value, as described below:

- (a) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- (b) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- (c) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

Assets and liabilities itemized below were measured at Fair value during the year ended using the market and income approaches. The market approach was used for Level I and Level 2. The income approach was used for Level 3.

		Fair Value Measurements Using:		
		Quoted Prices In Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
Investments	\$3,007,270	\$ 3,007,270	\$ -	\$ -
Pledges receivable	246,946	-	-	246,946
Deferred gift liability	63,944	-	63,944	-
	<u>\$3,318,160</u>	<u>\$ 3,007,270</u>	<u>\$ 63,944</u>	<u>\$ 246,946</u>

The Foundation invests primarily in U.S. Treasury bonds, government agency bonds, mutual funds, equity securities, and corporate debt securities. At December 31, 2009, investments are comprised of the following:

	<u>Amortized Cost</u>	<u>FMV</u>
Government and agencies	\$ 492,779	\$ 502,060
Corporate bonds and bond funds	317,215	326,072
Equity securities and mutual funds	1,745,508	1,987,809
Notes receivable	191,329	191,329
	<u>\$ 2,746,831</u>	<u>\$ 3,007,270</u>

The table below presents a reconciliation of assets measured at fair value on a recurring basis using Level 3 inputs:

	<u>Pledges Receivable</u>
Balance at January 1, 2009	\$ 404,069
Pledge payments received	(166,363)
New pledges made by donors	9,240
	<u>\$ 246,946</u>

NOTE 3 -- 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, 2009, was \$199,538.

FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 – ENDOWMENT

The Board has established an endowment for the purpose of funding scholarships for students attending Flathead Valley Community College. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policies of the Organization.

From time to time, the (fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2009.

NOTE 5 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 19, 2010, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL
INFORMATION**

This page intentionally left blank

Flathead Valley Community College, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 4,137,471	\$ 4,137,471	0%	\$ 11,078,458	37%

This page intentionally left blank



SUPPLEMENTAL INFORMATION

This page intentionally left blank

Flathead Valley Community College, Flathead County, Montana
Student Financial Aid Modified Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2010
(unaudited)

	<u>Pell</u>	<u>CWS</u>	<u>SEOG</u>
Beginning Cash Balance	\$ (123,903)	\$ -	\$ -
Additions:			
Federal Advances	3,845,078	44,725	34,897
State Matching	-	43,480	11,632
Total Additions	<u>\$ 3,845,078</u>	<u>\$ 88,205</u>	<u>\$ 46,529</u>
Deductions:			
Distributions to Students	\$ 4,202,189	76,759	46,529
Administrative Expenses	-	3,902	-
Total Deductions	<u>\$ 4,202,189</u>	<u>\$ 80,661</u>	<u>\$ 46,529</u>
Net Change in Cash	<u>\$ (357,111)</u>	<u>\$ 7,544</u>	<u>\$ -</u>
Ending Cash Balance	<u><u>\$ (481,014)</u></u>	<u><u>\$ 7,544</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Schedule of Expenditures
Student Financial Assistance Programs
For the Year Ended June 30, 2010
(unaudited)

Perkins Loan Program	
Student Loan Advances	\$ <u><u>-</u></u>
College Work Study	
Wages	\$ 43,003
Administrative Cost	<u>3,902</u>
Total College Work Study	\$ <u><u>46,905</u></u>
Supplemental Education Opportunity Grant Program	
Student Grants	4 <u><u>34,897</u></u>
Pell Grant Program	
Student Grants	\$ <u><u>4,202,189</u></u>

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Schedule of Full Time Equivalent (end of term)
For the Year Ended June 30, 2010

Semester	Resident	WUE	Nonresident	Total
Summer 2009	392.07	0.20	18.27	410.54
Fall 2009	1,767.97	1.80	52.13	1,821.90
Spring 2010	1,879.63	2.73	37.20	1,919.56

See accompanying Notes to the Financial Statements

Flathead Valley Community College, Flathead County, Montana
Schedule of Functional
Classification of Operating Expenses
For the Fiscal Year Ended June 30, 2010

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Scholarships and Fellowships	Operation and Maint of Plant	Auxillary	Total
Salaries	\$ 4,904,359	\$ 265,646	\$ 899,916	\$ 1,445,148	\$ 1,653,231	\$ 357,951	\$ 495,306	\$ 434,202	\$ 10,455,759
Benefits	1,548,306	64,801	276,888	378,262	515,626	192,387	186,808	123,371	3,286,449
Travel	60,601	12,108	34,370	108,816	64,891	21,418	191	1,642	304,037
Supplies	525,364	54,825	31,417	92,203	345,697	83,072	156,520	1,111,996	2,401,094
Contracted Services	419,886	479,140	99,927	126,820	277,704	42,855	722,316	110,809	2,279,457
Bond Issue Exp	-	-	-	-	-	-	10,903	-	10,903
Bad Debt Exp	-	-	-	-	312,774	-	-	-	312,774
Non Capitalized Equip	69,198	1,409	28,490	28,136	77,607	12,910	710,167	5,069	932,986
Scholarships and Grants	35,700	-	6,900	4,013	-	10,417,786	-	-	10,464,399
Other Operating Expense	524	3,347	19,844	178,032	88,440	38,838	-	103	329,128
Depreciation Expense	-	-	-	-	-	-	1,422,323	-	1,422,323
	<u>\$ 7,563,938</u>	<u>\$ 881,276</u>	<u>\$ 1,397,752</u>	<u>\$ 2,361,430</u>	<u>\$ 3,335,970</u>	<u>\$ 11,167,217</u>	<u>\$ 3,704,534</u>	<u>\$ 1,787,192</u>	<u>\$ 32,199,309</u>

SINGLE AUDIT SECTION

This page intentionally left blank

Flathead Valley Community College, Flathead County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed through Montana Office of Public Instruction:</i>				
Summer Food Service Program for Children	10.559	N/A	\$ 6,664	\$ 6,676
Total U.S. Department of Agriculture				\$ 6,676
<u>State Humanities Councils</u>				
<i>Passed through Montana Commission for the Humanities:</i>				
Promotion of the Humanities - Federal/State Partnership	45.129	31-1-11	\$ 1,000	\$ 1,000
Total State Humanities Councils				\$ 1,000
<u>National Science Foundation</u>				
<i>Direct:</i>				
Education and Human Resources	47.076	DUE-0736662	\$ 119,318	\$ 101,632
Total U.S. National Science Foundation				\$ 101,632
<u>U.S. Department of Education</u>				
<i>Direct:</i>				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	P007A072416	\$ 193	\$ 193
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	P007A082416	\$ 34,897	34,897
Federal Work Study Program (FWS)	84.033	P033A072416	\$ 3,888	3,888
Federal Work Study Program (FWS)	84.033	P033A082416	\$ 41,174	41,174
TRIO - Student Support Services	84.042	P042A050770-08	\$ 323,863	27,434
TRIO - Student Support Services	84.042	P042A050770-09	\$ 323,863	263,411
TRIO - Upward Bound	84.047	P047A080807-08	\$ 296,334	109,227
TRIO - Upward Bound	84.047	P047A080807-09	\$ 296,334	172,461
Federal Pell Grant	84.063	P063P072851	\$ 1,898,084	1,898,084
Fund for the Improvement of Postsecondary Education	84.116	P116Z080269	\$ 268,231	97,404
Academic Competitiveness Grants	84.375	P375A072851	24,475	24,475
<i>Passed through Montana Office of Public Instruction:</i>				
Adult Education - Basic Grants to States	84.002	58-6503-56-08-BG	\$ 48,028	48,028
Adult Education - Basic Grants to States	84.002	58-6503-56-08-BG	\$ 80,556	80,556
Adult Education - Basic Grants to States	84.002	58-6503-56-08-EL	\$ 13,669	13,669
<i>Passed through the Office of Commissioner of Higher Education:</i>				
Federal Family Education Loans (FFEL)	84.032	N/A	\$ 1,675,423	1,675,423
Federal Family Education Loans (FFEL)	84.032	N/A	\$ 1,237,215	1,237,215
Federal Family Education Loans (FFEL)	84.032	N/A	\$ 19,200	19,200
Career and Technical Education - Basic Grants to States	84.048	FVCC LP08	\$ 107,231	100,501
Tech-Prep Education - Perkins	84.243	TP 2008-2010	\$ 509,858	398,586
Total U.S. Department of Education				\$ 6,245,826
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Montana Department of Health and Human Services:</i>				
Child Care and Development Block Grant	93.575	0802HIED0008	\$ 27,210	\$ 751
Child Care and Development Block Grant	93.575	0902HIED0008	\$ 27,210	24,032
Total U.S. Department of Health and Human Services				\$ 24,783
<u>Corporation for National and Community</u>				
<i>Passed through University of Montana:</i>				
Learn and Serve America - Higher Education	94.005	PG-08-67041-03	\$ 29,331	\$ 1,667
Learn and Serve America - Higher Education	94.005	PG-09-67146-04	\$ 27,352	27,352
Total Corporation for National and Community				\$ 29,019
Total Federal Financial Assistance				\$ 6,408,936

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, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
<i>Passed through Montana Office of Public Instruction:</i>				
Summer Food Service Program for Children	10.559	N/A	\$ 9,028	\$ 4,286
Total U.S. Department of Agriculture				\$ 4,286
<u>U.S. Department of Labor</u>				
<i>Passed through Montana Office of Public Instruction:</i>				
Incentive Grants - WIA Section 503	17.267	58-6503-5510-WIA	\$ 14,796	\$ 14,796
Incentive Grants - WIA Section 503	17.267	IDC-WIA	\$ 23,567	\$ 19,957
Total U.S. Department of Labor				\$ 34,753
<u>State Humanities Councils</u>				
<i>Passed through Montana Commission of the Humanities:</i>				
Promotion of the Humanities - Federal/State Partnership	45.129	10R12	\$ 4,805	\$ 4,805
Promotion of the Humanities - Federal/State Partnership	45.129	09R33	\$ 3,824	\$ 2,604
Promotion of the Humanities - Federal/State Partnership	45.129	10R16	\$ 3,000	\$ 2,500
Total State Humanities Councils				\$ 9,909
<u>National Science Foundation</u>				
<i>Direct:</i>				
Education and Human Resources	47.076	DUE-0736662	\$ 119,318	\$ 7,521
Total U.S. National Science Foundation				\$ 7,521
<u>U.S. Department of Education</u>				
<i>Direct:</i>				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	P007A072416	\$ 34,897	\$ 34,897
Higher Education - Institutional Aid	84.031	P031A090004	\$ 1,997,367	\$ 186,720
Federal Work Study Program (FWS)	84.033	P033A072416	\$ 49,039	\$ 46,905
TRIO - Student Support Services	84.042	P042A050770-09	\$ 323,863	\$ 35,101
TRIO - Student Support Services	84.042	P042A050770-10	\$ 344,513	\$ 286,894
TRIO - Upward Bound	84.047	P047A080807-09	\$ 296,334	\$ 92,808
TRIO - Upward Bound	84.047	P047A080807-10	\$ 296,334	\$ 217,854
Federal Pell Grant	84.063	P063P072751	\$ 4,202,189	\$ 4,202,189
Fund for the Improvement of Postsecondary Education	84.116	P116Z080269	\$ 268,231	\$ 146,608
Academic Competitiveness Grants	84.375	P375A072851	\$ 27,788	\$ 27,788
<i>Passed through Montana Office of Public Instruction:</i>				
Adult Education - Basic Grants to States	84.002	58-6503-56-10-BG	\$ 83,529	\$ 83,529
Adult Education - Basic Grants to States	84.002	58-6503-56-10-EL	\$ 10,931	\$ 10,931
Adult Education - Basic Grants to States	84.002	58-6503-56-BG	\$ 47,255	\$ 47,255
<i>Passed through the Office of Commissioner of Higher Education:</i>				
Federal Family Education Loans (FFEL)	84.032	N/A	\$ 2,840,370	\$ 2,840,370
Federal Family Education Loans (FFEL)	84.032	N/A	\$ 2,609,157	\$ 2,609,157
Career and Technical Education - Basic Grants to States	84.048	PL-109-270	\$ 138,485	\$ 114,167
Career and Technical Education - Basic Grants to States	84.048	Rural Reserve - 2010	\$ 69,982	\$ 58,499
Career and Technical Education - Basic Grants to States	84.048	TP 2008-2010	\$ 522,172	\$ 470,267
ARRA - Federal Stability Funds	84.397	84.397	\$ 750,590	\$ 750,590
Total U.S. Department of Education				\$ 12,262,529
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Montana Department of Health and Human Services:</i>				
Child Care and Development Block Grant	93.575	0902HIED0008	\$ 27,210	\$ 1,304
Child Care and Development Block Grant	93.575	1002HIED0008	\$ 27,210	\$ 24,170
Total U.S. Department of Health and Human Services				\$ 25,474
<u>Corporation for National and Community Service</u>				
<i>Passed through University of Montana:</i>				
Learn and Serve America - Higher Education	94.005	PG-10-67246-02	\$ 46,214	\$ 38,971
Total Corporation for National and Community Service				\$ 38,971
Total Federal Financial Assistance				\$ 12,383,443

N/A = Not Applicable or Not Available

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2010

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Flathead Valley Community College, Flathead County, Montana, and is presented on the full 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, P.O. Box 1957, Kalispell, MT 59903-1957

**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 unit of Flathead Valley Community College, Flathead County, Montana, as of and for the year ended June 30, 2010, which collectively comprise the Flathead Valley Community College's basic financial statements and have issued our report thereon dated January 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Flathead Valley Community 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 Flathead Valley Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Flathead Valley Community College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statement will not be prevented, or detected and corrected on a timely basis.

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

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 audit committee of the Flathead Valley Community College, management, the State of Montana's Legislative Audit Division, 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, CPA's, P.C.

January 21, 2011

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

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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

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

Compliance

We have audited Flathead Valley Community College, Flathead County, Montana, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Flathead Valley Community College's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

This report is intended for the information of the audit committee of the Flathead Valley Community College, management, the State of Montana's Legislative Audit Division, 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.

Deering, Downey and Associates, CPA's, P.C.

January 21, 2011

FLATHEAD VALLEY COMMUNITY COLLEGE

FLATHEAD COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2010

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 not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
47.076	Education and Human Resources
84.007, 84.032, 84.033, 84.063, 84.375	Student Financial Assistance Cluster
84.397	ARRA – Federal Stability Funds

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 310,923</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

There were no financial statement findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**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, CPA's, P.C.

January 21, 2011

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

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

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

The prior audit report contained one recommendation. The action taken on the recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Cash Receipting Business Office	Implemented

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

January 21, 2011

