

**COWLEY COUNTY COMMUNITY COLLEGE  
AND AREA VOCATIONAL-TECHNICAL SCHOOL**

**Financial Statements  
With  
Independent Auditor's Report**

**June 30, 2016**

COWLEY COUNTY COMMUNITY COLLEGE and  
AREA VOCATIONAL-TECHNICAL SCHOOL  
ORGANIZATIONAL DATA  
FOR THE YEAR ENDED JUNE 30, 2016

**BOARD OF TRUSTEES**

OFFICERS OF THE BOARD OF TRUSTEES (as of June 30, 2016)

|                        |               |
|------------------------|---------------|
| Dennis Shurtz          | Chairman      |
| Bob Juden              | Vice Chairman |
| Dr. Gloria Walker, CPA | Treasurer     |
| Elizabeth Moore        | Board Clerk   |
| David Andreas, JD      | Legal Counsel |

MEMBERS OF THE BOARD OF TRUSTEES (as of June 30, 2016)

|                           |                       |
|---------------------------|-----------------------|
| Dennis Shurtz (Chairman)  | Arkansas City, Kansas |
| Bob Juden (Vice Chairman) | Arkansas City, Kansas |
| Ned Graham                | Winfield, Kansas      |
| Brian Sanderholm          | Arkansas City, Kansas |
| Sid Regnier               | Arkansas City, Kansas |
| JoLynn Foster             | Arkansas City, Kansas |

PRINCIPLE ADMINISTRATIVE OFFICERS (as of June 30, 2016)

|                        |  |
|------------------------|--|
| Dr. Dennis Rittle      | President                                    |
| Dr. Gloria Walker, CPA | Vice President of Finance and Administration |
| Dr. Harold Arnett      | Vice President of Academic Affairs           |
| Ben Schears            | Vice President of Institutional Advancement  |
| Paul Erdmann           | Vice President of Information Technology     |
| Shane Larson           | Athletic Director                            |
| Josh Cobble            | Executive Director of Enrollment Management  |
| Jason O'Toole          | Executive Director of Student Affairs        |

**CURRENT OFFICERS OF THE BOARD OF TRUSTEES**

(as of February 13, 2017)

|                        |               |
|------------------------|---------------|
| Bob Juden              | Chairman      |
| JoLynn Foster          | Vice Chairman |
| Dr. Gloria Walker, CPA | Treasurer     |
| Tiffany Vollmer        | Board Clerk   |
| David Andreas, JD      | Legal Counsel |

**CURRENT MEMBERS OF THE BOARD OF TRUSTEES**

(as of February 13, 2017)

|                               |                       | <u>Term Expires</u> |
|-------------------------------|-----------------------|---------------------|
| Bob Juden (Chairman)          | Arkansas City, Kansas | January 2018        |
| JoLynn Foster (Vice Chairman) | Arkansas City, Kansas | July 2019           |
| Ned Graham                    | Winfield, Kansas      | January 2018        |
| Brian Sanderholm              | Arkansas City, Kansas | January 2018        |
| Dennis Shurtz                 | Arkansas City, Kansas | January 2018        |
| Sid Regnier                   | Arkansas City, Kansas | July 2019           |
| Jill Long                     | Winfield, Kansas      | January 2020        |

**CURRENT PRINCIPLE ADMINISTRATIVE OFFICERS**

(as of February 13, 2017)

|                        |  |
|------------------------|--|
| Dr. Dennis Rittle      | President                                    |
| Dr. Gloria Walker, CPA | Vice President of Finance and Administration |
| Dr. Harold Arnett      | Vice President of Academic Affairs           |
| Dr. Kori Gregg         | Vice President of Institutional Advancement  |
| Paul Erdmann           | Vice President of Information Technology     |
| Shane Larson           | Athletic Director                            |
| Josh Cobble            | Executive Director of Enrollment Management  |
| Jason O'Toole          | Executive Director of Student Affairs        |

**Cowley County Community College and Area Vocational-Technical School**

**Financial Statements  
With  
Independent Auditor's Report**

**June 30, 2016**

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 1 - 2       |
| Management's Discussion and Analysis   | 3 - 13      |
| Basic Financial Statements:  |             |
| Statements of Net Position   | 14          |
| Statements of Revenues, Expenses and Changes in Net Position   | 15          |
| Statement of Cash Flows  | 186         |
| Notes to Financial Statements  | 17 - 32     |
| Required Supplementary Information   |             |
| Other Post Employment Benefits   | 33          |
| Schedule of the College's Proportionate Share of the Net Pension Liability                           | 34          |
| Schedule of College Contributions  | 35          |
| Notes to the Required Supplementary Information  | 36          |
| Supplementary Information:   |             |
| Schedule of Cash Receipts, Expenditures and Unencumbered Cash – Budget and Actual – Budgetary Basis: |             |
| General Fund   | 37          |
| Postsecondary Technical Education Fund   | 38          |
| Adult Education Fund   | 39          |
| Adult Supplementary Fund   | 40          |
| Motorcycle Driver Safety Fund  | 41          |
| Bookstore Fund   | 42          |
| Housing Fund   | 43          |
| Cosmetology Fund   | 44          |
| Wellness Center Fund   | 45          |
| Deli Fund  | 46          |
| Capital Outlay Fund  | 47          |
| Special Assessment Fund  | 48          |
| Single Audit Section:  |             |
| Schedule of Expenditures of Federal Awards   | 49          |
| Report on Internal Control and on Compliance - Government Auditing Standards                         | 50 - 51     |
| Report on Compliance and on Internal Control – Uniform Guidance                                      | 52- 53      |
| Schedule of Findings and Questioned Costs  | 54 - 55     |
| Summary Schedule of Prior Year Audit Findings  | 56          |



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Cowley County Community College and Area Vocational-Technical School (College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *the Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

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

*sjhl.com*

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**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, other post employment benefits and pension information on pages 3–13 and 33 - 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College basic financial statements. The individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017, on our consideration of the College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College’s internal control over financial reporting and compliance.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC  
Hutchinson, Kansas

February 13, 2017

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

This section of the Cowley County Community College and Area Vocational-Technical School's ("the College") ("Cowley College") Annual Financial Report presents management's discussion and analysis. Management's Discussion and Analysis is included to provide a narrative introduction, overview, and analysis of the financial position and changes in financial position of the College's financial activity during the fiscal year ended June 30, 2016. Since management's discussion and analysis is designed to focus on current activities, and currently known facts, please read this in conjunction with the College's basic financial statements and the notes thereto. Responsibility for the completeness and fairness of this information rests with the management of the College.

**Financial Highlights**

In fiscal year 2015-2016, the College brought in a new administration who evaluated the college's financial resources and the prior year spending, and implemented processes to ensure the college's finance could be sustainable in the face of potential state appropriation cuts. The goal of the administration was to establish processes to stabilize the financial resources of the college, and to look for opportunities for cost containment. Additionally, the college implemented the 2015-2018 Strategic Plan, which included the following six goals as the foundation for growth in enrollment and student success.

**Goal 1: Student Success: Cowley College is focused on the design, deployment, and effectiveness of teaching-learning process.**

**Goal 2: Student/Stakeholder Needs: Cowley College is focused on determining, understanding and meeting needs of current and prospective students and other key stakeholders including alumni and community partners.**

**Goal 3: Valuing People: Cowley College is committed to the hiring, development, and evaluation of faculty, staff, and administrators.**

**Goal 4: Technology Infrastructure: Cowley College is focused on the management of the technological and information infrastructure designed to provide an environment of support learning, including how data, information, and performance results are used in decision-making processes at all levels and in all parts of the institution.**

**Goal 5: Financial Parameters: Cowley College is focused on how the resource base of an institution supports and improves its educational programs and operations.**

**Goal 6: Planning and Leading: Cowley College is focused on its mission and lives its vision through direction setting, goal development, strategic actions, threat mitigation, and leveraging opportunities.**

The focus of each goal is on student success, and the college achieved many initiatives set forth in fiscal year 2015-2016. The results included a successful reaccreditation of the college by the Higher Learning Commission, and students' credit hours in excess of 70,000 and full-time equivalent (FTE) of 4,719.

The college maintains its vision statement, mission statement, core values, and strategic theme as follows:

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Vision Statement**

Champion the relevance of two-year colleges in higher education through holistic learning and workforce development opportunities.

**Mission Statement**

Cowley College is committed to providing opportunities for learning excellence, personal achievement, and community engagement.

**Core Values**

People, Accountability, Integrity, Leadership

**Strategic Theme**

With integrity and passion, Cowley College advances its mission and vision by supporting the attainment and demonstration of life skills in the areas of critical thinking and problem solving, communications, citizenship, computation, and technology.

These are all important in moving the College forward. As the College took what is a bold and dramatic step in its future, there was an equal commitment to change and break old molds of operations including the allocation of resources throughout the fiscal year 2015-2016.

In conjunction with our efforts to align the institution around putting students first, there is no goal more visible and important to the students and community than the fiscal well-being and transparency of Cowley College's financial picture.

Cowley College is fiscally sound, and wants to be financial prepared for the future.

**Fiscal Planning and Budget**

Cowley College remains a fiscally sound intuition, and meets its goal of focusing on student success through the integration of the budget development and the strategic planning, which creates a standardized process that links strategic priorities and goals with the annual budget. The process was intended to provide a consistent approach for instructional and administrative departments to timely prepare the annual budget. Throughout fiscal year 2015-2016, the college continued to focus on clearly linking instructional, departmental, and college activities and initiatives with institutional priorities and goals. As a results, the process is reflected in the management's discussion and analysis of financial reporting for fiscal year ending June 30, 2016. This management's discussion and analysis provides an over-view of the financial highlights of the College including comparisons over the past three fiscal years.

**Statement of Net Position**

The Statement of Net Position represents the College's financial position at the end of the fiscal year and includes all assets and liabilities of the College. Net Position is the difference between assets and liabilities, which is the College's equity, and serves as the general indicator of financial stability.

Current assets are those items on an entity's balance sheet that is either cash, a cash equivalent, or receivables and inventory that can be converted into cash within one year. Current assets are those assets which are available to satisfy current liabilities. Current liabilities are the College's debts or obligations that are due within one year. Current liabilities include short term debt, accounts payable, accrued liabilities and other debts. Noncurrent assets include restricted cash and cash equivalent, capital assets, investments and other assets not classified as current. Noncurrent liabilities include note payables, bond payables, and other long-term commitments.



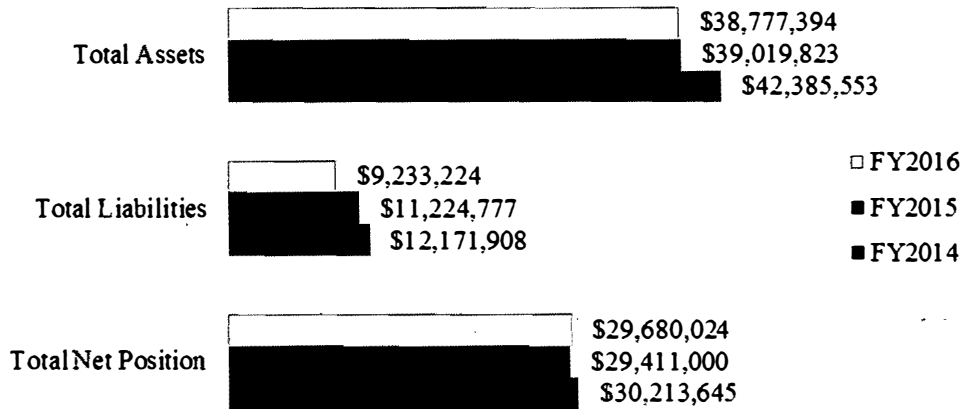
**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting is similar to the accounting basis utilized by most private-sector institutions, and is used by government entities including institutions of higher education that adopted GASB 34 & GASB 35, and thus, classify themselves as business-type entities. This statement defines the financial position of the College. This overview compares the financial position of the College for the past fiscal years 2016, 2015, and 2014.

|  | 2016                 | 2015                 | 2014                 | Change                |                       |
|--|----------------------|----------------------|----------------------|-----------------------|-----------------------|
|  |                      |                      |                      | 2015 to 2016          | 2014 to 2015          |
| <b>ASSETS</b>                              |                      |                      |                      |                       |                       |
| Other Assets                               | \$ 16,929,960        | \$ 15,703,224        | \$ 17,741,496        | \$ 1,226,736          | \$ (2,038,272)        |
| Capital Assets                             | 21,847,434           | 23,316,599           | 24,644,057           | \$ (1,469,165)        | \$ (1,327,458)        |
| <b>TOTAL ASSETS</b>                        | <b>\$ 38,777,394</b> | <b>\$ 39,019,823</b> | <b>\$ 42,385,553</b> | <b>\$ (242,429)</b>   | <b>\$ (3,365,730)</b> |
| <b>DEFERRED OUTFLOWS<br/>OF RESOURCES:</b> |                      |                      |                      |                       |                       |
| Deferred premium on COP                    | \$ 135,854           | \$ 147,667           | \$ -                 | \$ (11,813)           | \$ 147,667            |
| <b>LIABILITIES:</b>                        |                      |                      |                      |                       |                       |
| Current Liabilities                        | \$ 2,624,699         | \$ 4,092,694         | \$ 4,625,241         | \$ (1,467,995)        | \$ (532,547)          |
| Noncurrent Liabilities                     | 6,608,525            | 7,132,083            | 7,546,667            | \$ (523,558)          | \$ (414,584)          |
| <b>TOTAL LIABILITIES</b>                   | <b>\$ 9,233,224</b>  | <b>\$ 11,224,777</b> | <b>\$ 12,171,908</b> | <b>\$ (1,991,553)</b> | <b>\$ (947,131)</b>   |
| <b>NET POSITION:</b>                       |                      |                      |                      |                       |                       |
| Investment in Plant, Net                   | 16,015,870           | 16,739,398           | 16,750,884           | (723,528)             | (11,486)              |
| Restricted - Expendable                    | 933,938              | 282,327              | 1,073,486            | 651,611               | (791,159)             |
| Unrestricted                               | 12,730,216           | 12,389,275           | 12,389,275           | 340,941               | -                     |
| <b>TOTAL NET POSITION</b>                  | <b>\$ 29,680,024</b> | <b>\$ 29,411,000</b> | <b>\$ 30,213,645</b> | <b>\$ 269,024</b>     | <b>\$ (802,645)</b>   |

COWLEY COUNTY COMMUNITY COLLEGE AND  
 AREA VOCATIONAL-TECHNICAL SCHOOL  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)

**Statement of Net Position Comparison  
 June 30, 2016, 2015, 2014**



**Assets**

In comparing fiscal year 2016 to fiscal year 2015, there was an increase of \$1.4 million in cash and cash equivalent, short-term investments, and long-term investments. This increase was mainly due to the College's effort to decrease spending and better negotiation in purchasing goods and services, with savings being invested in higher interest-bearing instruments. Additionally, the college did not have any large dollar purchases since the new student information system was purchased in fiscal year ending 2015.

The investment portfolio is highly liquid with 100% of the assets invested in certificate of deposits and United States obligations. Funds invested in certificate of deposits and other bank deposits are secured with U.S. Treasuries or United States agencies which have the full faith and credit of the United States government. Cash and cash equivalent at the close of fiscal year 2016 was \$12.6 million or 42.8% of fiscal year 2016 earned revenues.

In comparing fiscal year 2015 to fiscal year 2014, there was a decrease of \$1.9 in cash and cash equivalent, short-term investments, and long-term investments. This decrease was mainly due to the cost associated with the replacement of the College's student information system, and decline in Ad Valorem taxes. The new SIS once fully designed and implemented will replace a system that was purchased in 1991.

**Deferred Outflows of Resources**

The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The College's deferred charge on refunding a debt is now reported as a deferred outflow of resources as the amount is deferred and amortized over the life of the refunded debt. The College refinanced the 2007 Series-Dorm Revenue Bond with a Certificate of Participation to lower the interest rate of the life of the debt and reduce the total debt service payments by

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

\$349,745 over the next thirteen year. The refinancing savings was \$135,854 for fiscal year 2016, and was \$147,667 for fiscal year 2015.

**Liabilities**

Overall liabilities decreased approximately \$1.9 million from 2015 to 2016, and \$947,131 million from 2015 to 2014. The overall decrease in liabilities is mainly due the retirement of the Certificate of Participation, Series A, 2008 for the Track, and the refinancing of the Dormitory System Revenue Bonds-Series 2007 to Certificate of Participation-Series 2015, Central Avenue Dormitory. In 2014-2015, the College made a concerted decision to apply those savings toward the cost of the student information system and not finance that cost resulting in a decrease in liabilities. In 2015-2016, the College did not finance any purchases but did engage in better negotiations to decrease overall spending.

**Net Position**

The overall net position of the College is relatively strong. After having a decrease in the College's net position of \$2.2 million for fiscal year ending 2015, the College recovered with an increase in net position of \$1.7 million for fiscal year ending 2016. This is a \$4.0 million increase over fiscal year 2015. The College's Unrestricted net position for fiscal year 2016 stands at \$12.7 million, which was \$10.9 million in 2015. Total net position for the College is \$29.6 million for 2016, and was \$27.9 million for 2015, which reflects the continued health and strong financial position of the College.

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

The Statement of Revenues, Expenses, and Changes in Net Position present the College's results of operations for the fiscal year. Operating revenues are generated from the services provided to students and other customers of the College. Operating expenses include those costs incurred in the productions of good and services which result in operating revenues, as well as depreciation and amortization. All other activity is classified as nonoperating revenues, expenses, and gains, and losses. Since a large portion of the revenues including Ad valorem taxes and State appropriation are classified as nonoperating revenues; Kansas public community colleges may reflect an operating income or loss with the increase or decrease, respectively, in net position reflective of all activity.

Total revenues and total expenses should be considered in assessing the change in the College's financial position. When total revenues exceed total expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. Further detail is presented in the Statement of Revenues, Expenses, and Changes in Net Position and notes to the financial statements.

A summarized comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2016, 2015, and 2014 is presented in the table below.

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

|  | 2016            | 2015            | 2014            | Change         |                |
|--|-----------------|-----------------|-----------------|----------------|----------------|
|  |                 |                 |                 | 2015 to 2016   | 2014 to 2015   |
| Operating Revenues                     | \$ 14,844,967   | \$ 16,500,243   | \$ 15,821,968   | \$ (1,655,276) | \$ 678,275     |
| Operating Expenses                     | 26,659,683      | 31,828,332      | 29,720,159      | (5,168,649)    | 2,108,173      |
| Operating Loss                         | \$ (11,814,716) | \$ (15,328,089) | \$ (13,898,191) | \$ 3,513,373   | \$ (1,429,898) |
| Nonoperating Revenues, Net             | 13,391,353      | 12,872,355      | 13,637,594      | 518,998        | \$ (765,239)   |
| Capital Grants and Gifts               | 170,674         | 184,802         | 182,725         | (14,128)       | 2,077          |
| Increase (Decrease)<br>in Net Position | \$ 1,747,311    | \$ (2,270,932)  | \$ (77,872)     | \$ 4,018,243   | \$ (2,193,060) |

**Revenue by Source**

In accordance with GASB Statements No. 34 and 35, revenues are identified in the Statement of Revenues, Expenses, and Changes in Net Position as Operating Revenues and Nonoperating Revenues. Operating Revenues are remunerations associated with exchanges with students, commonly tuition and fees, textbooks, and other materials students purchase for college. Other remunerations classified as Operating Revenues include federal, state, and local exchanges associated with students in the form of Pell Grants, SEOG, and Federal and Local Work study. Nonoperating Revenues are those remunerations that are not exchanges with students directly but with others based on the College's deliver of education to students. Nonoperating Revenues include primarily State Appropriations, Ad valorem taxes, and other revenues such as investment income and capital gifts.

**Revenues**

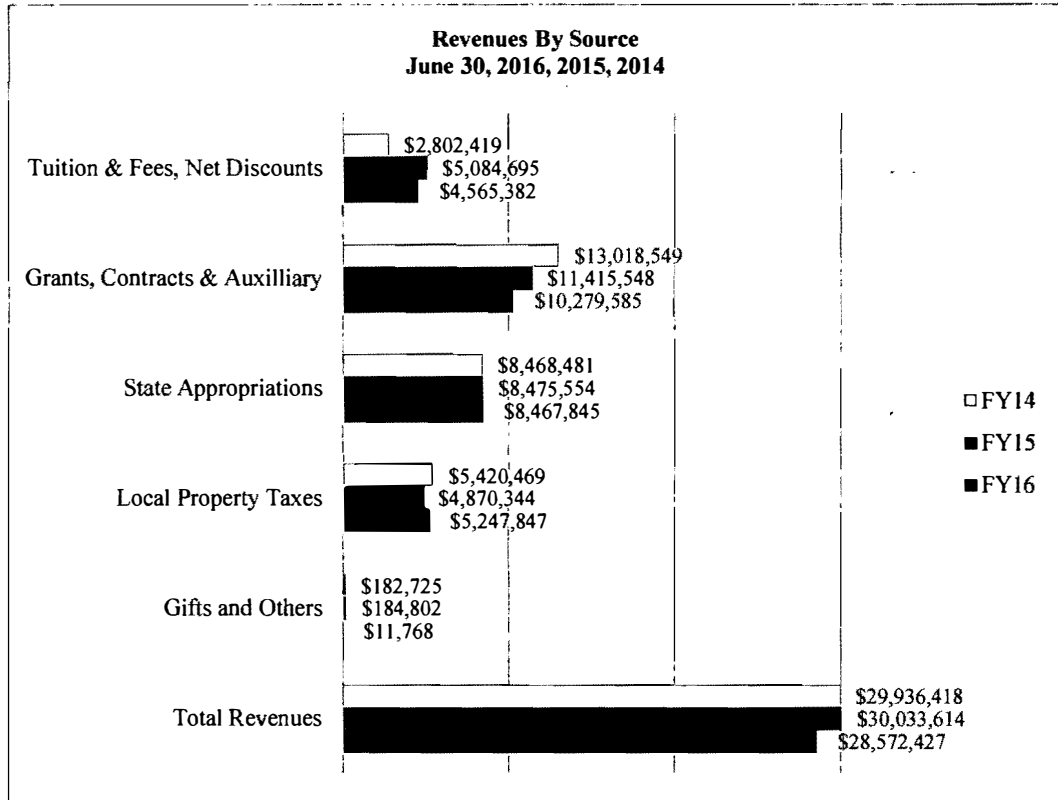
Total revenues decreased \$1.4 million or 4.8%. Operating revenues decreased \$1.6 million or 10% in fiscal year 2016 as compared to fiscal year 2015 namely due to an increase in the allowance for institutional scholarships and federal grants. Although overall student tuition and fees increased due to an increase in credit hours taken by students and FTE; the institutional scholarships and federal grants allowance increased, which resulted in a decrease in net student source of revenue. As students lessens their dependence on federal sources of funds, the allowance for federal grants increased by \$1 million. Federal sources of revenues, i.e., Pell grant and student loan, decreased \$883,163 or 15%. Other local revenue source including state, residential dormitories, campus store revenues, and other revenues decreased by \$252,800. Nonoperating revenues including state appropriations, Ad valorem taxes, and investment income increased \$400,092 or 2.9% namely due to increases in Ad valorem taxes.

Operating revenues increased \$678,275 or 4.5% in fiscal year 2015 namely due to an increase in local revenues of student tuition and fee revenue of \$2.2 million, and increase in students' fee rate, although FTE decreased 682 or 11.9%.

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

|   | 2016              | 2015              | 2014              | Change             |                    |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
|   |                   |                   |                   | 2015 to 2016       | 2014 to 2015       |
| <b>OPERATING REVENUES:</b>                    |                   |                   |                   |                    |                    |
| Tuition & Fees, Net of Discount               | 4,565,382         | 5,084,695         | 2,803,419         | \$ (519,313)       | \$ 2,281,276       |
| <b>Grants, Contracts &amp; Auxiliary</b>      |                   |                   |                   |                    |                    |
| Federal                                       | 5,793,167         | 6,676,330         | 8,437,516         | (883,163)          | (1,761,186)        |
| State   | 222,505           | 242,278           | 233,471           | (19,773)           | 8,807              |
| Local, Private & Non-governmental             | 332,010           | 550,998           | 350,496           | (218,988)          | 200,502            |
| Auxiliary                                     | 3,931,903         | 3,945,942         | 3,997,066         | (14,039)           | (51,124)           |
| <b>Total Grants, Contracts, and Auxiliary</b> | <b>10,279,585</b> | <b>11,415,548</b> | <b>13,018,549</b> | <b>(1,135,963)</b> | <b>(1,603,001)</b> |
| <b>TOTAL OPERATING REVENUES</b>               | <b>14,844,967</b> | <b>16,500,243</b> | <b>15,821,968</b> | <b>(1,655,276)</b> | <b>678,275</b>     |
| <b>NONOPERATING REVENUES:</b>                 |                   |                   |                   |                    |                    |
| <b>State Funds:</b>                           |                   |                   |                   |                    |                    |
| Unrestricted                                  | 7,271,484         | 7,220,017         | 7,165,723         | 51,467             | 54,294             |
| Restricted                                    | 1,196,361         | 1,255,537         | 1,302,758         | (59,176)           | (47,221)           |
| <b>Total State Funds</b>                      | <b>8,467,845</b>  | <b>8,475,554</b>  | <b>8,468,481</b>  | <b>(7,709)</b>     | <b>7,073</b>       |
| <b>Local Property Taxes:</b>                  |                   |                   |                   |                    |                    |
| Maintenance and Operations                    | 5,247,847         | 4,870,344         | 5,420,469         | 377,503            | (550,125)          |
| Debt Service                                  | -                 | -                 | -                 | -                  | -                  |
| <b>Total Local Property Taxes</b>             | <b>5,247,847</b>  | <b>4,870,344</b>  | <b>5,420,469</b>  | <b>377,503</b>     | <b>(550,125)</b>   |
| <b>Capital Grants and Gifts</b>               | <b>170,674</b>    | <b>184,802</b>    | <b>182,725</b>    | <b>(14,128)</b>    | <b>2,077</b>       |
| <b>Investment income and others:</b>          |                   |                   |                   |                    |                    |
| Investment Income                             | 47,097            | 43,178            | 27,891            | 3,919              | 15,287             |
| Other   | (206,003)         | (40,507)          | 14,884            | (165,496)          | (55,391)           |
| <b>Total Investment and Others</b>            | <b>(158,906)</b>  | <b>2,671</b>      | <b>42,775</b>     | <b>(161,577)</b>   | <b>(40,104)</b>    |
| <b>TOTAL NONOPERATING REVENUES</b>            | <b>13,727,460</b> | <b>13,533,371</b> | <b>14,114,450</b> | <b>194,089</b>     | <b>(581,079)</b>   |
| <b>TOTAL REVENUES</b>                         | <b>28,572,427</b> | <b>30,033,614</b> | <b>29,936,418</b> | <b>(1,461,187)</b> | <b>97,196</b>      |

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

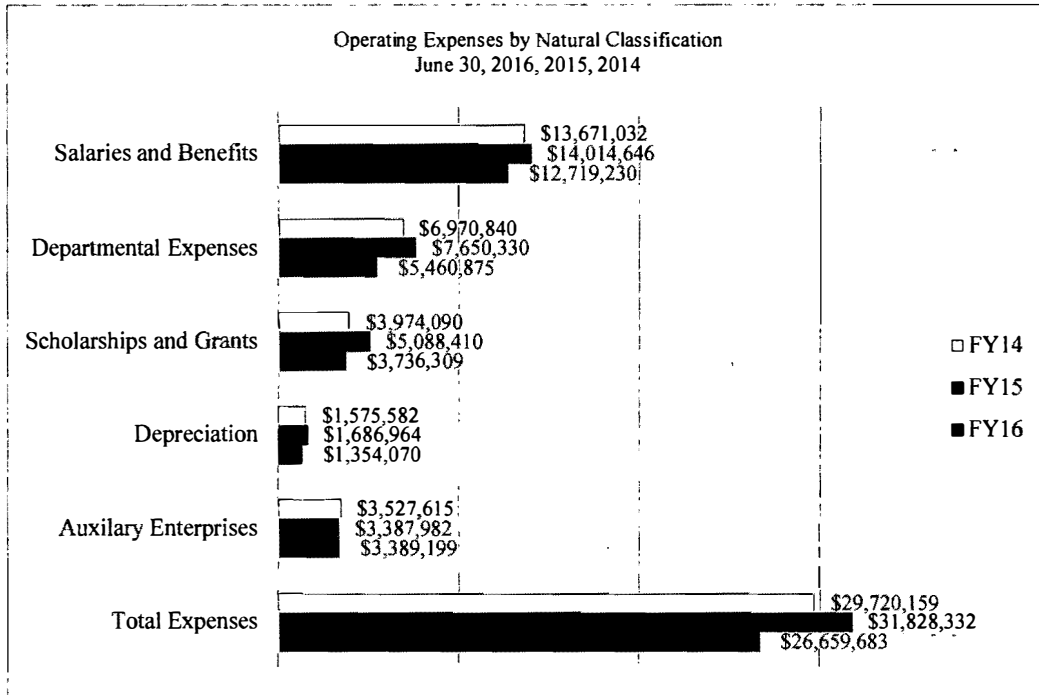


**Expenses**

The schedules below provide a three-year historical record of the use of funds by natural and functional classification. The expenses reported include both unrestricted and restricted funds, and are on the accrual basis.

|                         | Operating Expenses by Natural Classification |                |                      |                |                      |                | Change                |                     |
|-------------------------|--|----------------|----------------------|----------------|----------------------|----------------|-----------------------|---------------------|
|                         | 2016   | % of Total     | 2015                 | % of Total     | 2014                 | % of Total     | 2015 to 2016          | 2014 to 2015        |
| Salaries and Benefits   | \$ 12,719,230                                | 47.71%         | \$ 14,014,646        | 44.03%         | \$ 13,671,032        | 46.00%         | \$ (1,295,416)        | \$ 343,614          |
| Departmental Expenses   | 5,460,875                                    | 20.48%         | 7,650,330            | 24.04%         | 6,971,840            | 23.46%         | (2,189,455)           | 678,490             |
| Scholarships and Grants | 3,736,309                                    | 14.01%         | 5,088,410            | 15.99%         | 3,974,090            | 13.37%         | (1,352,101)           | 1,114,320           |
| Depreciation            | 1,354,070                                    | 5.08%          | 1,686,964            | 5.30%          | 1,575,582            | 5.30%          | (332,894)             | 111,382             |
| Auxiliary Enterprises   | 3,389,199                                    | 12.71%         | 3,387,982            | 10.64%         | 3,527,615            | 11.87%         | 1,217                 | (139,633)           |
| <b>Total Expenses</b>   | <b>\$ 26,659,683</b>                         | <b>100.00%</b> | <b>\$ 31,828,332</b> | <b>100.00%</b> | <b>\$ 29,720,159</b> | <b>100.00%</b> | <b>\$ (5,168,649)</b> | <b>\$ 2,108,173</b> |

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**



|                             | Operating Expenses by Functional Classification |                |                      |                |                      | Change         |                       |                     |
|-----------------------------|---|----------------|----------------------|----------------|----------------------|----------------|-----------------------|---------------------|
|                             | 2016  | % of Total     | 2015                 | % of Total     | 2014                 | % of Total     | 2015 to 2016          | 2014 to 2015        |
| Instruction                 | \$ 6,761,151                                    | 25.36%         | 7,414,723            | 23.30%         | 7,737,096            | 26.03%         | \$ (653,572)          | \$ (322,373)        |
| Academic Support            | 691,565   | 2.59%          | 749,047              | 2.35%          | 867,536              | 2.92%          | \$ (57,482)           | \$ (118,489)        |
| Student Services            | 4,108,330                                       | 15.41%         | 4,421,177            | 13.89%         | 4,389,629            | 14.77%         | \$ (312,847)          | \$ 31,548           |
| Institutional Support       | 3,016,418                                       | 11.31%         | 4,525,547            | 14.22%         | 3,212,472            | 10.81%         | \$ (1,509,129)        | \$ 1,313,075        |
| KPERS Contribution          | 1,196,361                                       | 4.49%          | 1,255,537            | 3.94%          | 1,302,758            | 4.38%          | \$ (59,176)           | \$ (47,221)         |
| Plant Operations and Maint. | 2,406,280                                       | 9.03%          | 3,298,945            | 10.36%         | 3,133,381            | 10.54%         | \$ (892,665)          | \$ 165,564          |
| Depreciation                | 1,354,070                                       | 5.08%          | 1,686,964            | 5.30%          | 1,575,582            | 5.30%          | \$ (332,894)          | \$ 111,382          |
| Scholarships/Grants         | 3,736,309                                       | 14.01%         | 5,088,410            | 15.99%         | 3,974,090            | 13.37%         | \$ (1,352,101)        | \$ 1,114,320        |
| Auxiliary Enterprises       | 3,389,199                                       | 12.71%         | 3,387,982            | 10.64%         | 3,527,615            | 11.87%         | \$ 1,217              | \$ (139,633)        |
| <b>Total Expenses</b>       | <b>\$ 26,659,683</b>                            | <b>100.00%</b> | <b>\$ 31,828,332</b> | <b>100.00%</b> | <b>\$ 29,720,159</b> | <b>100.00%</b> | <b>\$ (5,168,649)</b> | <b>\$ 2,108,173</b> |

Operating expenses decreased in fiscal year 2016 by \$5.1 million or 16% in every expense category except auxiliary services compared to fiscal year 2015 namely due to reduced spending, stabilized human resources (reduced staff turnover), and better negotiation for goods and services.

Operating expenses increased in fiscal year 2015 by \$2.1 million or 7% compared to fiscal year 2014 namely due to the increased hiring in the Student Service Division, and payment of the new student information system. Instruction expenses over the past three years comparatively have declined at a rate of 8.8% (2016), and 4.1% (2015) due to stabilization of faculty, and better negotiation of instructional materials and supplies.

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Statement of Cash Flows**

The Statement of Cash Flows provide information about the sources of cash and the use of cash in the operations of the College. The Statement of Cash Flows help determine the College's ability to meet its obligations as they come due and the impact of external financing. The Statement of Cash Flows summarizes cash inflows and outflows by operating activities, noncapital financing activities, capital financing activities and investing activities.

**Future Outlook**

With the new administration on board since July 2015, Cowley County Community College looks forward to its brightest future, and the continued investment in students to make an impact in the economy in the South Central Region of Kansas and beyond. The College impacts students, the regional economy, and taxpayers in a number of significant ways. The community as a whole benefits from increased job and investment opportunities, higher business revenues, greater availability of public funds, and an eased tax burden. Taxpayers benefit from a growing economy and lower social costs. Going forward, the College will continue its vital role in training the region's workforce, ensuring that the area can compete in today's global marketplace.

The College is working toward its strategic theme of advancing its mission and vision of supporting the attainment and demonstration of life skills in the areas of critical thinking and problem solving, communications, citizenship, computation, and technology. The College is *planning and leading*. The budget development process for fiscal year 2016-2017 fully integrated the College's strategic plan, and linked strategic priorities and goals to the budget planning process.

In the November 2016 Presidential Election, Sumner County in conjunction with Cowley College placed and successful passed a Sales Taxes Referendum of \$.005 to build and operate a Cowley College campus in Sumer County. Sumner County is one of Cowley College's service areas. The campus will be located in Wellington, Kansas, the county seat of Sumer County. The \$.005 sales tax will bring in approximately \$10 million over the next 10 ten years. The College will build and operate that campus with those revenues in addition to the revenues earned through tuition and fees. Cowley College anticipates an increase in headcount by at least 500 students when the campus opens in Fall 2018. The Short Family-donated 18 acres of land valued at \$1.8 million with the option to purchase up to ten additional acres within a 10-year period at a price of \$1.00 per square foot. The family asked and was granted the naming rights to the General Education Building as the first building to be built on the new campus; the Short General Education Building. In addition to the general education building, the College with build a technology building to house numerous technology programs.

Additionally, Cowley College in its partnership with Fort Hays State University accepted Governor Brownback's challenge of offering the first \$15,000 degree. Governor Brownback celebrated this achievement in a press conference held in Topeka and Arkansas City, Kansas. He recognized Cowley College as the first to step forward to show how a student can take two years at a community college and two more years at Fort Hays to attain either a Bachelor Degree in Education or Applies Technologies for \$15,000 or less.

Cowley College will continue to meet its mission. Our continued goal is to make higher education affordable. In 2016-2017, the College, one of 44 colleges in the country, was granted the opportunity to offer the Pell Grant to high school students who participate in the dual-credit program. This is a three-year



COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
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pilot program of the U.S. Department of Education. The College will continue to work with the U.S. Department of Education to expand this program beyond the current three years.

Cowley County Community College and Area Vocational-Technical School outlook for the foreseeable future is positive as a result of its new leadership, new partnerships, and sound fiscal management.

**Contacting the College's Financial Management**

This management's discussion and analysis was designed to provide the College's citizens, taxpayers, students, investors, and creditors with a general review of the College's finances and to demonstrate the College's accountability for the funds it receives. If you have questions about this management's discussion and analysis, financial statements, or need additional financial information, please contact Dr. Gloria J. Walker at 125 South Second Street, Arkansas City, Kansas 67005 or [Gloria.walker@cowley.edu](mailto:Gloria.walker@cowley.edu).

Respectfully submitted,

Dr. Gloria J. Walker, CPA  
Vice President of Finance and  
Administration  
Cowley County Community College and  
Area Vocational-Technical School  
February 12, 2017

**Cowley County Community College and Area Vocational-Technical School**  
**Statements of Net Position**  
**June 30, 2016**

|   | Cowley County<br>Community College | Component Unit<br>CC Foundation |
|---|------------------------------------|---------------------------------|
| <b>ASSETS</b>   |                                    |                                 |
| Current Assets  |                                    |                                 |
| Cash and cash equivalents                             | \$ 11,161,339                      | \$ 316,958                      |
| Restricted cash and cash equivalents                  | 1,645,115                          | -                               |
| Investments   | -                                  | 2,092,606                       |
| Receivables - federal and state grants and contracts  | 671,279                            | -                               |
| Receivables - students                                | 815,812                            | -                               |
| Receivables - other                                   | 2,023                              | -                               |
| Inventories   | 321,145                            | 13,445                          |
| Total current assets                                  | 14,616,713                         | 2,423,009                       |
| Noncurrent Assets                                     |                                    |                                 |
| Investments   | -                                  | 2,666,235                       |
| Receivables - students                                | 2,313,247                          | -                               |
| Receivables - other                                   | -                                  | 7,125                           |
| Capital assets, net of accumulated depreciation       | 21,847,434                         | -                               |
| Beneficial interest in trusts                         | -                                  | 450,105                         |
| Total noncurrent assets                               | 24,160,681                         | 3,123,465                       |
| <b>TOTAL ASSETS</b>                                   | <b>38,777,394</b>                  | <b>5,546,474</b>                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                                    |                                 |
| Deferred charge on refunding                          | 135,854                            | -                               |
| Total deferred outflows of resources                  | 135,854                            | -                               |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b> | <b>\$ 38,913,248</b>               | <b>\$ 5,546,474</b>             |
| <b>LIABILITIES</b>                                    |                                    |                                 |
| Current Liabilities                                   |                                    |                                 |
| Accounts payable and accrued expenses                 | \$ 407,431                         | \$ -                            |
| Deposits held in custody for others                   | 1,201,409                          | -                               |
| Accrued interest payable                              | 52,737                             | -                               |
| Compensated absences payable                          | 231,866                            | -                               |
| Certificates of Participation                         | 731,256                            | -                               |
| Total current liabilities                             | 2,624,699                          | -                               |
| Noncurrent Liabilities                                |                                    |                                 |
| Other postemployment benefits obligation              | 1,408,898                          | -                               |
| Net pension liability                                 | 68,940                             | -                               |
| Certificates of Participation                         | 5,130,687                          | -                               |
| Total noncurrent liabilities                          | 6,608,525                          | -                               |
| <b>TOTAL LIABILITIES</b>                              | <b>9,233,224</b>                   | <b>-</b>                        |
| <b>NET POSITION</b>                                   |                                    |                                 |
| Net investment in capital assets                      | 16,015,870                         | -                               |
| Restricted for:                                       |                                    |                                 |
| Nonexpendable - endowments                            | -                                  | 3,086,146                       |
| Expendable:   |                                    |                                 |
| Capital outlay and construction                       | 87,490                             | -                               |
| Restricted funds                                      | 397,710                            | 2,460,328                       |
| Debt retirement                                       | 52,738                             | -                               |
| Projects  | 396,000                            | -                               |
| Unrestricted  | 12,730,216                         | -                               |
| Total net position                                    | 29,680,024                         | 5,546,474                       |
| <b>TOTAL LIABILITIES AND NET POSITION</b>             | <b>\$ 38,913,248</b>               | <b>\$ 5,546,474</b>             |

The accompanying notes are an integral part of these financial statements.

**Cowley County Community College and Area Vocational-Technical School**

**Statements of Revenues, Expenses, and Changes in Net Position  
For the Year End June 30, 2016**

|  | <u>Cowley County<br/>Community College</u> | <u>Component Unit<br/>CC Foundation</u> |
|--|--|---|
| <b>OPERATING REVENUES</b>                                  |  |   |
| Student tuition and fees                                   | \$ 7,385,091                               | \$ -                                    |
| Less allowances for institutional scholarships             | (683,125)                                  | -                                       |
| Less allowances for federal grants                         | <u>(2,136,584)</u>                         | <u>-</u>                                |
| Net student source revenue                                 | 4,565,382                                  | -                                       |
| Federal sources  | 5,793,167                                  | -                                       |
| State sources  | 222,505                                    | -                                       |
| Residential life   | 2,179,200                                  | -                                       |
| Campus store (net of sales discounts)                      | 1,583,997                                  | -                                       |
| Other auxiliary enterprises                                | 168,706                                    | -                                       |
| Other operating revenues                                   | <u>322,010</u>                             | <u>104,145</u>                          |
| Total operating revenues                                   | <u>14,834,967</u>                          | <u>104,145</u>                          |
| <b>OPERATING EXPENSES</b>                                  |  |   |
| Educational and General                                    |  |   |
| Instruction  | 6,761,151                                  | -                                       |
| Academic support   | 691,565                                    | -                                       |
| Student services   | 4,108,330                                  | -                                       |
| Institutional support                                      | 3,016,418                                  | 619,724                                 |
| KPERs contribution paid directly by the State of Kansas    | 1,196,361                                  | -                                       |
| Operations and maintenance of plant                        | 2,406,280                                  | -                                       |
| Depreciation and amortization                              | 1,354,070                                  | -                                       |
| Scholarships and grants                                    | 3,736,309                                  | -                                       |
| Auxiliary Enterprises                                      |  |   |
| Residential life   | 1,545,973                                  | -                                       |
| Campus store   | 1,617,986                                  | -                                       |
| Other auxiliary enterprises                                | <u>225,240</u>                             | <u>-</u>                                |
| Total operating expenses                                   | <u>26,659,683</u>                          | <u>619,724</u>                          |
| Operating income (loss)                                    | <u>(11,824,716)</u>                        | <u>(515,579)</u>                        |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                    |  |   |
| State appropriations                                       | 7,271,484                                  | -                                       |
| State contribution directly to the KPERs retirement system | 1,196,361                                  | -                                       |
| Local sources  | 5,247,847                                  | -                                       |
| Private grants and gifts                                   | -  | 470,202                                 |
| Loss on disposal of capital assets                         | (206,003)                                  | -                                       |
| Investment income  | 47,097                                     | (151,940)                               |
| Interest on capital asset-related debt                     | <u>(165,433)</u>                           | <u>-</u>                                |
| Net nonoperating revenues (expenses)                       | <u>13,391,353</u>                          | <u>318,262</u>                          |
| Income before other revenues                               | 1,566,637                                  | (197,317)                               |
| Capital grants and gifts                                   | <u>170,674</u>                             | <u>26,500</u>                           |
| Net increase (decrease) in net position                    | 1,737,311                                  | (170,817)                               |
| <b>NET POSITION</b>  |  |   |
| Net position - beginning of year                           | <u>27,942,713</u>                          | <u>5,717,291</u>                        |
| Net position - end of year                                 | <u>\$ 29,680,024</u>                       | <u>\$ 5,546,474</u>                     |

**Cowley County Community College and Area Vocational-Technical School**

**Statement of Cash Flows  
For the Year End June 30, 2016**

|   |                        |
|---|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |
| Student tuition and fees  | \$ 4,038,137           |
| Grants and contracts  | 11,198,154             |
| Sales and services of auxiliary enterprises   | 3,931,903              |
| Other receipts  | 322,010                |
| Payments to employees for salaries and benefits   | (12,719,230)           |
| Payments to suppliers   | (12,359,109)           |
| Loans issued to students  | (4,984,139)            |
| Net cash provided (used) by operating activities  | <u>(10,572,274)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                        |
| State appropriations  | 7,271,484              |
| County and local appropriations   | <u>5,247,847</u>       |
| Net cash flows provided (used) by noncapital financing activities                                       | <u>12,519,331</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                        |
| Purchases of capital assets   | (76,797)               |
| Proceeds from sales of capital assets   | 1,446                  |
| Principal paid on debt  | (525,000)              |
| Interest paid on debt   | (182,406)              |
| Capital gifts and grants  | 170,674                |
| Net cash provided (used) by capital and related financing activities                                    | <u>(612,083)</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |
| Interest on investments   | <u>47,097</u>          |
| Net cash provided (used) by investing activities  | <u>47,097</u>          |
| Net increase (decrease) in cash and cash equivalents  | 1,382,071              |
| Cash and cash equivalents - beginning of year   | <u>11,424,383</u>      |
| Cash and cash equivalents - end of year   | <u>\$ 12,806,454</u>   |
| <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO<br/>NET CASH USED IN OPERATING ACTIVITIES</b> |                        |
| Operating loss  | \$ (11,824,716)        |
| Depreciation and amortization expense   | 1,354,070              |
| Changes in operating assets and liabilities:  |                        |
| Receivables, net  | 59,089                 |
| Inventories   | 96,246                 |
| Accounts payable and accrued expenses   | (1,330,627)            |
| Accrued employee benefits   | 265,294                |
| Deposits held in custody for others   | (387,991)              |
| Employee benefits paid directly by State of Kansas  | <u>1,196,361</u>       |
| Net cash used in operating activities   | <u>\$ (10,572,274)</u> |

# Cowley County Community College and Area Vocational-Technical School

## Notes to Financial Statements

June 30, 2016

### 1. Summary of Significant Accounting Policies

Cowley County Community College and Area Vocational-Technical School (the College) is a public, two-year post-secondary educational institution, organized under the laws of the State of Kansas, and is governed by an elected Board of Trustees. With more than 70 majors and degree possibilities, the College prepares students to transfer to a four-year program or to enter the workforce with a two-year job-ready degree.

The accounting and reporting policies of the College relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### *(a) Reporting Entity*

For financial reporting purposes, the College is considered a special-purpose government engaged only in business type activities. It is governed by a Board of Trustees elected by the voters of Cowley County, Kansas. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the College (the primary government) and its discretely presented component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its financial relationship with the College. The financial data of the College's component unit is discretely presented in a separate column to emphasize that it is a legally separate entity.

Cowley College Foundation (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. For financial reporting purposes only, the Foundation's statements of financial position and activities are included in the College's financial statements as required by generally accepted accounting principles for public colleges and universities.

For financial reporting purposes, the Foundation follows the provisions of the Financial Accounting Standards Board (FASB) which establish the financial reporting standards for all nonprofit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information. Complete financial statements for the Foundation can be obtained from the Endowment's business office.

#### *(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the College are included on the statement of net position. Revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of related cash flows. All significant interfund transactions have been eliminated.

## 1. Summary of Significant Accounting Policies (Continued)

### (b) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

Nonexchange transactions, in which the College receives value without directly giving equal value in return, include property taxes; federal, state, and local grants; state appropriations, and other contributions. Property taxes are recognized in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The College does not present budgetary comparison information in the basic financial statements or as required supplemental information. This is because the College reports as a business-type activity and does not have the reporting requirements related to major funds. The College does present budgetary comparison information in the supplementary information to these financial statements.

### (c) *Assets, Liabilities, and Net Position*

#### *Deposits and Investments*

Kansas Statute (KSA) 12-1675 authorizes the College to invest monies in time deposits, certificates of deposits, repurchase agreements consisting of obligations insured by the U.S. government or any agency thereof, U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool. Investments are reported at fair value based on quoted market prices.

Cash resources of the individual funds (except for any proceeds of revenue bonds, which are separately invested) are combined to form a pool of cash and temporary investments that are managed by the College. Investments of the pooled accounts consist primarily of certificates of deposits and treasury securities. Interest income earned is allocated to various funds based upon statutory guidelines.

Cash maintained in escrow accounts specifically designated for bond repayments and reserves are classified as restricted cash.

For purposes of the statement of cash flows, the College considers all investments with original maturities of one year or less to be cash equivalents.

#### *Accounts Receivable*

Accounts receivable consists of tuition and fee charges to students, amounts due from the federal, state, and local governments in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts, and other receivables. Accounts receivable are recorded net of estimated uncollectible amounts.

#### *Inventories*

Inventories of the campus store are stated at the lower of cost or market, cost being determined principally on the basis of average cost. Campus store inventories consist of books, clothing, and supplies. Inventories have been adjusted for obsolete merchandise. They are recorded as expenditures when consumed rather than when purchased.

#### *Capital Assets*

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

## 1. Summary of Significant Accounting Policies (Continued)

### (c) *Assets, Liabilities, and Net Position (Continued)*

#### Capital Assets

Depreciation is computed on assets having a value of more than \$5,000 using the straight-line method over the estimated useful lives of the assets. Depreciation is not allocated to the various functions of the College but is reported separately on these financial statements.

Estimated useful lives used for calculating depreciation are as follows:

- Buildings and improvements - 20 to 30 years
- Equipment and furniture - 5 to 15 years

#### Federal Financial Assistance Programs

Federal programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

#### Compensated Absences Payable

Employee vacation and sick leave pay is accrued at year end for financial statement purposes. The liability is recorded in the statement of net assets and a related expense is recorded in the statement of revenues, expenses, and changes in net position.

For vacation pay, the amount is based on leave earned, but not taken. Employees are allowed to carry over a limited number of vacation days from year to year.

Unused sick leave is accumulated up to a specified maximum number of days. Upon separation from the College, the compensation is for one-half of the accumulated sick leave to a maximum of 100 days paid at the rate of current pay, (1/2 of monthly salary or hourly rate).

#### Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, certificates of participation payable, related premiums and discounts, loans payable, and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for the early retirement benefits, compensated absences, other postemployment benefits, and net pension liabilities not anticipated to be paid within the next fiscal year.

#### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERs) and additions to/deductions from KPERs's fiduciary net position have been determined on the same basis as they are reported by KPERs. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College only has one item that qualifies for reporting in this category. It is the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or original debt.

## 1. Summary of Significant Accounting Policies (Continued)

### (c) *Assets, Liabilities, and Net Position (Continued)*

#### Deferred Outflow/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College does not have any items that qualify for reporting in this category.

#### Net Position

The College's net positions are classified as follows:

*Net investment in capital assets* – This represents the College's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position – nonexpendable* – Restricted nonexpendable net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net position – expendable* – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Unrestricted net position* – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

#### Net position flow assumption

Sometimes the College will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the College's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

● *Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts.

*Nonoperating revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state and county appropriations and investment income.



## 1. Summary of Significant Accounting Policies (Continued)

### (c) *Assets, Liabilities, and Net Position (Continued)*

#### Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as PELL, Supplemental Educational Opportunity Grants (SEOG), and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

#### Use of Estimates

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

#### Property Tax Information

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing Kansas statutes. Consequently, current year property taxes receivable, which are not available as a resource that can be used to finance the current year operations of the College, are offset by deferred revenue for control purposes. A sixty-day period is used for revenue recognition.

The County Appraiser is responsible for assessment of all taxable property within Cowley County. The County Treasurer computes the annual tax and issues the tax bills to all taxpayers. Property taxes are collected by the County Treasurer, who remits to the College its respective share of the tax collections. Property taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full, or in two installments. The installment dates are December 20 and May 10.

## 2. Stewardship, Compliance, and Accountability

### (a) *Budgetary Information*

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The College's legal level of budget control is at the fund level. Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

## 2. Stewardship, Compliance, and Accountability (Continued)

### (a) Budgetary Information (Continued)

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the regulatory basis of accounting. Regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments for future payment and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbered appropriations are not re-appropriated in the ensuing year's budget but are carried forward until liquidated or canceled. Accordingly, the data presented in the budgetary comparison schedules differs from the data presented in the financial statements prepared in accordance with GAAP. The reconciliations are presented on the face of the budgetary comparison schedules.

A legal operating budget is not required for current restricted funds, capital project funds, trust funds, and some special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

### (b) Cash-Basis Law (KSA 10-1113)

Kansas municipalities are subject to the cash-basis law as stated in KSA 10-1113. Certain sub-funds of the Restricted Funds have negative unencumbered cash balances at June 30, 2016, which is allowable under KSA 12-1663. The funds will be reimbursed in the following fiscal year from federal grants, state grants and other contracts for expenditures incurred by the College. This combined receivable has been recognized for GAAP purposes on these financial statements.

## 3. Deposits and Investments

As of June 30, 2016, the College had cash and cash equivalents as listed below:

|  |                             |
|--|-----------------------------|
| Deposits in financial banking institutions                 | \$ 5,471,339                |
| Certificates of deposit                                    | <u>5,690,000</u>            |
| Total cash and cash equivalents                            | <u>11,161,339</u>           |
| <br>   |                             |
| Deposits in financial banking institutions – bond proceeds | <u>1,645,115</u>            |
| Total restricted cash and cash equivalents                 | <u>1,645,115</u>            |
| <br>   |                             |
| Combined cash and cash equivalents                         | <u><u>\$ 12,806,454</u></u> |

The College did not have any activity in investment-type assets.

The College's policies relating to deposits and investments are governed by various Kansas Statutes (KSA). Those statutes specify the type of deposits and investments as well as the securing of those deposits and investments.

*Interest rate risk* – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with KSA 12-1675, the College manages its exposure to interest rate fluctuations by limiting all time investments to maturities of less than two years.

### 3. Deposits and Investments (Continued)

*Credit risk* – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675. The College’s practice is to place idle funds in certificates of deposits and United States obligations.

*Custodial credit risk* – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. KSA 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2016, the College was not exposed to custodial credit risk with its deposits or investments.

*Concentration of credit risk* – This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The College manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area.

*Component unit* – Investments of the Cowley College Foundation consists of mutual funds, treasury obligations, certificates of deposits, and other investments. These investments are managed by the Finance Committee of the Foundation. These types of investments are not regulated by Kansas Statutes. These investments are subject to all normal market risks.

### 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2016:

|  | Beginning<br>Balance | Increases             | (Decrease)<br>Adjustments | Ending<br>Balance    |
|--|----------------------|-----------------------|---------------------------|----------------------|
| Non-depreciable capital assets         |                      |                       |                           |                      |
| Land                                   | \$ 2,618,529         | \$ -                  | \$ -                      | \$ 2,618,529         |
| Depreciable capital assets             |                      |                       |                           |                      |
| Improvements                           | 42,469,170           | -                     | -                         | 42,469,170           |
| Equipment                              | 4,839,046            | 85,782                | (216,434)                 | 4,708,394            |
| Total depreciable capital assets       | <u>47,308,216</u>    | <u>85,782</u>         | <u>(216,434)</u>          | <u>47,177,564</u>    |
| Less accumulated depreciation          |                      |                       |                           |                      |
| Improvements                           | (22,546,938)         | (1,212,429)           | -                         | (23,759,367)         |
| Equipment                              | (4,063,208)          | (287,139)             | 161,055                   | (4,189,292)          |
| Total accumulated depreciation         | <u>(26,610,146)</u>  | <u>(1,499,568)</u>    | <u>161,055</u>            | <u>(27,948,659)</u>  |
| Total depreciable capital assets (net) | <u>20,698,070</u>    | <u>(1,413,786)</u>    | <u>(55,379)</u>           | <u>19,228,905</u>    |
| Total capital assets, net              | <u>\$ 23,316,599</u> | <u>\$ (1,413,786)</u> | <u>\$ (55,379)</u>        | <u>\$ 21,847,434</u> |

Depreciation expense for they year ended June 30, 2016, is \$1,413,786.

## 5. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2016:

|  | Beginning<br>Balance | Additions         | Payments/<br>Reductions | Ending<br>Balance   | Current<br>Portion |
|--|----------------------|-------------------|-------------------------|---------------------|--------------------|
| Certificates of participation            |                      |                   |                         |                     |                    |
| Refunding certificate - indoor sports    | \$ 1,855,000         | \$ -              | \$ 215,000              | \$ 1,640,000        | \$ 215,000         |
| Refunding certificate - student services | 955,000              | -                 | 310,000                 | 645,000             | 320,000            |
| Refunding certificate - Series 2015      | 3,620,000            | -                 | -                       | 3,620,000           | 200,000            |
| Premium on certificates                  | (46,801)             | -                 | 3,744                   | (43,057)            | (3,744)            |
| Compensated absences                     | 174,269              | 57,597            | -                       | 231,866             | 231,866            |
| Post-employment healthcare               | 1,270,140            | 232,758           | (94,000)                | 1,408,898           | -                  |
| Net pension liability                    | -                    | 68,940            | -                       | 68,940              | -                  |
| Total long-term liabilities              | <u>\$ 7,827,608</u>  | <u>\$ 359,295</u> | <u>\$ 434,744</u>       | <u>\$ 7,571,647</u> | <u>\$ 963,122</u>  |

The compensated absences, postemployment healthcare benefits, and the net pension liability are generally liquidated by the General Fund. The certificates of participation will be paid through revenues generated through the various auxiliary enterprise funds and the General Fund.

### (a) Refunding - Certificates of Participation Series 2015

The College issued the Certificates of Participation Series 2015. The original issue amount was \$3,620,000, due in annual principal installments ranging from \$200,000 to \$360,000 through year 2028. Interest rates vary from 2.50% to 3.45%.

The remaining debt service requirement for the Certificates of Participation - Series 2015 is as follows:

| Year Ending       | Principal           | Interest          | Total               |
|-------------------|---------------------|-------------------|---------------------|
| 6/30/2017         | \$ 200,000          | \$ 98,190         | \$ 298,190          |
| 6/30/2018         | 265,000             | 92,377            | 357,377             |
| 6/30/2019         | 275,000             | 85,628            | 360,628             |
| 6/30/2020         | 285,000             | 78,628            | 363,628             |
| 6/30/2021         | 295,000             | 71,377            | 366,377             |
| 6/30/22 - 6/30/26 | 1,590,000           | 236,905           | 1,826,905           |
| 6/30/27 - 6/30/29 | 710,000             | 24,405            | 734,405             |
| Total             | <u>\$ 3,620,000</u> | <u>\$ 687,510</u> | <u>\$ 4,307,510</u> |

### (b) Indoor Sports Facility

The College issued the Student Union Indoor Sports Facility, Certificates of Participation Series A, 2011. The original issue amount was \$2,660,000, due in annual principal installments ranging from \$215,000 to \$255,000 through year 2023. Interest rates vary from 1.10% to 3.60%.

The annual debt service requirements for the Indoor Sports Facility are as follows:

| Year Ending       | Principal           | Interest          | Total               |
|-------------------|---------------------|-------------------|---------------------|
| 6/30/2017         | \$ 215,000          | \$ 50,210         | \$ 265,210          |
| 6/30/2018         | 220,000             | 45,373            | 265,373             |
| 6/30/2019         | 225,000             | 39,653            | 264,653             |
| 6/30/2020         | 235,000             | 33,127            | 268,127             |
| 6/30/2021         | 240,000             | 25,725            | 265,725             |
| 6/30/22 - 6/30/23 | 505,000             | 26,985            | 531,985             |
| Total             | <u>\$ 1,640,000</u> | <u>\$ 221,073</u> | <u>\$ 1,861,073</u> |

## 5. Long-Term Liabilities (Continued)

### (c) Refunding Certificate for Student Services Center

The College issued the Refunding Certificates of Participation Series B, 2011. The original issue amount was \$2,080,000, due in annual principal installments ranging from \$320,000 to \$325,000 through year 2018. Interest rates vary from 0.65% to 2.15%.

The annual debt service requirements for the Certificates of Participation are as follows:

| <u>Year Ending</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|--------------------|-------------------|------------------|-------------------|
| 6/30/2017          | \$ 320,000        | \$ 12,908        | \$ 332,908        |
| 6/30/2018          | 325,000           | 6,987            | 331,987           |
| Total              | <u>\$ 645,000</u> | <u>\$ 19,895</u> | <u>\$ 664,895</u> |

## 6. Operating Lease Obligations

The College leases certain facilities for its educational purposes. See below for descriptions of the various uses and the length of the operating lease. The related future rental payments are in the table below.

The Bloomenshine Center, Arkansas City, KS is used for operating classes, a student lounge, administrative offices and related educational activities. The operating lease has an option to renew for a term of three years at a time. Expenses for year ending June 30, 2016, were \$99,600.

The operating lease of 101 Industrial Drive, Mulvane, KS is used for operating classes and related educational activities. The operating lease has an option to renew for an additional two years. Expenses for year ending June 30, 2016, were \$90,000.

The operating lease of 410 E. Main, Mulvane, KS is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew for an additional three years. Expenses for year ending June 30, 2016, were \$72,000.

The operating lease of 410 E. Main, Mulvane, KS - Parking is used for parking for church-related functions, provided that said church functions are not held during regularly scheduled class periods. The operating lease has an option to renew for an additional three years negotiated at the time of the extension. Expenses for year ending June 30, 2016, were \$3,600.

The operating lease of Fugate, Wichita, KS is used for the purpose of operation of a satellite college, and the provision of related services. The operating lease has an option to renew for an additional three year term. Expenses for year ending June 30, 2016, were \$66,000.

The future minimum lease payments are as follows:

|                      | <u>Bloomenshine<br/>Center</u> | <u>101 Industrial<br/>Drive Mulvane</u> | <u>410 E. Main<br/>Mulvane</u> | <u>410 E. Main<br/>Mulvane<br/>Parking</u> |
|----------------------|--------------------------------|---|--------------------------------|--|
| Year ending June 30, |                                |   |                                |  |
| 2017                 | \$ 99,600                      | \$ 90,000                               | \$ 72,000                      | \$ 3,600                                   |
| 2018                 | 8,300                          | 90,000                                  | -                              | -  |
| 2019                 | -                              | -                                       | -                              | -  |
| 2020                 | -                              | -                                       | -                              | -  |
|                      | <u>\$ 107,900</u>              | <u>\$ 180,000</u>                       | <u>\$ 72,000</u>               | <u>\$ 3,600</u>                            |

## 6. Operating Lease Obligations (Continued)

| Year ending June 30, | Total<br>Operating<br>Expense |                   |
|----------------------|-------------------------------|-------------------|
|                      | Fugate                        |                   |
| 2017                 | \$ 66,000                     | \$ 331,200        |
| 2018                 | 66,000                        | 164,300           |
| 2019                 | 66,000                        | 66,000            |
| 2020                 | 66,000                        | 66,000            |
|                      | <u>\$ 264,000</u>             | <u>\$ 627,500</u> |

## 7. Other Postemployment Healthcare Benefits (OPEB)

**Plan Description** – The College sponsors a medical, prescription drug, cancer, dental, and accident insurance plan (Plan) to qualifying retirees and their dependents. Coverage is provided through fully-insured contracts that collectively operate as a single-employer defined benefit plan. Four medical plans are available. Qualifying retirees are those employees who are eligible for immediate retirement benefits under the Kansas Public Employees Retirement System and retire prior to age 65. Retirees may continue coverage with the College by paying the carrier premium rate. Coverage is available until Medicare eligibility (i.e. age 65) for each of the retirees and their spouses. Retirees receive a benefit since they are not charged the full age adjusted cost. Plan coverage is provided for under KSA 12-0540. No separate financial report is issued for the Plan.

|  |                   |
|--|-------------------|
| Retirees and beneficiaries receiving benefits                      | 10                |
| Terminated plan members entitled to but not yet receiving benefits | -                 |
| Active plan members  | <u>185</u>        |
| Total  | <u><u>195</u></u> |

**Funding Policy** – The College provides health insurance benefits to retirees and their dependents in accordance with Kansas law (KSA 12-5040). The benefits are paid from the general operating assets of the College on a pay-as-you-go basis. The contribution requirements of Plan members and the College are established and may be amended by the Board of Trustees.

**Annual OPEB Cost and Net OPEB Obligation** – The College’s annual OPEB cost (expense) consists of the Normal Cost plus amortization of the Actuarial Accrued Liability (AAL). The Normal Cost is the amount of Actuarial Present Value of benefits allocated to the current year. The amount of AAL is the portion of the Actuarial Present Value of benefits allocated to all prior years. The following table presents the components of the College’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation to the Plan.

|   |                            |
|---|----------------------------|
| Normal cost                             | \$ 158,827                 |
| Amortization of unfunded AAL            | <u>75,712</u>              |
| Annual Required Contribution            | 234,539                    |
| Interest on net OPEB obligation         | 44,455                     |
| Adjustment to ARC                       | <u>(46,236)</u>            |
| Annual OPEB cost (expense)              | 232,758                    |
| Contributions made                      | <u>(94,000)</u>            |
| Increase in net OPEB obligation         | 138,758                    |
| Net OPEB obligation - beginning of year | <u>1,270,140</u>           |
| Net OPEB obligation - end of year       | <u><u>\$ 1,408,898</u></u> |

## 7. Other Postemployment Healthcare Benefits (OPEB) (Continued)

Schedule of employer contributions (for fiscal year ended):

| Fiscal Year Ended | Annual OPEB Cost | Net Employer Contributions | Net Percentage Contributed | End of Year Net OPEB Obligation |
|-------------------|------------------|----------------------------|----------------------------|---------------------------------|
| June 30, 2014     | \$ 207,205       | \$ 79,000                  | 38.1%                      | \$ 1,133,247                    |
| June 30, 2015     | 227,893          | 91,000                     | 39.9%                      | 1,270,140                       |
| June 30, 2016     | 232,758          | 94,000                     | 40.4%                      | 1,408,898                       |

**Funded Status and Funding Progress** – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,790,097. The College's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,790,097. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,160,877, and the ratio of the UAAL to the covered payroll was 17.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress will present in time, multi-year trend information about whether the actuarial value of Plan assets (if any) is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|--|
| 7/1/2008                 | \$ -                          | \$ 1,502,502                          | \$ 1,502,502       | 0%                 | \$ 7,548,810        | 19.9%  |
| 7/1/2011                 | -                             | 1,477,303                             | 1,477,303          | 0%                 | 8,905,358           | 16.6%  |
| 7/1/2014                 | -                             | 1,790,097                             | 1,790,097          | 0%                 | 10,160,877          | 17.6%  |

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the July 1, 2014, actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.5% investment rate of return, which is a blended rate of the expected long-term investment returns on Plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date and on the annual healthcare cost trend rates. The valuation assumed annual healthcare cost trend rate of 7.5% initially and an ultimate rate of 5.0% after nine years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over 30 years on a level percent-of-pay, open period basis.

## 8. Defined Benefit Pension Plan

**Plan Description.** The College participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law and administered by KPERs, a body corporate and an instrumentality of the State of Kansas. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available, stand-alone comprehensive annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737, or at the KPERs website at [www.kpers.org](http://www.kpers.org).

## 8. Defined Benefit Pension Plan (Continued)

KPERS provides benefit to the following statewide pension groups under one plan, as provided by KSA 74 article 49:

- Public employees, which include:
  - State/School Employees
  - Local Employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the pension plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the pension plan for the College are included in the State/School Special Funding Situation group.

**Benefits Provided.** Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of certified service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by KSA 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. The monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc postretirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

**Contributions.** For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund established by KSA 74-4922. Member contribution rates are established by State law, and are paid by the employee according to the provisions of Section 414(h) of the Internal revenue code. State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by KSA 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.00% of total payroll for the fiscal year ended June 30, 2015.

The State is required to contribute 100% of the College's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. However, they do make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per KSA 74-4937, "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting new pension liability are attributable to the employer.



## 8. Defined Benefit Pension Plan (Continued)

KSA 74-4919 and KSA 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members.

The College's contractually required contributions rate for the year ended June 30, 2015, was 15.41% of the annual college payroll of which 0.3927% of payroll was required from the College and 99.6073% of payroll was required from the State. The College's contributions to the pension plan were \$4,325 for the year ended June 30, 2015.

**Employer Allocations.** Although KPERS administers one cost-sharing, multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Fireman
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2016, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College were as follows:

|  |                      |
|--|----------------------|
| College's proportionate share of the net pension liability                           | \$ 68,940            |
| State's proportionate share of the net pension liability associated with the College | <u>17,487,197</u>    |
|  | <u>\$ 17,556,137</u> |

The net pension liability was measured as of December 31, 2014, which was rolled forward to June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the that date. The College's proportion of the net pension liability was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal year ended June 30, 2015. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At June 30, 2015, the combined College and state's proportion was 0.25%, which was an increase of 0.0015% from its proportion measured as of June 30, 2014.

For the actuarial report as of June 30 2015, there were changes in assumptions and benefits as described in the notes to the required supplemental information.

There were no changes between the measurement date of December 31, 2014, rolled forward to June 30, 2015, and the College's reporting date of June 30, 2016.

## 8. Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2016, the College recognized pension expense of \$1,196,361 and revenue of \$1,196,361 for support provided by the state. For the portion related to the "working after retirement" the College recognized pension expense of \$68,940, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. This is the first year this is recognized due to changes in Kansas law and information provided by KPERS in their June 30, 2015, GASB 68 report. At June 30, 2016, the College did not report deferred outflows of resources or deferred inflows of resources due to the State's proportionate share being 100%. At the measurement date of June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions for the College from the following sources:

|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience   | \$ -                                 | \$ 526,118                          |
| Changes of assumptions   | -                                    | 39,071                              |
| Net difference between projected and actual earnings on pension plan investments                             | -                                    | 457,361                             |
| Changes in proportion and differences between College contributions and proportionate share of contributions | <u>85,893</u>                        | <u>-</u>                            |
| Total  | <u>\$ 85,893</u>                     | <u>\$ 1,022,550</u>                 |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses by the State as follows:

| <u>Year ended June 30:</u> | <u>Amount</u>       |
|----------------------------|---------------------|
| 2016                       | \$ (350,732)        |
| 2017                       | (350,732)           |
| 2018                       | (350,732)           |
| 2019                       | 145,036             |
| 2020                       | (29,497)            |
| Thereafter                 | <u>-</u>            |
|                            | <u>\$ (936,657)</u> |

**Actuarial Assumptions.** The total pension liability recognized by the State and the portion recognized by the College were determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

|  |  |
|--|--|
| • Price Inflation  | 3.0 percent                              |
| • Wage inflation   | 4.0 percent                              |
| • Salary increases, including wage increases   | 4.0 to 16.0 percent, including inflation |
| • Long-term rate of return, net of investment expense, and including price inflation | 8.0 percent                              |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

## 8. Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

| <u>Asset class</u>     | <u>Long-term<br/>target<br/>allocation</u> | <u>Long-term<br/>expected<br/>real rate<br/>of return</u> |
|------------------------|--|---|
| Global Equity          | 47.00%                                     | 6.30%   |
| Fixed Income           | 13.00%                                     | 0.80%   |
| Yield Driven           | 8.00%                                      | 4.20%   |
| Real Return            | 11.00%                                     | 1.70%   |
| Real Estate            | 11.00%                                     | 5.40%   |
| Alternatives           | 8.00%                                      | 9.40%   |
| Short-Term Investments | 2.00%                                      | -0.50%  |
| Total                  | <u>100.00%</u>                             |   |

**Discount Rate.** The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate.** The table below presents the net pension liability of the Pension Plan as of June 30, 2015, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

| <u>1% Decrease<br/>(7.00%)</u> | <u>Discount rate<br/>(8.00%)</u> | <u>1% Increase<br/>(9.00%)</u> |
|--------------------------------|----------------------------------|--------------------------------|
| \$22,600,316                   | \$17,556,137                     | \$13,271,775                   |

## 9. Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

## 10. Related Party Transactions Between the College and its Component Unit

The Cowley College Foundation paid \$189,735 in student scholarships during the current fiscal year.

The College provides administrative support, office space, and other services to the Cowley College Foundation. The Foundation does not reimburse the College for expenses incurred.

## **11. Contingent Liabilities**

The College receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the College. However, in the opinion of management, any such disallowed claims would not have a material effect on the financial statements.

The College is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the College would be covered by insurance and would not materially affect the College's financial position.

## **12. Implementation of New Standard**

In June 2012, GASB issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this statement is to define fair value and describe how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The College implemented this standard for the year ended June 30, 2016. The provisions of this statement had no significant effect on the College's current financial statements.

## **13. Subsequent Events**

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report, which is the date at which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**Cowley County Community College and Area Vocational-Technical School**

**Other Post Employment Benefits  
Year Ended June 30, 2016**

Schedule of Funding Progress:

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</u> | <u>Unfunded<br/>AAL<br/>(b-a)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as a<br/>Percent of<br/>Covered<br/>Payroll<br/>((b-a)/c)</u> |
|---|--|--|-----------------------------------|-----------------------------------|------------------------------------|---|
| 7/1/2008                                | \$ -   | \$ 1,502,502   | \$ 1,502,502                      | 0.0%                              | \$ 7,548,810                       | 19.9%   |
| 7/1/2011                                | -  | 1,477,303  | 1,477,303                         | 0.0%                              | 8,905,358                          | 16.6%   |
| 7/1/2014                                | -  | 1,790,097  | 1,790,097                         | 0.0%                              | 10,160,877                         | 17.6%   |

Schedule of Employer Contributions:

| <u>Fiscal<br/>Year<br/>Ended</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Annual<br/>OPEB<br/>Cost<br/>Contributed</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|----------------------------------|---------------------------------|---|------------------------------------|
| 6/30/2014                        | \$ 207,205                      | \$ 79,000                                       | \$ 1,133,247                       |
| 6/30/2015                        | 227,893                         | 91,000  | 1,270,140                          |
| 6/30/2016                        | 232,758                         | 94,000  | 1,408,898                          |

Information for earlier years is not available as June 30, 2009 is the first year of implementation of GASB No. 45.

**COWLEY COUNTY COMMUNITY COLLEGE**  
**Year Ended June 30, 2016**

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Kansas Public Employees Retirement System

Last 10 Fiscal Years\*

|  | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   | <u>2012</u> | <u>2011</u>                                       | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|---------------|---------------|---------------|-------------|---|-------------|-------------|-------------|-------------|-------------|
| College's proportion of the net pension liability (asset)  | 0.001%        | 0.000%        | 0.000%        |             | For 2006 to 2012, this data is not yet available. |             |             |             |             |             |
| College's proportionate share of the net pension liability (asset)   | \$ 68,940     | \$ -          | \$ -          |             | For 2006 to 2012, this data is not yet available. |             |             |             |             |             |
| State's proportionate share of the net pension liability (asset)   | 0.195%        | 0.194%        | 0.190%        |             | For 2006 to 2012, this data is not yet available. |             |             |             |             |             |
| State's proportionate share of the net pension liability (asset)   | \$ 17,487,197 | \$ 16,126,705 | \$ 18,308,158 |             | For 2006 to 2012, this data is not yet available. |             |             |             |             |             |
| Total collective net pension liability (asset)   | \$ 17,556,137 | \$ 16,126,705 | \$ 18,308,158 |             |   |             |             |             |             |             |
| College's covered-employee payroll   | \$ 11,321,427 | \$ 11,713,003 | \$ 11,465,206 |             |   |             |             |             |             |             |
| College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 155.07%       | 137.68%       | 159.68%       |             | For 2006 to 2012, this data is not yet available. |             |             |             |             |             |
| Plan fiduciary net position as a percentage of the total pension liability   | 185.27%       | 199.42%       | 149.64%       |             | For 2006 to 2012, this data is not yet available. |             |             |             |             |             |

\* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

**Cowley County Community College**

**Schedule of College Contributions  
For the Year ended June 30, 2016**

Kansas Public Employees Retirement System

Last 10 Fiscal Years\*

|  | 2015            | 2014        | 2013        | 2012        | 2011        | 2010        | 2009        | 2008        | 2007        | 2006        |
|--|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually required contribution                                  | \$ 12,829       | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Contributions in relation to the contractually required contribution | <u>(12,829)</u> | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered-employee payroll                                   | \$ 11,321,427   | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Contributions as a percentage of covered-employee payroll            | 0.11%           | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 0.00%       | 0.00%       |

Note: Historically, the College has not been responsible for contributions due to being a special funding situation. The State of Kansas has paid all contributions. Due to changes in the statutes, the College is now responsible for "working after retirement" employees contributions.

\* The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.



**Cowley County Community College**

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2016**

**Changes in benefit terms:**

Effective January 1, 2015, a new KPERS 3 cash balance retirement plan for new hires was created. Also, effective January 1, 2015, Kansas law established the KPERS member employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members.

**Changes in assumptions:**

Per the KPERS' GASB 68 actuarial report as of June 30, 2015, assumptions changed to include salary increases, including maximum inflation from prior year at 12.5% to maximum inflation of 16.0% in current year. It also includes changes from the updated RP-2000 Combine Mortality Tables. Further, assumptions have been updated based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

SUPPLEMENTARY INFORMATION

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
General Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts         |                          | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|--------------------------|--------------------------|---|---|
|   | Original                 | Final                    |   |   |
| <u>Cash Receipts</u>                                    |                          |                          |   |   |
| Student sources   | \$ 4,406,465             | \$ 4,406,465             | \$ 6,359,344                            | \$ 1,952,879  |
| State sources   | 4,410,683                | 4,410,683                | 4,410,683                               | -   |
| Local sources   | 5,642,536                | 5,642,536                | 5,195,847                               | (446,689)   |
| Other sources   | <u>694,995</u>           | <u>694,995</u>           | <u>233,712</u>                          | <u>(461,283)</u>                                    |
| <br>Total Cash Receipts                                 | <br><u>\$ 15,154,679</u> | <br><u>\$ 15,154,679</u> | <br><u>16,199,586</u>                   | <br><u>\$ 1,044,907</u>                             |
| <br><u>Expenditures and Transfers Subject to Budget</u> |                          |                          |   |   |
| Instruction   | \$ 4,905,675             | \$ 4,905,675             | 4,089,343                               | \$ (816,332)  |
| Academic support  | 775,851                  | 775,851                  | 642,842                                 | (133,009)   |
| Student services  | 3,790,675                | 3,790,675                | 3,203,296                               | (587,379)   |
| Institutional support                                   | 4,607,938                | 4,607,938                | 2,556,565                               | (2,051,373)   |
| Operation and maintenance                               | 3,550,222                | 3,550,222                | 2,684,601                               | (865,621)   |
| Scholarships  | 315,000                  | 315,000                  | 1,736,902                               | 1,421,902   |
| Transfer to Vocational Fund                             | 495,331                  | 495,331                  | -                                       | (495,331)   |
| Nonmandatory transfers in (out)                         | <u>35,000</u>            | <u>35,000</u>            | <u>-</u>                                | <u>(35,000)</u>                                     |
| <br>Total Expenditures and Transfers Subject to Budget  | <br><u>\$ 18,475,692</u> | <br><u>\$ 18,475,692</u> | <br><u>14,913,549</u>                   | <br><u>\$ (3,562,143)</u>                           |
| <br>Receipts Over (Under) Expenditures                  |                          |                          | 1,286,037                               |   |
| <br>Unencumbered Cash, July 1                           |                          |                          | <u>7,531,879</u>                        |   |
| <br>Unencumbered Cash, June 30                          |                          |                          | <u>\$ 8,817,916</u>                     |   |
| <br>Unencumbered Cash, June 30                          |                          |                          | \$ 8,817,916                            |   |
| Receivables   |                          |                          | 3,129,059                               |   |
| Accrued sick leave                                      |                          |                          | (52,164)                                |   |
| Accrued vacation  |                          |                          | (179,701)                               |   |
| Accrued net pension liability                           |                          |                          | (68,940)                                |   |
| Accrued other post employment benefits                  |                          |                          | <u>(1,408,898)</u>                      |   |
| <br>GAA <sup>P</sup> fund balance                       |                          |                          | <u>\$ 10,237,272</u>                    |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Postsecondary Technical Education Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts        |                         | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|-------------------------|-------------------------|---|---|
|   | Original                | Final                   |   |   |
| <u>Cash Receipts</u>                                    |                         |                         |   |   |
| Student sources   | \$ 1,599,805            | \$ 1,599,805            | \$ 855,054                              | \$ (744,751)  |
| Federal sources   | -                       | -                       | 32,540                                  | 32,540  |
| State sources   | 2,872,617               | 2,872,617               | 3,063,318                               | 190,701   |
| Other sources   | -                       | -                       | 6,588                                   | 6,588   |
| Transfers   | 995,331                 | 995,331                 | -                                       | (995,331)   |
|   | <u>995,331</u>          | <u>995,331</u>          | <u>-</u>                                | <u>(995,331)</u>                                    |
| <br>Total Cash Receipts                                 | <br><u>\$ 5,467,753</u> | <br><u>\$ 5,467,753</u> | <br><u>3,957,500</u>                    | <br><u>\$ (1,510,253)</u>                           |
| <br><u>Expenditures and Transfers Subject to Budget</u> |                         |                         |   |   |
| Instruction   | \$ 2,306,020            | \$ 2,306,020            | 2,097,365                               | \$ (208,655)  |
| Academic support  | 215,000                 | 215,000                 | 48,723                                  | (166,277)   |
| Student services  | 440,000                 | 440,000                 | 242,783                                 | (197,217)   |
| Institutional support                                   | 1,290,383               | 1,290,383               | 194,558                                 | (1,095,825)   |
| Operation and maintenance                               | 1,023,000               | 1,023,000               | 203,482                                 | (819,518)   |
| Scholarships  | 100,000                 | 100,000                 | 27,227                                  | (72,773)  |
| Mandatory transfers in (out)                            | 93,350                  | 93,350                  | -                                       | (93,350)  |
|   | <u>93,350</u>           | <u>93,350</u>           | <u>-</u>                                | <u>(93,350)</u>                                     |
| <br>Total Expenditures and Transfers Subject to Budget  | <br><u>\$ 5,467,753</u> | <br><u>\$ 5,467,753</u> | <br><u>2,814,138</u>                    | <br><u>\$ (2,653,615)</u>                           |
| <br>Receipts Over (Under) Expenditures                  |                         |                         | 1,143,362                               |   |
| <br>Unencumbered Cash, July 1                           |                         |                         | <u>(1,141,757)</u>                      |   |
| <br>Unencumbered Cash, June 30                          |                         |                         | <u>\$ 1,605</u>                         |   |
| <br>Unencumbered Cash, June 30                          |                         |                         | \$ 1,605                                |   |
| Receivables   |                         |                         | <u>-</u>                                |   |
| <br>GAAP fund balance                                   |                         |                         | <u>\$ 1,605</u>                         |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Education Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts  |                   | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|-------------------|-------------------|---|---|
|   | Original          | Final             |   |   |
| <u>Cash Receipts</u>                        |                   |                   |   |   |
| Federal sources                             | \$ 69,211         | \$ 69,211         | \$ 68,985                               | \$ (226)  |
| State sources                               | 49,998            | 49,998            | 51,831                                  | 1,833   |
| Local sources                               | 35,000            | 35,000            | 35,000                                  | -   |
| Other sources                               | 226,540           | 226,540           | 122,988                                 | (103,552)   |
| <b>Total Cash Receipts</b>                  | <b>\$ 380,749</b> | <b>\$ 380,749</b> | <b>278,804</b>                          | <b>\$ (101,945)</b>                                 |
| <u>Expenditures Subject to Budget</u>       |                   |                   |   |   |
| Instruction                                 | \$ 261,248        | \$ 261,248        | 270,945                                 | \$ 9,697  |
| Academic support                            | 146,000           | 146,000           | -                                       | (146,000)   |
| <b>Total Expenditures Subject to Budget</b> | <b>\$ 407,248</b> | <b>\$ 407,248</b> | <b>270,945</b>                          | <b>\$ (136,303)</b>                                 |
| Receipts Over (Under) Expenditures          |                   |                   | 7,859                                   |   |
| Unencumbered Cash, July 1                   |                   |                   | 38,006                                  |   |
| Unencumbered Cash, June 30                  |                   |                   | \$ 45,865                               |   |
| Unencumbered Cash, June 30<br>Receivables   |                   |                   | \$ 45,865                               |   |
| GAAP fund balance                           |                   |                   | \$ 45,865                               |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Supplementary Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts |           | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|------------------|-----------|---|---|
|   | Original         | Final     |   |   |
| <u>Cash Receipts</u>                      |                  |           |   |   |
| Student sources                           | \$ 70,000        | \$ 70,000 | \$ 831                                  | \$ (69,169)   |
| <u>Expenditures Subject to Budget</u>     |                  |           |   |   |
| Instruction                               | \$ 75,000        | \$ 75,000 | 8,807                                   | \$ (66,193)   |
| Receipts Over (Under) Expenditures        |                  |           | (7,976)                                 |   |
| Unencumbered Cash, July 1                 |                  |           | 24,086                                  |   |
| Unencumbered Cash, June 30                |                  |           | \$ 16,110                               |   |
| Unencumbered Cash, June 30<br>Receivables |                  |           | \$ 16,110                               | -   |
| GAAP fund balance                         |                  |           | \$ 16,110                               |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Motorcycle Driver Safety Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts |           | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|------------------|-----------|---|---|
|   | Original         | Final     |   |   |
| <u>Cash Receipts</u>                          |                  |           |   |   |
| Student sources                               | \$ 11,875        | \$ 11,875 | \$ 13,464                               | \$ 1,589  |
| <br><u>Expenditures Subject to Budget</u>     |                  |           |   |   |
| Instruction                                   | \$ 14,000        | \$ 14,000 | 4,518                                   | \$ (9,482)  |
| <br>Receipts Over (Under) Expenditures        |                  |           | 8,946                                   |   |
| <br>Unencumbered Cash, July 1                 |                  |           | 797                                     |   |
| <br>Unencumbered Cash, June 30                |                  |           | \$ 9,743                                |   |
| <br>Unencumbered Cash, June 30<br>Receivables |                  |           | \$ 9,743                                | -   |
| <br>GAAP fund balance                         |                  |           | \$ 9,743                                |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Bookstore Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts    |                     | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>Under |
|---|---------------------|---------------------|---|---|
|   | Original            | Final               |   |   |
| <u>Cash Receipts</u>                        |                     |                     |   |   |
| Sales                                       | \$ 3,256,000        | \$ 3,256,000        | \$ 1,583,997                            | \$ (1,672,003)                                    |
| Other income                                | 500,000             | 500,000             | -                                       | (500,000)   |
| <b>Total Cash Receipts</b>                  | <b>\$ 3,756,000</b> | <b>\$ 3,756,000</b> | <b>1,583,997</b>                        | <b>\$ (2,172,003)</b>                             |
| <u>Expenditures Subject to Budget</u>       |                     |                     |   |   |
| Salaries and benefits                       | \$ 255,440          | \$ 255,440          | 183,383                                 | \$ (72,057)                                       |
| General operating expenses                  | 888,425             | 888,425             | 153,188                                 | (735,237)   |
| Supplies                                    | 252,000             | 252,000             | 133,750                                 | (118,250)   |
| Cost of goods sold                          | 2,291,000           | 2,291,000           | 1,160,960                               | (1,130,040)                                       |
| Equipment                                   | 65,000              | 65,000              | -                                       | (65,000)  |
| <b>Total Expenditures Subject to Budget</b> | <b>\$ 3,751,865</b> | <b>\$ 3,751,865</b> | <b>1,631,281</b>                        | <b>\$ (2,120,584)</b>                             |
| Receipts Over (Under) Expenditures          |                     |                     | (47,284)                                |   |
| Unencumbered Cash, July 1                   |                     |                     | 255,601                                 |   |
| Unencumbered Cash, June 30                  |                     |                     | \$ 208,317                              |   |
| Unencumbered Cash, June 30<br>Inventory     |                     |                     | \$ 208,317<br>321,145                   |   |
| GAAP fund balance                           |                     |                     | \$ 529,462                              |   |



**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Housing Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts    |                     | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|---------------------|---------------------|---|---|
|   | Original            | Final               |   |   |
| <u>Cash Receipts</u>                        |                     |                     |   |   |
| Student sources                             | \$ 3,440,000        | \$ 3,440,000        | \$ 2,088,791                            | \$ (1,351,209)                                      |
| Other income                                | 172,500             | 172,500             | 90,409                                  | (82,091)  |
| <b>Total Cash Receipts</b>                  | <b>\$ 3,612,500</b> | <b>\$ 3,612,500</b> | <b>2,179,200</b>                        | <b>\$ (1,433,300)</b>                               |
| <u>Expenditures Subject to Budget</u>       |                     |                     |   |   |
| Salaries and benefits                       | \$ 375,860          | \$ 375,860          | 296,504                                 | \$ (79,356)   |
| General operating expenses                  | 937,000             | 937,000             | 227,015                                 | (709,985)   |
| Supplies                                    | 3,000               | 3,000               | 37,965                                  | 34,965  |
| Cost of goods sold                          | 1,400,000           | 1,400,000           | 984,489                                 | (415,511)   |
| Equipment                                   | 20,000              | 20,000              | -                                       | (20,000)  |
| Transfer                                    | 800,000             | 800,000             | -                                       | (800,000)   |
| <b>Total Expenditures Subject to Budget</b> | <b>\$ 3,535,860</b> | <b>\$ 3,535,860</b> | <b>1,545,973</b>                        | <b>\$ (1,989,887)</b>                               |
| Receipts Over (Under) Expenditures          |                     |                     | 633,227                                 |   |
| Unencumbered Cash, July 1                   |                     |                     | 513,126                                 |   |
| Unencumbered Cash, June 30                  |                     |                     | <u>\$ 1,146,353</u>                     |   |
| Unencumbered Cash, June 30<br>Receivables   |                     |                     | <u>\$ 1,146,353</u>                     | <u>-</u>  |
| GAAP fund balance                           |                     |                     | <u>\$ 1,146,353</u>                     |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Cosmetology Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts |            | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|------------------|------------|---|---|
|   | Original         | Final      |   |   |
| <u>Cash Receipts</u>                      |                  |            |   |   |
| Sales                                     | \$ 102,500       | \$ 102,500 | \$ 63,259                               | \$ (39,241)   |
| <u>Expenditures Subject to Budget</u>     |                  |            |   |   |
| Salaries and benefits                     | \$ 26,900        | \$ 26,900  | -                                       | \$ (26,900)   |
| General operating expenses                | 30,000           | 30,000     | -                                       | (30,000)  |
| Supplies                                  | 57,100           | 57,100     | 4,229                                   | (52,871)  |
| Cost of goods sold                        | -                | -          | 70,110                                  | 70,110  |
| Equipment                                 | 8,400            | 8,400      | -                                       | (8,400)   |
| Total Expenditures Subject to Budget      | \$ 122,400       | \$ 122,400 | 74,339                                  | \$ (48,061)   |
| Receipts Over (Under) Expenditures        |                  |            | (11,080)                                |   |
| Unencumbered Cash, July 1                 |                  |            | (5,055)                                 |   |
| Unencumbered Cash, June 30                |                  |            | \$ (16,135)                             |   |
| Unencumbered Cash, June 30<br>Receivables |                  |            | \$ (16,135)                             |   |
|   |                  |            | -                                       |   |
| GAAP fund balance                         |                  |            | \$ (16,135)                             |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Wellness Center Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts  |                   | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|-------------------|-------------------|---|---|
|   | Original          | Final             |   |   |
| <u>Cash Receipts</u>                      |                   |                   |   |   |
| Student sources                           | \$ 73,500         | \$ 73,500         | \$ 15,066                               | \$ (58,434)   |
| Other income                              | 99,500            | 99,500            | 34,930                                  | (64,570)  |
| Total Cash Receipts                       | <u>\$ 173,000</u> | <u>\$ 173,000</u> | <u>49,996</u>                           | <u>\$ (123,004)</u>                                 |
| <u>Expenditures Subject to Budget</u>     |                   |                   |   |   |
| Salaries and benefits                     | \$ 111,920        | \$ 111,920        | 101,342                                 | \$ (10,578)   |
| General operating expenses                | 5,750             | 5,750             | -                                       | (5,750)   |
| Supplies                                  | 55,000            | 55,000            | 2,443                                   | (52,557)  |
| Equipment                                 | 5,000             | 5,000             | -                                       | (5,000)   |
| Total Expenditures Subject to Budget      | <u>\$ 177,670</u> | <u>\$ 177,670</u> | <u>103,785</u>                          | <u>\$ (73,885)</u>                                  |
| Receipts Over (Under) Expenditures        |                   |                   | (53,789)                                |   |
| Unencumbered Cash, July 1                 |                   |                   | (3,083)                                 |   |
| Unencumbered Cash, June 30                |                   |                   | <u>\$ (56,872)</u>                      |   |
| Unencumbered Cash, June 30<br>Receivables |                   |                   | \$ (56,872)                             |   |
|   |                   |                   | <u>-</u>                                |   |
| GAAP fund balance                         |                   |                   | <u>\$ (56,872)</u>                      |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Deli Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts |               | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|------------------|---------------|---|---|
|   | Original         | Final         |   |   |
| <u>Cash Receipts</u>                    |                  |               |   |   |
| Sales                                   | \$ 60,000        | \$ 60,000     | \$ 52,574                               | \$ (7,426)  |
| Other income                            | 3,500            | 3,500         | 2,878                                   | (622)   |
|   | <u>63,500</u>    | <u>63,500</u> | <u>55,452</u>                           | <u>(8,048)</u>                                      |
| Total Cash Receipts                     |                  |               |   |   |
| <u>Expenditures Subject to Budget</u>   |                  |               |   |   |
| General operating expenses              | \$ 4,000         | \$ 4,000      | 5,132                                   | \$ 1,132  |
| Supplies                                | 56,000           | 56,000        | 41,983                                  | (14,017)  |
|   | <u>60,000</u>    | <u>60,000</u> | <u>47,115</u>                           | <u>(12,885)</u>                                     |
| Total Expenditures Subject to Budget    |                  |               |   |   |
| Receipts Over (Under) Expenditures      |                  |               | 8,337                                   |   |
| Unencumbered Cash, July 1               |                  |               | <u>26,310</u>                           |   |
| Unencumbered Cash, June 30              |                  |               | <u>\$ 34,647</u>                        |   |
| Unencumbered Cash, June 30<br>Inventory |                  |               | \$ 34,647                               |   |
|   |                  |               | <u>-</u>                                |   |
| GAAP fund balance                       |                  |               | <u>\$ 34,647</u>                        |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Capital Outlay Fund  
Year Ended June 30, 2016**

|   | Budgeted Amounts  |                   | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---|-------------------|-------------------|---|---|
|   | Original          | Final             |   |   |
| <u>Cash Receipts</u>                                |                   |                   |   |   |
| Private gifts                                       | <u>\$ 350,000</u> | <u>\$ 350,000</u> | \$ -                                    | <u>\$ (350,000)</u>                                 |
| <u>Expenditures and Transfers Subject to Budget</u> |                   |                   |   |   |
| Plant equipment and facility                        | <u>\$ 350,000</u> | <u>\$ 350,000</u> | -                                       | <u>\$ (350,000)</u>                                 |
| Receipts Over (Under) Expenditures                  |                   |                   | -                                       |   |
| Unencumbered Cash, July 1                           |                   |                   | -                                       |   |
| Unencumbered Cash, June 30                          |                   |                   | <u>\$ -</u>                             |   |
| Unencumbered Cash, June 30<br>Receivables           |                   |                   | -                                       |   |
| GAAP fund balance                                   |                   |                   | <u>\$ -</u>                             |   |

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Special Assessment Fund  
Year Ended June 30, 2016**

|                                       | Budgeted Amounts |                  | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget<br>Over<br>(Under) |
|---------------------------------------|------------------|------------------|---|---|
|                                       | Original         | Final            |   |   |
| <u>Cash Receipts</u>                  | <u>\$ -</u>      | <u>\$ -</u>      | \$ -                                    | <u>\$ -</u>   |
| <u>Expenditures Subject to Budget</u> |                  |                  |   |   |
| Plant equipment and facility          | <u>\$ 70,146</u> | <u>\$ 70,146</u> | -                                       | <u>\$ (70,146)</u>                                  |
| Receipts Over (Under) Expenditures    |                  |                  | -                                       |   |
| Unencumbered Cash, July 1             |                  |                  | <u>70,146</u>                           |   |
| Unencumbered Cash, June 30            |                  |                  | <u>\$ 70,146</u>                        |   |
| Unencumbered Cash, June 30            |                  |                  | \$ 70,146                               |   |
| Receivables                           |                  |                  | <u>-</u>                                |   |
| GAAP fund balance                     |                  |                  | <u>\$ 70,146</u>                        |   |

**SINGLE AUDIT SECTION**

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

| <u>Federal Grantor/Pass-Through<br/>Grantor Program Title</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Identifying<br/>Number</u> | <u>Disbursements/<br/>Expenditures</u> |
|---|------------------------------------|-------------------------------|--|
| <u>Department of Education</u>                                |                                    |                               |  |
| Direct Programs:  |                                    |                               |  |
| Student Financial Aid (SFA) Cluster                           |                                    |                               |  |
| Federal Work-Study Program                                    | 84.033                             | P033A151504                   | \$ 108,062                             |
| Supplemental Education Opportunity Grant                      | 84.007                             | P007A151504                   | 72,188                                 |
| Federal Direct Student Loan                                   | 84.268                             | P268K161454                   | 4,984,139                              |
| PELL Grant  | 84.063                             | P063P151454                   | <u>4,874,200</u>                       |
| Total Student Financial Aid (SFA) Cluster                     |                                    |                               | <u>10,038,589</u>                      |
| <br>  |                                    |                               |  |
| TRIO Student Support Services 14-15                           | 84.042A                            | P042A110052-14                | 67,016                                 |
| TRIO Student Support Services 15-16                           | 84.042A                            | P042A110052-15                | 202,149                                |
| TRIO Upper Bound Program 14-15                                | 84.047A                            | P047A121104-14                | 53,468                                 |
| TRIO Upper Bound Program 15-16                                | 84.047A                            | P047A121104-15                | <u>211,640</u>                         |
| Total TRIO Cluster  |                                    |                               | <u>534,273</u>                         |
| <br>  |                                    |                               |  |
| Passed Through Kansas Board of Regents:                       |                                    |                               |  |
| Adult Education - Basic Grants to States                      | 84.002                             |                               | 68,985                                 |
| Carl Perkins  | 84.048A                            |                               | <u>163,533</u>                         |
| <br>  |                                    |                               |  |
| TOTAL DEPARTMENT OF EDUCATION                                 |                                    |                               | <u>10,805,380</u>                      |
| <br>  |                                    |                               |  |
| TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS              |                                    |                               | <u>\$ 10,805,380</u>                   |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Cowley County Community College of Arkansas City, Kansas, under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Account Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The College has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

Board of Trustees  
Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component unit of Cowley County Community College and Area Vocational-Technical School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Cowley County Community College and Area Vocational-Technical School basic financial statements, and have issued our report thereon dated February 13, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2016-001).

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cowley County Community College and Area Vocational-Technical School's financial statements are free from 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*.

## Cowley County Community College and Area Vocational-Technical School's Response to Findings

Cowley County Community College and Area Vocational-Technical School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cowley County Community College and Area Vocational-Technical School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC  
Hutchinson, Kansas

February 13, 2017

**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 REQUIRED BY THE  
UNIFORM GUIDANCE**

Board of Trustees  
Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited Cowley County Community College and Area Vocational-Technical School's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

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## Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, and Loyd, LLC  
Hutchinson, Kansas

February 13, 2017

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Cowley County Community College and Area Vocational-Technical School, Arkansas City, Kansas were prepared in accordance with GAAP.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Cowley County Community College and Area Vocational-Technical School Arkansas City, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance Required by Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Cowley County Community College and Area Vocational-Technical School, Arkansas City, Kansas expresses an unmodified opinion.
6. There is one audit finding that is required to be reported in accordance with 2CFR section 200.516(a).
7. The programs tested as major programs include:

|  | <u>CFDA No.</u> |
|--|-----------------|
| Student Financial Aid Programs:                            |                 |
| Federal Supplemental Educational Opportunity Grant Program | 84.007          |
| Federal Work-Study Program                                 | 84.033          |
| Federal PELL Grant Program                                 | 84.063          |
| Federal Direct Student Loan Program                        | 84.268          |
8. The threshold for distinguishing Types A and B program was \$750,000.
9. Cowley County Community College and Area Vocational-Technical School, Arkansas City, Kansas was determined to be a low-risk auditee.

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

2016-001    **SIGNIFICANT DEFICIENCY- CAPITAL ASSETS**

**Condition:** During the review of capital assets we found several discrepancies with the capital asset additions and disposal lists. We also noticed that the asset tags were not located on several pieces of equipment, i.e. lawn equipment and tractor.

**Criteria:** Part of a strong internal control system in the area of capital assets is ensuring that the database is complete as well as the ability to identify and locate the assets in the database.

**Cause:** Asset tags are hard to keep on mobile and heavily used equipment. Assets are shifted between multiple sites depending on need and the College's records are not always updated. Assets are sold or disposed and are not removed from the capital asset list. Assets additions from prior years were added to current year capital asset list to bring it up to date.

**Cowley County Community College and Area Vocational-Technical School**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

**FINDINGS--FINANCIAL STATEMENTS AUDIT (Continued)**

2016-001    **SIGNIFICANT DEFICIENCY- CAPITAL ASSETS (Continued)**

**Effect:** Capital assets could potentially be materially understated. Assets without tags are more susceptible to misuse and potentially theft.

**Recommendation:** We recommend that since the tag is the primary device of tracking and identifying various equipment as belonging to the College, that all assets have the tag easily visible on the equipment. We also recommend asset records be updated when assets are moved to other sites or disposed.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with this finding and are actively pursuing a better tracking process. This includes converting over to a new software that will assist them in making these changes, implementing a new tracking form, and educating the staff of the College on the policies and procedures regarding capital assets.

**FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Student Financial Aid Programs

Federal Supplemental Education Opportunity Grant, CFDA No. 84.007. Federal Work-Study Program CFDA No. 84.033. Federal Pell Grant Program CFDA No. 84.063. Federal Direct Student Loan Program CFDA No. 84.268

There were no reportable findings for the year ended June 30, 2016.



**Cowley County Community College and Area Vocational-Technical School**

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2016**

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

**2015-001 SIGNIFICANT DEFICIENCY – CAPITAL ASSETS**

**Condition:** During the review of capital assets we found several discrepancies with the capital asset additions and disposal lists. We also noticed that the asset tags were not located on several pieces of equipment, i.e. lawn equipment and tractor.

**Recommendation:** We recommend that since the tag is the primary device of tracking and identifying various equipment as belonging to the College, that all assets have the tag easily visible on the equipment. We also recommend asset records be updated when assets are moved to other sites or disposed. Management concurred with the recommendation and indicated that the procedures would be implemented.

**Current Status:** The recommended procedures were implemented. The College had similar findings for 2016. The College is working on implementing additional procedures as noted in Finding 2016-001 on the Schedule of Findings and Questioned Costs.

**FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Student Financial Aid Programs**

Federal Supplemental Education Opportunity Grant, CFDA No. 84.007. Federal Work-Study Program CFDA No. 84.033. Federal Pell Grant Program CFDA No. 84.063. Federal Direct Student Loan Program CFDA No. 84.268, Academic Competitiveness Grant CFDA No. 84.375

There were no reportable findings for the year ended June 30, 2015.