



**ACCREDITING
COMMISSION
for COMMUNITY and
JUNIOR COLLEGES**

*Western Association
of Schools and Colleges*

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February 7, 2014

Dr. Sandra Caldwell, President
Reedley College
995 North Reed Ave
Reedley, CA 93651

Dear President Caldwell:

In August the Commission notified Reedley College that it was identified for additional financial review by the Financial Review Task Force. The report of the Financial Reviewer Panel that resulted from this review is attached to this letter.

At its meeting of January 8-10, 2014, the Accrediting Commission for Community and Junior Colleges acted to continue regular monitoring of Reedley College. No further action is required by the College.

Please do not hesitate to contact Associate Vice President Norv Wellsfry (nwellsfry@accjc.org) if you have questions.

Sincerely,

Barbara A. Beno, PhD
President

BAB/tl

Attachment

Reedley College

FINANCIAL REVIEWER PANEL REPORT

FINANCIAL REVIEWER PANEL MEETING DATE: September 12-13, 2013

The Financial Reviewer Panel recommendation to the Accrediting Commission for Community and Junior Colleges is:

Continue under regular monitoring

Provide a Special Report to the Commission (purpose noted below)

Provide a Special Report to the Commission to be followed by a visit from Commission representatives (purpose noted below)

Data Examined for this report:

Annual Financial Report: 2009-10 ; 2010-11: ; 2011-12:

Audited Financial Statements: 2011-12, 2010-11, 2009-10 Audit Reports

Other Data Reviewed: Annual CCFS-311 for 2010-11 and 2011-12

Issues and elements identified related to the financial condition and challenges of this District/Campus:

The following issues were identified by the Commission as trigger points for selection to be reviewed by a Financial Reviewer Panel 1) Salaries being over 90% of expenditures, 2) Low Contributions towards their OPEB Liability, 3) Cash decline of 37%, 4) Enrollment Declines, 5) Federal Student Loan Default Rate Changes.

Salaries Over 90%

Looking at the District CCFS-311 and comparing the Salaries and Benefits to Total Revenues, there has been an increase from 81.21% to 87.07% for the years 2010-11 and 2011-12. While this on its surface may be alarming, knowing that there was a significant decline in state apportionment revenue in 2011-12 due to workload measure reductions, helps alleviate the concern. We can also see that total salaries and benefits decline by \$1,546,272 or 1.12% in



2011-12. When you put this in perspective with their ending balance numbers, which are healthy, this just becomes a watch issue.

Low Contribution Rate to OPEB Liability

The biggest issue related to the low contribution towards the OPEB Liability is that there was a typo in the Accreditation's 2011-12 Annual Fiscal Report (AFR) for Fresno CC. For the reported Annual Required Contribution (ARC) for 2010-11, they listed \$11,994,296 instead of \$1,994,296. Their total OPEB liability is \$22.5 million compared to \$6.1 million being held, leaving an unfunded balance of \$16.4 million. This amount is manageable. They do have caps on their benefits in terms of maximum amounts that they will pay and they have service requirement in order to be eligible. For the 2011-12 year their ARC was \$1,994,296 and they contributed \$1,090,660, over 50%. The District reports that they have set up an irrevocable trust for the contributions, although there is no mention of the trust in the OPEB audit footnote.

Cash Decline of 37%

The Cash in Treasury Balance (GF) at the end of the 2011-12 year was \$14,686,478, down 34.21% or \$7,636,384. This is another item to watch, but it would be expected that cash balances would be down due to increased deferrals and the apportionment deficit at the state level. The District didn't issue Tax Revenue Anticipation Notes over the last three years, so this would be an option if they had short-term cash flow needs and they reported that they prepare their cash flow reports.

Enrollment Declines

Reedley College reported enrollment declines. But looking at this from a District perspective, the District has been over-cap in each of the last three years. For the 2011-12 year they were 936 or 3.71% over-cap. While this shows up as a trigger point in the review process, it appears that the District and Colleges are managing their enrollment by bringing down the FTES to something closer to what they are getting paid for. This appears to be big positive for the District and Campuses.

Federal Student Loan Default Rate Change

For Reedley College the rate has been increasing from 14% in 2009-10 to 23% in 2011-12. While there was an increase, all years reported are considerably under the 30% default rate that gets a District/College in trouble. This doesn't appear to be a problem, but the default rate should be monitored.

One of the biggest factors in the recommendation to just the normal monitoring, is that the District has a very healthy fund balance. For 2011-12 it was \$39,418,919 or 24.48% of Total Expenses and Other Outgo, down slightly from 2010-11, which was \$42,373,036 or 25.29%. It was also noted that the audits are all very clean, no adjustments or issues with findings.

