

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

BYRON BIRD AND ASSOCIATES, CHARTERED  
Certified Public Accountants  
224 N. Lincoln  
Liberal, Kansas 67901

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Financial Statements  
For the Year Ended June 30, 2014

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SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Financial Statements  
For the Year Ended June 30, 2014

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**BYRON BIRD AND ASSOCIATES, CHARTERED**  
CERTIFIED PUBLIC ACCOUNTANTS

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LIBERAL, KANSAS 67901

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Seward County Community College / Area Technical School  
Liberal, Kansas 67901

**Report on the financial Statements**

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Seward County Community College / Area Technical School (College), as of and for the year ended June 30, 2014, 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 State 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 did not audit the financial statements of Seward County Community College / Area Technical School Foundation (Foundation), which is the discretely presented component unit of the College. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide*.

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 College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Seward County Community College / Area Technical School, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedule of funding progress on page 39 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's basic financial statements. The schedule of receipts and expenditures – actual and budget – regulatory basis 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of receipts and expenditures – actual and budget – regulatory basis 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 schedule of receipts and expenditures – actual and budget – regulatory basis 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 28, 2015, 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.

*Byron Bird and Associates, Chartered*

BYRON BIRD AND ASSOCIATES, CHARTERED  
Liberal, Kansas  
February 28, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Overview of the Financial Statements and Financial Analysis

Seward County Community College/Area Technical School proudly presents its financial statements for fiscal year ending June 30, 2014. The emphasis of discussions about these statements will be on current year data for the college only. Comparative data for the college is included for fiscal year ending June 30, 2013 per GASB 35 and will be briefly discussed enumerating noteworthy differences between the fiscal years.

Component unit information is provided in the colleges' audited financial statements for the Seward County Community College/Area Technical School Foundation, a 501(c)(3) organization organized February 24, 1969. The management of Seward County Community College/Area Technical School expresses no opinion, nor analysis of the component unit information. However, it is noted that the Seward County Community College/Area Technical School Foundation received an unqualified opinion with no statutory or budgetary violations from their independent audit. The audit period for the Foundation is July 1, 2013 through June 30, 2014. The independent audit firm for the Foundation is Hay, Rice & Associates, 21 Plaza Drive, Liberal, KS 67901. The reader of this management discussion and analysis is encouraged to contact the Seward County

Community College/Area Technical School Foundation directly for a copy of their audited financial statements when available.

Contact information for the Seward County Community College/Area Technical School Foundation is:

SCCC/ATS Foundation  
Tammy Doll, Secretary  
P. O. Box 1137  
Liberal, KS 67905-1137  
tammy.doll@sccc.edu

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and, the Statement of Cash Flows. All following dollar amounts are presented as actual rounded to the nearest dollar. This discussion and analysis of the college's financial statements provides an overview of its financial activities for fiscal year ending June 30, 2014. All readers are encouraged to peruse the three audited financial statements and the accompanying notes. The notes provide insight into the values contained in the financial statements.



### **Statement of Net Position**

The Statement of Net Position presents the Assets (current and non-current), Deferred Outflows, Liabilities (current and non-current), and Deferred Inflows as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Seward County Community College/Area Technical School. The difference between current and non-current is discussed in the footnotes to the financial statement.

From the data presented, readers of the Statement of Net Position are able to determine the resources available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions.

Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Seward County Community College/Area Technical School does not have any nonexpendable restricted amounts. Expendable restricted net position are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities, most commonly bond

covenants, that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted amounts are available to the institution for any lawful purpose of the institution.

ABBREVIATED STATEMENT OF NET POSITION  
JUNE 30

	<u>2013</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets	\$13,032,174	\$12,873,702
Capital Assets	<u>\$27,717,380</u>	<u>\$25,720,638</u>
Total Assets	<u>\$40,749,554</u>	<u>\$38,594,340</u>
Deferred Outflow of Resources	<u>\$330,012</u>	<u>\$281,732</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,696,828	\$1,751,723
Long Term Liabilities	<u>\$5,768,708</u>	<u>\$5,134,132</u>
Total Liabilities	<u>\$7,465,536</u>	<u>\$6,885,855</u>
Deferred Inflows of Resources	<u>\$3,099,574</u>	<u>\$2,977,642</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$22,587,882	\$21,232,027
Restricted for:		
Expendable Capital Projects	\$541,323	\$565,360
Expendable Debt Service	\$1,224,303	\$1,280,358
Expendable Scholarships	\$93,198	\$96,109
Expendable Technology	\$434,735	\$437,242
Unrestricted	<u>\$5,633,015</u>	<u>\$5,401,479</u>
Total Net Position	<u>\$30,514,456</u>	<u>\$29,012,575</u>

Total net position decreased by \$1,501,881. A review of the Statement of Net Position reveals the net overall decrease is primarily due to accumulated depreciation on capital assets.

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

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the college. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the college. Non-operating revenues are revenues received for which goods and services are not provided. Examples of non-operating revenues are state appropriations and local ad valorem taxes. These are “non-operating” because state appropriations are provided by the Kansas Board of Regents to the institution with the Kansas Board of Regents directly receiving no commensurate goods and services for those revenues. Local ad valorem taxes are provided by the property owners of Seward County, Kansas with the Seward County property owners directly receiving no commensurate goods and services for those revenues.

ABBREVIATED STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

For Fiscal Years Ended June 30

	2013	2014
Student Tuition and Fees	\$2,195,888	\$2,002,210
Grants and Contracts	\$3,228,103	\$3,853,672
Auxiliary Enterprise Revenue	\$1,538,415	\$1,487,300
Other Operating Revenue	\$225,597	\$180,341
Total Operating Revenues	\$7,188,003	\$7,523,523
Instruction	\$7,738,399	\$7,635,821
Academic Support	\$194,988	\$194,940
Student Services	\$2,178,471	\$2,375,430
Institutional Support	\$3,696,709	\$3,759,901
Operation and Maintenance of Plant	\$2,384,590	\$2,801,074
Depreciation	\$2,985,197	\$2,917,859
Scholarships and Fellowships	\$916,959	\$804,710
Auxiliary Enterprise Expenses	\$1,680,977	\$1,563,240
Total Operating Expenses	\$21,776,290	\$22,052,975
Operating Income (Loss)	(\$14,588,287)	(\$14,529,452)
State Appropriations	\$3,016,067	\$3,016,067
Local Property Taxes	\$8,485,372	\$8,453,467
Pell Grants	1,803,426	1,687,921
Noncapital Gifts and Contributions	\$18,707	\$15,190
Interest Income	\$30,553	\$22,888
Interest and Fees on Capital Asset debt	(\$223,371)	(\$207,444)
Net Non Operating Revenues (Expenses)	\$13,130,754	\$12,988,089
Capital gifts and contributions	\$75,500	\$39,482
Decrease in Net Position	(\$1,382,033)	(\$1,501,881)
Net Position – July 1	\$31,896,489	\$30,514,456
Net Position – June 30	\$30,514,456	\$29,012,575

As presented in the statement, total operating revenues increased \$335,520. This increase is caused entirely by the grant income received. Operating expenses increased \$276,685. This increase was primarily from increased costs in personnel, and in repairs and upgrades in student services and plant operations.

### **Statement of Cash Flows**

The final statement presented by Seward County Community College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with the operating cash flows and shows the net cash used in the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used in the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

ABBREVIATED STATEMENT OF CASH FLOWS  
For the Fiscal Years Ended June 30

	2013	2014
Net Cash Flows From Operating Activities	(\$11,833,930)	(\$11,470,035)
Net Cash Flows From Non-Capital Financing Activities	\$13,601,274	\$13,082,476
Net Cash Flows from Capital & Related Financing Activities	(\$1,186,485)	(\$1,695,840)
Net Cash Flows from Investing Activities	\$30,553	\$22,888
Net Increase (Decrease) in Cash	\$611,412	(\$60,511)
Cash, Beginning of Year, July 1	\$9,797,939	\$10,409,351
Cash, End of Year, June 30	\$10,409,351	\$10,348,840

The reader of the cash flow statement should be aware that the “Cash Provided by Operations” will always be negative due to the definitions of operating revenues and operating expenses as defined by GASB 35.

The decrease of end of year cash balance from 2013 to 2014 came largely from financing activities in the form of decreased local revenue, and increased purchases of capital assets.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Certificates of Participation**

Seward County Community College/Area Technical School currently has a certificate of participation note outstanding as of June 30, 2014. This certificate is being retired through revenues earned from the colleges Auxiliary Enterprise System and by a fee levied per credit hour on all students enrolled each semester.

#### **Series 2011A**

This series of certificates was issued to fund the restructuring of revenue bond debt. The original debt was used to refund prior debt and construct a 168 bed Student Living Center with furnishings. The amount of issue was \$4,290,000. The outstanding principal as of June 30, 2014 is \$3,675,000. The outstanding interest is \$857,856. This series of certificates matures March 1, 2025.

### **General Obligation Bonds**

Seward County Community College/Area Technical School has no general obligation bond issues outstanding as of June 30, 2014.

### **Kansas Finance Authority No Interest Bonds**

Seward County Community College/Area Technical School has two issues of KFDA No Interest Bonds. The series 2008 PEI Bonds had an original value of \$1,260,000. The outstanding principal on this bond issue as of June 30, 2014 is \$315,000. The series 2009 PEI Bonds had an original value of \$1,244,000. The outstanding principal on this bond issue as of June 30, 2014 is \$466,500. Principal payments for each bond issue are due December 1.

The series 2008 PEI Bonds mature on December 1, 2015. The series 2009 PEI Bonds mature on December 1, 2016.

There is no accrued interest on either series of bonds.

### **Lease Purchase Agreement**

Seward County Community College/Area Technical School entered into a lease purchase agreement with First National Bank of Liberal, Kansas in June 2011. The purpose of the agreement was to provide a cash source for the improvement and renovation of a technical instruction building on the Area Technical School site. The original amount of the lease purchase agreement was \$500,000 with an interest rate of 5.5%. The outstanding principal as of June 30, 2014 is \$313,843. The outstanding interest is \$51,649. The final payment is due June 2021.

Dennis M. Sander  
Dean of Finance and Operations



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas

Statement 1

Seward County Community College / Area Technical School  
Statement of Net Position  
June 30, 2014

	<u>College</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 10,348,840
Taxes receivable	110,897
Accounts receivable, net of allowance for doubtful accounts of \$730,000 (Note 4)	1,837,274
Prepaid expenses	181,768
Inventories	<u>394,923</u>
Total Current Assets	<u>12,873,702</u>
Noncurrent Assets:	
Capital assets, net (Note 5)	<u>25,720,638</u>
Total Noncurrent Assets	<u>25,720,638</u>
Total Assets	<u>38,594,340</u>
Deferred Outflow of Resources	
Deferred charge on refunding of debt	<u>281,732</u>
Total Deferred Outflow of Resources	<u>281,732</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	404,084
Accrued interest on debt	42,777
Dorm deposits payable	18,900
Deposits held in custody for others	257,285
Accrued compensated absences	254,077
Current portion of early retirement liability	132,521
Current portion of long-term debt	<u>642,079</u>
Total Current Liabilities	<u>1,751,723</u>
Noncurrent Liabilities:	
Early retirement liability, net of current portion	201,700
Other postemployment benefits payable	804,168
Long-term debt, net of current portion	<u>4,128,264</u>
Total Noncurrent Liabilities	<u>5,134,132</u>
Total Liabilities	<u>6,885,855</u>
Deferred Inflows of Resources	
Unearned revenue (Note 6)	<u>2,977,642</u>
Total Deferred Inflows of Resources	<u>2,977,642</u>
<b>NET POSITION</b>	
Net Investment in capital assets	21,232,027
Restricted - expendable for:	
For capital projects	565,360
For debt service	1,280,358
For scholarships	96,109
For technology	437,242
Unrestricted	<u>5,401,479</u>
Total Net Position	<u>\$ 29,012,575</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas

Statement 2

Seward County Community College / Area Technical School Foundation - Component Unit  
Statement of Financial Position  
June 30, 2014

	<u>Foundation</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,583,746
Investments	<u>6,352,637</u>
Total Current Assets	<u>7,936,383</u>
Total Assets	\$ <u>7,936,383</u>
<b>LIABILITIES AND NET ASSETS</b>	
Total Liabilities	\$ <u>          -</u>
<b>NET ASSETS</b>	
Unrestricted	279,442
Temporarily restricted	3,157,636
Permanently restricted	<u>4,499,305</u>
Total net assets	<u>7,936,383</u>
Total Liabilities and Net Assets	\$ <u>7,936,383</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas

Statement 3

Seward County Community College / Area Technical School  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2014

	<u>College</u>
Operating Revenues	
Student tuition and fees (net of scholarship allowances of \$993,967)	\$ 2,002,210
Federal grants and contracts	1,971,048
State and local grants and contracts	1,882,624
Auxiliary enterprises revenues (net of scholarship allowance of \$354,001)	1,487,300
Other operating revenues	180,341
Total operating revenues	7,523,523
Operating Expenses	
Instruction	7,635,821
Academic support	194,940
Student services	2,375,430
Institutional support	3,759,901
Operation and maintenance of plant	2,801,074
Depreciation	2,917,859
Scholarships and fellowships	804,710
Auxiliary enterprises expenses	1,563,240
Total operating expenses	22,052,975
Net Operating Loss	(14,529,452)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	3,016,067
Local property taxes	8,453,467
Pell grants	1,687,921
Noncapital gifts and contributions	15,190
Interest income	22,888
Interest and fees on capital asset related debt	(207,444)
Net nonoperating revenues (expenses)	12,988,089
Loss before other revenues, expenses, gains, and losses	(1,541,363)
Capital gifts and contributions	39,482
Decrease in net position	(1,501,881)
Net Position - July 1, 2013	30,514,456
Net Position - June 30, 2014	\$ 29,012,575

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas

Statement 4

Seward County Community College / Area Technical School Foundation - Component Unit  
Statement of Activities  
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Foundation</u>		<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenue and Other Support:				
Donations				
Individuals	\$ 22,278	55,780	79,069	157,127
Business organizations	2,100	67,159	7,550	76,809
Foundations/Trusts	-	391,701	501,755	893,456
Clubs/Organizations/Schools	380	329,011	6,102	335,493
State Board of Regents - Grants	-	11,079	-	11,079
Special events	61,058	-	-	61,058
Interest/Dividends income	8,408	163,074	-	171,482
Realized gain (loss) on investments	8,957	160,804	-	169,761
Unrealized gain (loss) on investments	19,953	421,412	-	441,365
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments:				
Scholarships and other student support	738,229	(738,229)	-	-
Foundation projects	53,439	(53,439)	-	-
Total revenue and other support	<u>914,802</u>	<u>808,352</u>	<u>594,476</u>	<u>2,317,630</u>
Expenses:				
Program Expenses:				
Scholarships and other student support	738,229	-	-	738,229
Special events	28,474	-	-	28,474
Foundation projects	53,439	-	-	53,439
Total program services	<u>820,142</u>	<u>-</u>	<u>-</u>	<u>820,142</u>
Supporting Services:				
General and administrative	53,456	-	-	53,456
Investment expenses	2,083	35,665	-	37,748
Total supporting services	<u>55,539</u>	<u>35,665</u>	<u>-</u>	<u>91,204</u>
Total expenses	<u>875,681</u>	<u>35,665</u>	<u>-</u>	<u>911,346</u>
Transfer	<u>(10,000)</u>	<u>5,104</u>	<u>4,896</u>	<u>-</u>
Changes in Net Assets	29,121	777,791	599,372	1,406,284
Net Assets - July 1, 2013	<u>250,321</u>	<u>2,379,845</u>	<u>3,899,933</u>	<u>6,530,099</u>
Net Assets - June 30, 2014	\$ <u><u>279,442</u></u>	<u><u>3,157,636</u></u>	<u><u>4,499,305</u></u>	<u><u>7,936,383</u></u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas

Statement 5  
 Page 1 of 2

Seward County Community College / Area Technical School  
 Statement of Cash Flows  
 For the Year Ended June 30, 2014

	<u>College</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 1,999,170
Grants and contracts	3,564,877
Payments to vendors and suppliers	(8,110,543)
Payments to employees	(9,150,563)
Payments for scholarships	(1,422,499)
Auxiliary enterprise charges	1,469,182
Other receipts	<u>180,341</u>
Net cash used by operating activities	<u>(11,470,035)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Local property taxes	8,427,800
State appropriations	3,016,067
Pell grants	1,677,782
Noncapital donations and special events	15,190
Student organization agency transactions	<u>(54,363)</u>
Net cash provided by noncapital financing activities	<u>13,082,476</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(884,328)
Capital gifts and contributions	39,482
Principal paid on capital debt	(689,166)
Interest & fees paid on capital debt	<u>(161,828)</u>
Net cash used by capital and related financing activities	<u>(1,695,840)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>22,888</u>
Net cash provided by investing activities	<u>22,888</u>
Net decrease in cash and cash equivalents	(60,511)
Cash and cash equivalents, Beginning of year	<u>10,409,351</u>
Cash and cash equivalents, End of the year	<u>\$ 10,348,840</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas

Statement 5  
Page 2 of 2

Seward County Community College / Area Technical School  
Statement of Cash Flows  
For the Year Ended June 30, 2014

	<u>College</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net Operating loss	\$ (14,529,452)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	2,917,859
Changes in assets and liabilities:	
Accounts receivable, net	15,860
Inventories	338
Accounts payable and accrued expenses	129,882
Prepaid expenses	(1,516)
Deferred revenue	<u>(3,006)</u>
Net cash used by operating activities	\$ <u>(11,470,035)</u>
Noncash activities	
State on-behalf payments for fringe benefits	\$ <u><u>935,627</u></u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas

Statement 6

Seward County Community College / Area Technical School Foundation - Component Unit  
Statement of Cash Flows  
For the Year Ended June 30, 2014

	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest and dividend income	\$ 171,482
Donations and special events	940,546
Scholarships and other student support	(738,229)
Special events	(28,474)
Foundation projects	(53,439)
General and administrative	(53,456)
Investment expenses	<u>(37,748)</u>
Net cash provided by operating activities	<u>200,682</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds from purchase and sale of investments	<u>(143,869)</u>
Net cash used by investing activities	<u>(143,869)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for permanent investment	<u>594,476</u>
Net cash provided by financing activities	<u>594,476</u>
Net increase in cash and cash equivalents	651,289
Cash and cash equivalents, Beginning of year	<u>932,457</u>
Cash and cash equivalents, End of the year	\$ <u>1,583,746</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE**

Seward County Community College / Area Technical School (the College) is located in Liberal, Kansas and serves the surrounding area. The Two-year College was organized in 1967 and is governed by an elected six member board. The College receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the College is not included in any other governmental “reporting entity” as defined in Governmental Accounting Standards Board (GASB) pronouncements, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The accounting policies of the College have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies of the College.

**Financial Reporting Entity**

These financial statements present Seward County Community College / Area Technical School (the primary government) and its component unit.

**Discretely Presented Component Unit**

The Seward County Community College / Area Technical School Foundation is considered to be a related organization to the college. The Foundation is a legally separate, tax-exempt organization that 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. During the year ended June 30, 2014, the College received scholarships totaling \$678,343 and expenditure reimbursements of \$131,198.

The foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a nonprofit organization that reports its financial results under Financial Accounting Standard Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences; however, significant note disclosures (see Note 15) to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements.

Separately issued audited financial statements for the Foundation may be obtained from: SCCC /ATS Foundation, Tammy Doll, Secretary, P.O. Box 1137, Liberal, KS 67905-1137.



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

For financial statement reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of the timing of related cash flows. All significant inter-fund transactions have been eliminated.

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes property taxes: federal, state, and local grants: State appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, State appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expense requirements, in which the resources are provided to the College on a reimbursement basis.

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances at year-end were approximately \$506,967, which represent the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2014 are completed. Encumbrances outstanding at June 30, 2014 do not constitute expenses or liabilities and are not reflected in these financial statements. Encumbered appropriations expire at year-end but are typically renewed in the next fiscal year.

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.

**Use of Estimates**

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

**Income Taxes**

The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – College (Continued)**

**Current and Non-current**

Current liabilities are those that will be paid within one year of the date of the statement of net assets. Non-current liabilities include principal amounts of capital lease obligations and bond obligations with contractual maturities greater than one year. Current assets are those that are available to satisfy current liabilities. They include assets that will be converted to cash within one year of the date of the statement of net assets. Typically other assets and liabilities expected to become due beyond one year are considered non-current.

**Cash and Cash Equivalents**

Cash equivalents include all investments with original maturities of three months or less.

**Accounts Receivable**

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff and general public. Accounts receivable also include amounts due from the federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the college's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

**Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future reporting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

**Inventories**

Inventories consist primarily of items held for resale by the bookstore, cosmetology, and auto parts management and are stated at the lower of cost (determined on a first-in, first-out basis) or market. The cost is recorded as expenses as the inventories are consumed.

**Capital Assets**

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

Property and equipment of the College are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 20-30 years for buildings, 5-30 years for improvements other than buildings, and 3-10 years for equipment and library materials.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – College (Continued)**

**Compensated Absences**

The College records a liability for employees' vacation leave earned, but not taken. The employees earn vacation time during the current school year and use it the following school year with no accumulation. The liability and expense incurred are recorded at year-end as accrued expenses in the statements of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports the deferred charges on the prior refunding of the debt in this category. This amount results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The College reports unearned revenues in this category. Unearned revenue includes tax levies received and accrued that are restricted for future fiscal years and amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent reporting year.

**Net Position**

*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.

*Restricted net position – nonexpendable* – This consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift, that the principal is to be maintained in perpetuity.

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

*Unrestricted net position* – This includes 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.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)**

**Net Position Flow Assumption**

When both restricted and unrestricted resources are available for use, the order of use of such funds is determined on a case-by-case basis. Restricted funds remain classified as restricted until they are expended.

**Property Taxes**

In accordance with governing statutes, property taxes are levied each year on all taxable real property located in the County. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes on or before December 20 during the year levied with the balance to be paid on or before May 10 of the following year. Property taxes are recorded on an accrual basis of accounting. Property tax levies passed in November 2013 were allocated between fiscal years 2014 and 2015.

As of June 30, 2014, the county treasurer had distributed to the College approximately 96% of the 2013 taxes levied. A portion of the 2013 and 2014 taxes levied will be used to finance the year ending June 30, 2015.

**Classification of Revenues**

The College has classified its revenues as either Operating or Non-Operating. Operating revenue include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and non-governmental grants and contracts. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) local property taxes, (2) state appropriations, (3) Pell grants, and (4) gifts and contributions.

**Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference 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 students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating 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 discount and allowance.

**On-Behalf Payments for Fringe Benefits and Salaries**

The college recognizes as revenues and expenses, contributions made by the State of Kansas to the Kansas Public Employee Retirement System (KPERs) on behalf of the College's employees. In fiscal year 2014, the state made contributions of \$935,627 (see Note 9).

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)**

**Federal Financial Assistance Programs**

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Family Education Loans programs, and Direct Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement

**NOTE 2: STEWARSHIP, COMPLIANCE, AND ACCOUNTABILITY - COLLEGE**

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the current unrestricted funds, capital outlay fund, and retirement of indebtedness funds. Although directory rather than mandatory, 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 calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The 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.

The 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, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the College for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for current restricted funds and agency 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.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 2: STEWARSHIP, COMPLIANCE, AND ACCOUNTABILITY - COLLEGE (Continued)**

**Cash-Basis Law**

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. Some sub-funds of the Restricted Funds have a negative cash balance at June 30, 2014, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed from federal grants, state grants, and other contracts in the following fiscal year. This combined receivable has been recognized for GAAP purposes on these financial statements.

**NOTE 3: DEPOSITS AND INVESTMENTS – COLLEGE**

As of June 30, 2014, the College did not have any activity in investment-type assets.

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the College's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The College has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk.* State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College has not designated a "peak period". All deposits were legally secured at June 30, 2014.

At June 30, 2014, the College's carrying amount of the deposits was \$10,348,840 and the bank balance was \$10,407,145. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$510,018 was covered by federal depository insurance; \$9,897,127 was collateralized with securities held by the pledging financial institutions' agents in the College's name.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 4: ACCOUNTS RECEIVABLE, NET – COLLEGE**

Accounts receivable consisted of the following at June 30, 2014:

Student tuition and fees	\$ 1,620,268
Auxiliary enterprises and other operating activities	838,245
Federal and state agencies	<u>108,761</u>
Gross accounts receivable	2,567,274
Less allowance for doubtful accounts	( 730,000)
Net accounts receivable	<u>\$ 1,837,274</u>

**NOTE 5: CAPITAL ASSETS, NET – COLLEGE**

Following are the changes in capital assets for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ <u>294,019</u>	<u>-</u>	<u>-</u>	<u>294,019</u>
Total non-depreciable capital assets	<u>294,019</u>	<u>-</u>	<u>-</u>	<u>294,019</u>
Depreciable capital assets:				
Land improvements	1,017,693	-	-	1,017,693
Buildings	42,267,936	458,659	-	42,726,595
Furniture and equipment	10,137,489	462,458	778,015	9,821,932
Library materials	<u>1,081,170</u>	<u>-</u>	<u>-</u>	<u>1,081,170</u>
Total depreciable capital assets	<u>54,504,288</u>	<u>921,117</u>	<u>778,015</u>	<u>54,647,390</u>
Total capital assets	<u>54,798,307</u>	<u>921,117</u>	<u>778,015</u>	<u>54,941,409</u>
Less accumulated depreciation:				
Land improvements	1,004,991	6,856	-	1,011,847
Buildings	17,673,752	2,201,455	-	19,875,207
Furniture and equipment	7,321,014	709,548	778,015	7,252,547
Library materials	<u>1,081,170</u>	<u>-</u>	<u>-</u>	<u>1,081,170</u>
Total accumulated depreciation	<u>27,080,927</u>	<u>2,917,859</u>	<u>778,015</u>	<u>29,220,771</u>
Total capital assets, net	<u>\$27,717,380</u>	<u>( 1,996,742)</u>	<u>-</u>	<u>25,720,638</u>

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 6: UNEARNED REVENUES – COLLEGE**

Unearned revenues consisted of the following at June 30, 2014:

Property taxes levied for future period	\$ 2,908,153
Tuition and fees received in advance	<u>69,489</u>
<b>Total unearned revenues</b>	<b>\$ <u>2,977,642</u></b>

**NOTE 7: LONG-TERM LIABILITIES – COLLEGE**

Changes in long-term liabilities for the College for the year ended June 30, 2014, were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Amounts due within one year</u>	<u>Fees &amp; Interest Paid</u>
Debt payable and capital lease obligations:						
KBOR PEI Loans	\$ 1,094,500	-	313,000	781,500	313,000	2,736
Capital lease obligations	420,010	-	106,167	313,843	49,079	19,567
Certificates of Participation	<u>3,945,000</u>	<u>-</u>	<u>270,000</u>	<u>3,675,000</u>	<u>280,000</u>	<u>139,525</u>
	5,459,510	-	689,167	4,770,343	642,079	161,828
Other liabilities:						
Early retirement benefits	298,024	141,579	105,382	334,221	132,521	-
Post-employment healthcare	740,897	204,271	141,000	804,168	-	-
Compensated absences	<u>242,955</u>	<u>11,122</u>	<u>-</u>	<u>254,077</u>	<u>254,077</u>	<u>-</u>
<b>Total Long-term liabilities</b>	<b>\$ <u>6,741,386</u></b>	<b><u>356,972</u></b>	<b><u>935,549</u></b>	<b><u>6,162,809</u></b>	<b><u>1,028,677</u></b>	<b><u>161,828</u></b>

Loans and certificates payable and capital lease obligations consist of the following:

<u>Debt Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Balance June 30, 2014</u>
KBOR PEI Infrastructure Loan					
Series 2008	3/26/08	1,260,000	12/1/15	0.00%	315,000
Series 2009	3/31/09	1,244,000	12/1/16	0.00%	466,500
Lease purchase obligation	5/6/11	500,000	6/3/21	5.50%	313,843
Certificates of Participation					
Series 2011A	9/1/11	4,290,000	3/1/2025	3.00% to 4.00%	3,675,000

The Board of Regents loans and the capital lease obligations are usually paid through the General Fund. An extra payment on the capital lease obligation was paid through the Title V Fund in December 2013. The Certificates of Participation will be liquidated by the COP Debt Service Fund. The early retirement benefits, post-employment healthcare, and compensated absences are generally liquidated by the General Fund.



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 7: LONG-TERM LIABILITIES – COLLEGE (Continued)**

**Kansas Board of Regents PEI Loan**

The College entered into two loan agreements with the Kansas Board of Regents (KBOR) at a zero percentage interest rate with an annual financing fee of 0.25%. The loans are to finance certain costs of infrastructure improvement projects. Payments are due annually on December 1.

The annual debt service requirements for the KBOR PEI Infrastructure loans are as follows:

Year ending June 30,	<u>Principal</u>	<u>Fees</u>	<u>Total</u>
2015	\$ 313,000	1,954	314,954
2016	313,000	1,171	314,171
2017	<u>155,500</u>	<u>389</u>	<u>155,889</u>
Total	<u>\$ 781,500</u>	<u>3,514</u>	<u>785,014</u>

**Lease Purchase Agreement**

The College entered into a lease purchase agreement with First National Bank, Liberal Kansas for the construction of an addition to the ATS campus for the corrosion and process technician programs. Payments are due monthly.

Assets under capital leases as of June 30, 2014 are as follows:

Building	\$ 500,000
Less accumulated depreciation	( <u>86,920</u> )
Net	\$ <u>413,080</u>

The annual debt service requirements for the capital leases are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 49,079	16,037	65,116
2016	51,848	13,268	65,116
2017	54,772	10,344	65,116
2018	57,862	7,254	65,116
2019	61,126	3,990	65,116
2020	<u>39,156</u>	<u>756</u>	<u>39,912</u>
Total	<u>\$ 313,843</u>	<u>51,649</u>	<u>365,492</u>

**Refunding Certificates of Participation**

The College issued Certificates of Participation to refund the Series 2008 and 2001B Revenue Bonds. Net proceeds of \$4,273,505 (after the payment of underwriting fees and other costs) plus \$618,378 from the College were deposited into an irrevocable escrow account with an escrow agent to provide for future debt service. Accordingly the trust account assets and the liability for the defeased bonds are not included in the financial statements of the College. At June 30, 2014, bonds totaling \$130,000 are considered defeased.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 7: LONG-TERM LIABILITIES – COLLEGE (Continued)**

**Refunding Certificates of Participation (Continued)**

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$411,883. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2025 using the effective-interest method. The college completed the advance refunding to reduce its total debt service payments over the next 16 years by \$463,291 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$138,715.

The Certificates are collateralized by the campus student union and dormitory facilities.

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 280,000	130,100	410,100
2016	290,000	121,700	411,700
2017	300,000	113,000	413,000
2018	310,000	101,000	411,000
2019	320,000	92,100	412,100
2020-2024	1,775,000	283,956	2,058,956
2025	<u>400,000</u>	<u>16,000</u>	<u>416,000</u>
Total	<u>\$ 3,675,000</u>	<u>857,856</u>	<u>4,532,856</u>

**NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE**

*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 K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members prior to January 1, 2014, and 5% commencing January 1, 2014, and 6% of covered salary for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code.

The State of Kansas, not the College, is legally responsible for making the employer contribution to KPERS.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 9: DEFINED CONTRIBUTION PLAN – COLLEGE**

Employees of the College can participate in a 403(b) tax sheltered annuity. The plan is administered by TIAA-CREF and Oppenheimer. The college will match employee contributions up to \$1,000 in FY 2014. During the year ended June 30, 2014, the employees contributed \$151,037 and the College contributed \$107,823.

**NOTE 10: EARLY RETIREMENT PROGRAM – COLLEGE**

The College provides an early retirement program for certain eligible employees. Those eligible under the program may receive benefits for up to 5 years. Eligible employees will receive health insurance coverage (single membership) equal to that of a full-time employee from the time the employee chooses to take early retirement and will continue until the early retirement employee becomes eligible for Medicare or reaches age 65, whichever occurs first. The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. Per GASB Statement No. 47 the College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Payments for the retired employees under this plan were \$105,382 for the year ended June 30, 2014.

**NOTE 11: OTHER POST EMPLOYMENT HEALTHCARE BENEFITS – COLLEGE**

*Plan description.* The College provides for medical, dental and prescription drug insurance coverage to qualifying retirees and their dependents. When retirement occurs at minimum age 60, retirees may receive fully paid single coverage to Medicare eligibility. Otherwise, retirees are required to pay carrier-charged plan premiums to maintain coverage. In all cases, the retiree contribution for spousal coverage is equal to the family rate less the single rate. Coverage is provided through a fully-insured arrangement that operates as a single-employer defined benefit plan. Retirees receive a benefit since they are not charged the full age adjusted cost. Plan coverage is provided for under KSA 12-0540.

*Funding Policy.* Benefits are paid from general operating assets of the College on a pay-as-you-go basis. This arrangement does not qualify as Other Post Employment Benefit (OPEB) plan under Governmental Accounting Standards Board (GASB) requirements and thus these assets may not be reported as an offset to GASB liabilities. The contribution requirements of Plan members and the College are established and may be amended by the Board of Trustees.

*Plan Report.* The plan does not issue a stand-alone financial report.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 11: OTHER POST EMPLOYMENT BENEFITS – COLLEGE (Continued)**

*Annual OPEB Cost and Net OPEB Obligation.* The College's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, using the projected unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the College's annual OPEB cost for the year:

Normal cost	\$ 142,936
Amortization of unfunded actuarial accrued liability	<u>65,680</u>
Annual required contribution (ARC)	208,616
Interest on net OPEB obligation	25,931
Adjustment to the ARC	<u>( 30,276)</u>
Annual OPEB cost	204,271
Less: Employer contributions	<u>(141,000)</u>
Increase in net OPEB obligation	63,271
Net OPEB obligation, July 1	<u>740,897</u>
Net OPEB obligation, June 30	\$ <u>804,168</u>

Schedule of Employer Contributions (for fiscal year ended June 30)

Fiscal <u>Year</u>	Annual <u>OPEB Cost</u>	Net Employer <u>Contributions</u>	Percentage <u>Contributed</u>	End of Year Net OPEB <u>Obligation</u>
2012	\$ 205,676	\$ 77,000	37%	\$ 629,976
2013	\$ 204,921	\$ 94,000	46%	\$ 740,897
2014	\$ 204,271	\$ 141,000	69%	\$ 804,168

*Funding Status and Funding Progress.* As of July 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The College's actuarial accrued liability (AAL) for benefits was \$1,552,902, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,111,451, and the ratio of the UAAL to the covered payroll was 21.8%.

*Actuarial methods and assumptions:* Projections of benefits for financial reporting purposes are based on the types of benefits provided under the substantive plan (the plan as understood by the employer and the plan members) at the time of each valuation and the historical pattern of sharing costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 11: OTHER POST EMPLOYMENT BENEFITS – COLLEGE (Continued)**

In the July 1, 2011 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 3.5 percent annual interest rate, 2 percent per year aggregate payroll growth, and an annual health care cost trend of 8 percent reduced by 0.5 percent annually to an ultimate rate of 5.0 percent. The AAL is being amortized as a level percentage of pay. The amortization of AAL is done over a period of 30 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 12: RENT REVENUE – COLLEGE**

The College rents dorm rooms. The dorm rooms are rented on a semester basis and have a signed contract. The College also charges fees for the use of its facilities. These fees vary according to the area being used. A contract is signed. There are no minimum future payments required.

**NOTE 13: RISK MANAGEMENT – COLLEGE**

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omission; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

**NOTE 14: COMMITMENTS AND CONTINGENCIES – COLLEGE**

The College conducts certain programs pursuant to various grants and contracts, which are subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies from various sources of the College.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL FOUNDATION – NOTES**

**Nature of Activities**

Seward County Community College / Area Technical School Foundation is a non-profit corporation under Internal Revenue Code Section 501(c)(3), organized February 24, 1969 for the purpose of promoting and fostering the educational and cultural interests of Seward County Community College/Area Technical School.

The Foundation maintains and administers the resources available for college projects, equipment and scholarships. The revenue is generated by bequests, gifts, and private contributions. This money is expended based upon the requirements established by the donor.

**Financial Statement Presentation**

The Foundation's financial statements were prepared on the accrual basis of accounting to conform with accounting principles generally accepted in the United States of America.

The Foundation separates its net assets as follows:

Temporarily restricted – principal and income designated for a specific purpose.

Permanently restricted – principal is to remain intact as an endowment.

Unrestricted – no restrictions or designations place on principal or income.

Due to the nature of the receivables (interest), the company does not provide for an allowance. This method of accounting for an allowance does not materially differ from accounting procedures generally accepted in the United States of America.

Advertising costs are expensed when incurred.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

The Foundation has adopted FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the nonprofit corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents with the exception of money market funds which are for long-term investment purposes.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 FOUNDATION – NOTES (Continued)**

**Revenues**

Contributions are recorded when received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. SCCC/ATS Foundation is not classified as a private foundation under the Internal Revenue Code.

The Organization's U.S. federal income tax returns and the Organization's tax returns for the state of Kansas prior to fiscal year 2011 are closed to IRS examination.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reconciliation of Net Change in Assets to Net Cash Provided by Operating Activities**

Net Change in Assets	\$ 1,406,284
Adjustments:	
(Gain) loss on sale of assets	( 169,761)
Contributions – permanently restricted	( 594,476)
Unrealized (gain) loss on investments	( <u>441,365</u> )
 Net Cash Provided by Operating Activities	 \$ <u>200,682</u>

For the year ended June 30, 2014, there was a non-cash gift received. This consisted of stock valued at \$5,021.

**Temporarily Restricted Net Assets**

Net assets temporarily restricted for the following purposes:

Scholarship and other student support	\$ 2,637,624
Library and music department needs	72,937
Capital projects	289,848
Athletic programs	143,583
Professional development	<u>13,644</u>
	\$ <u>3,157,636</u>

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2014

**NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 FOUNDATION – NOTES (Continued)**

**Permanently Restricted Net Assets**

Net assets were permanently restricted for the following purposes:

Professional development	\$ 25,129
Scholarship and other student support	4,388,050
Library and music department needs	<u>86,126</u>
	<u>\$ 4,499,305</u>

**Transfers**

Assets were transferred for the following reasons for the fiscal year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Campus Ambassador's transfer from undesignated to temporarily restricted to match Saints Booster Club donation	\$ ( 10,000)	10,000	-
Transfer of Kent & Moly Colvin temporarily restricted To permanently restricted to create a new restricted fund	-	( 3,485)	3,485
Transfer of 20% of Charles and Josephine Light temporarily restricted realized income to permanently restricted corpus per fund agreement	-	( 621)	621
Transfer of Bill and Glynese Hantla Memorial temporarily Restricted realized and unrealized fund to Bonnie Seawright permanently restricted realized and unrealized fund	-	( 479)	479
Transfer of Rex Sharp temporarily restricted unrealized fund to O.A. Sharp Ag permanently restricted unrealized fund	-	( 311)	311
	<u>\$ ( 10,000)</u>	<u>5,104</u>	<u>4,896</u>

**Deposits and Investments**

At June 30, 2014, SCCC/ATS Foundation's carrying amount of deposits was \$1,583,746 and the bank balance was \$1,584,627. Of the bank balance, \$482,142 was covered by federal depository insurance and \$1,102,485 was collateralized with securities held by the pledging financial institutions' agents in SCCC/ATS Foundations' name.

Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, SCCC/ATS Foundation will not be able to recover the value of its investments.



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2014

**NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
FOUNDATION – NOTES (Continued)**

**Donated Services**

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The fair market value of the contributed services were not recognized in the financial statements as they did not meet the criteria for recognition under FASB ASC 958-605-25-16.

**Subsequent Events**

Foundation's management has evaluated subsequent events through December 22, 2014, the date which the Foundation's financial statements were available to be issued.

**Contingent Liabilities**

Management has evaluated the possibility of contingent liability issues affecting SCCC/ATS Foundation. They are not aware of any situation that could lead to a contingent liability.

## REQUIRED SUPPLEMENTARY INFORMATION

## SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule 1

Schedule of Funding Progress -

Other Post-Employment Benefits

June 30, 2014

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 Percentage of Covered Payroll ((b-a)/(c))
7/1/2008	\$ -	\$ 1,504,416	\$ 1,504,416	0.00%	\$ 5,436,098	27.7%
7/1/2011	\$ -	\$ 1,552,902	\$ 1,552,902	0.00%	\$ 7,111,451	21.8%

(See Auditors' Report)

## SUPPLEMENTARY INFORMATION

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Schedule of Receipts and Expenditures – Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2014

Schedule 2 is prepared in accordance with Kansas cash basis laws (Regulatory Basis), which differs from generally accepted accounting principles (GAAP Basis). Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund in which the cash is transferred. Expenditures include cash disbursements, transfers, accounts payable and encumbrances – that is, commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

## SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

General Fund

Schedule 2

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## Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2014

	<u>General Fund</u>		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Prior year ad valorem property tax	\$ 20,118	\$ 204,156	\$ (184,038)
Current year ad valorem property tax	7,698,634	7,895,646	(197,012)
Motor vehicle tax	602,412	571,549	30,863
Recreational vehicle tax	4,910	5,069	(159)
Delinquent tax	86,650	79,936	6,714
In lieu of tax - IRB	15,076	15,112	(36)
Student tuition and fees	1,156,336	1,184,959	(28,623)
Federal sources	2,820	-	2,820
State sources	2,482,334	2,292,884	189,450
Interest income	22,851	30,000	(7,149)
Other income	<u>161,063</u>	<u>528,000</u>	<u>(366,937)</u>
Total Cash Receipts	<u>12,253,204</u>	\$ <u>12,807,311</u>	\$ <u>(554,107)</u>
Expenditures:			
Instruction	2,621,145	\$ 3,001,516	\$ (380,371)
Academic support	141,227	149,965	(8,738)
Student services	1,730,125	1,821,126	(91,001)
Institutional support	2,390,682	2,521,591	(130,909)
Operation and maintenance of plant	1,984,269	2,071,867	(87,598)
Scholarships	180,852	209,264	(28,412)
Operating transfers out	<u>3,430,470</u>	<u>4,124,764</u>	<u>(694,294)</u>
Total Expenditures	<u>12,478,770</u>	\$ <u>13,900,093</u>	\$ <u>(1,421,323)</u>
Cash Receipts Over (Under) Expenditures	(225,566)		
Unencumbered Cash, Beginning of Year	6,035,021		
Prior Year Cancelled Encumbrances	<u>8,884</u>		
Unencumbered Cash, End of Year	\$ <u>5,818,339</u>		

(See Auditors' Report)

## SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Post Secondary Technical Education Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2014

Schedule 2

Page 2 of 12

	<u>Post Secondary Technical Education Fund</u>		
	<u>Actual -</u>	<u>Original</u>	<u>Variance-</u>
	<u>Regulatory</u>	<u>and Final</u>	<u>Over</u>
	<u>Basis</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts:			
Student tuition and fees	\$ 686,113	\$ 719,855	\$ (33,742)
State sources	1,184,770	1,184,770	-
Operating transfers in	<u>3,265,470</u>	<u>3,874,764</u>	<u>(609,294)</u>
Total Cash Receipts	<u>5,136,353</u>	\$ <u>5,779,389</u>	\$ <u>(643,036)</u>
Expenditures:			
Instruction	3,568,350	\$ 3,718,170	\$ (149,820)
Academic Support	59,658	65,438	(5,780)
Student services	275,966	300,395	(24,429)
Institutional support	568,766	687,260	(118,494)
Operation and maintenance of plant	<u>819,336</u>	<u>1,008,126</u>	<u>(188,790)</u>
Total Expenditures	<u>5,292,076</u>	\$ <u>5,779,389</u>	\$ <u>(487,313)</u>
Cash Receipts Over (Under) Expenditures	(155,723)		
Unencumbered Cash, Beginning of Year	157,316		
Prior Year Cancelled Encumbrances	<u>2,794</u>		
Unencumbered Cash, End of Year	\$ <u>4,387</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Adult Supplementary Education Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
For the Year Ended June 30, 2014

Schedule 2  
 Page 3 of 12

	<u>Adult Supplementary Education Fund</u>		
	<u>Actual - Regulatory Basis</u>	<u>Original and Final Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts:			
Student tuition and fees	\$ 154,496	\$ 560,000	\$ (405,504)
State sources	13,740	-	13,740
Other income	57,815	85,369	(27,554)
Total Cash Receipts	226,051	\$ 645,369	\$ (419,318)
Expenditures:			
Instruction	194,440	\$ 800,000	\$ (605,560)
Total Expenditures	194,440	\$ 800,000	\$ (605,560)
Cash Receipts Over (Under) Expenditures	31,611		
Unencumbered Cash, Beginning of Year	110,058		
Prior Year Cancelled Encumbrances	899		
Unencumbered Cash, End of Year	\$ 142,568		

(See Auditors' Report)



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Truck Driver Training Course Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
For the Year Ended June 30, 2014

Schedule 2  
 Page 4 of 12

	<u>Truck Driver Training Course Fund</u>		
	<u>Actual - Regulatory Basis</u>	<u>Original and Final Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts:			
Student tuition and fees	\$ 58,243	\$ 55,000	\$ 3,243
State sources	13,629	-	13,629
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Cash Receipts	<u>171,872</u>	\$ <u>155,000</u>	\$ <u>16,872</u>
Expenditures:			
Instruction	<u>210,376</u>	\$ <u>228,508</u>	\$ <u>(18,132)</u>
Total Expenditures	<u>210,376</u>	\$ <u>228,508</u>	\$ <u>(18,132)</u>
Cash Receipts Over (Under) Expenditures	(38,504)		
Unencumbered Cash, Beginning of Year	73,508		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>35,004</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Auxiliary Enterprises  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2014

Schedule 2  
 Page 5 of 12

	Bookstore			Dorm/Cafeteria		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Cash Receipts:						
Sales	\$ 747,680	\$ 940,000	\$ (192,320)	\$ 906,654	\$ 960,000	\$ (53,346)
Other income	18,505	23,000	(4,495)	13,128	-	13,128
Total Cash Receipts	<u>766,185</u>	<u>\$ 963,000</u>	<u>\$ (196,815)</u>	<u>919,782</u>	<u>\$ 960,000</u>	<u>\$ (40,218)</u>
Expenditures:						
Salaries and benefits	130,755	\$ 135,228	\$ (4,473)	204,749	\$ 216,195	\$ (11,446)
General operating expenses	37,107	15,000	22,107	3,135	40,000	(36,865)
Supplies	10,724	7,000	3,724	-	1,000	(1,000)
Cost of goods sold	542,970	650,000	(107,030)	459,323	468,000	(8,677)
Equipment	-	2,000	(2,000)	5,198	8,000	(2,802)
Travel	2,915	-	2,915	-	3,500	(3,500)
Utilities	-	-	-	12,972	11,283	1,689
Non-mandatory transfers	-	150,000	(150,000)	105,400	150,000	(44,600)
Total Expenditures	<u>724,471</u>	<u>\$ 959,228</u>	<u>\$ (234,757)</u>	<u>790,777</u>	<u>\$ 897,978</u>	<u>\$ (107,201)</u>
Cash Receipts Over (Under) Expenditures	41,714			129,005		
Unencumbered Cash, Beginning of Year	254,249			905,673		
Prior Year Cancelled Encumbrances	-			-		
Unencumbered Cash, End of Year	<u>\$ 295,963</u>			<u>\$ 1,034,678</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Auxiliary Enterprises  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2014

Schedule 2  
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	Cosmetology			Auto Parts Management		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Cash Receipts:						
Sales	\$ 95,701	\$ 105,000	\$ (9,299)	\$ 40,592	\$ 56,058	\$ (15,466)
Other income	924	1,000	(76)	-	1,000	(1,000)
Total Cash Receipts	<u>96,625</u>	<u>\$ 106,000</u>	<u>\$ (9,375)</u>	<u>40,592</u>	<u>\$ 57,058</u>	<u>\$ (16,466)</u>
Expenditures:						
Salaries and benefits	3,641	\$ 16,352	\$ (12,711)	-	\$ -	\$ -
General operating expenses	4,564	1,000	3,564	14	2,700	(2,686)
Supplies	78,270	77,000	1,270	494	500	(6)
Cost of goods sold	9,842	9,000	842	52,146	53,000	(854)
Equipment	-	1,000	(1,000)	-	-	-
Travel	5,967	1,000	4,967	-	-	-
Utilities	-	-	-	-	-	-
Non-mandatory transfers	-	-	-	-	-	-
Total Expenditures	<u>102,284</u>	<u>\$ 105,352</u>	<u>\$ (3,068)</u>	<u>52,654</u>	<u>\$ 56,200</u>	<u>\$ (3,546)</u>
Cash Receipts Over (Under) Expenditures	(5,659)			(12,062)		
Unencumbered Cash, Beginning of Year	95,303			64,458		
Prior Year Cancelled Encumbrances	-			-		
Unencumbered Cash, End of Year	<u>\$ 89,644</u>			<u>\$ 52,396</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Auxiliary Enterprises  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2014

Schedule 2  
 Page 7 of 12

	Total Auxiliary Enterprises		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Cash Receipts:			
Sales	\$ 1,790,627	\$ 2,061,058	\$ (270,431)
Other income	<u>32,557</u>	<u>25,000</u>	<u>7,557</u>
Total Cash Receipts	<u>1,823,184</u>	\$ <u>2,086,058</u>	\$ <u>(262,874)</u>
Expenditures:			
Salaries and benefits	339,145	\$ 367,775	\$ (28,630)
General operating expenses	44,820	58,700	(13,880)
Supplies	89,488	85,500	3,988
Cost of goods sold	1,064,281	1,180,000	(115,719)
Equipment	5,198	11,000	(5,802)
Travel	8,882	4,500	4,382
Utilities	12,972	11,283	1,689
Non-mandatory transfers	<u>105,400</u>	<u>300,000</u>	<u>(194,600)</u>
Total Expenditures	<u>1,670,186</u>	\$ <u>2,018,758</u>	\$ <u>(348,572)</u>
Cash Receipts Over (Under) Expenditures	152,998		
Unencumbered Cash, Beginning of Year	1,319,683		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>1,472,681</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Capital Outlay

Schedule 2

Page 8 of 12

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2014

	<u>Capital Outlay</u>		
	<u>Actual - Regulatory Basis</u>	<u>Original and Final Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts:			
State sources	\$ 128,011	\$ 128,011	\$ -
Other income	1,603	250,000	(248,397)
Tax credit donations income	-	-	-
Mandatory transfers	<u>146,237</u>	<u>-</u>	<u>146,237</u>
Total Cash Receipts	<u>275,851</u>	\$ <u>378,011</u>	\$ <u>(102,160)</u>
Expenditures:			
Plant Equipment and Facility	<u>322,689</u>	\$ <u>402,391</u>	\$ <u>(79,702)</u>
Total Expenditures	<u>322,689</u>	\$ <u>402,391</u>	\$ <u>(79,702)</u>
Cash Receipts Over (Under) Expenditures	(46,838)		
Unencumbered Cash, Beginning of Year	103,761		
Prior Year Cancelled Encumbrances	<u>15,827</u>		
Unencumbered Cash, End of Year	\$ <u>72,750</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Certificates of Participation Debt Service Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
For the Year Ended June 30, 2014

	Certificates of Participation Debt Service		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Cash Receipts:			
Mandatory transfers	\$ <u>459,522</u>	\$ <u>300,000</u>	\$ <u>159,522</u>
Total Cash Receipts	<u>459,522</u>	\$ <u>300,000</u>	\$ <u>159,522</u>
Expenditures:			
Principal on COP	270,000	\$ 270,000	\$ -
Interest and fees	<u>139,425</u>	<u>139,450</u>	<u>(25)</u>
Total Expenditures	<u>409,425</u>	\$ <u>409,450</u>	\$ <u>(25)</u>
Cash Receipts Over (Under) Expenditures	50,097		
Unencumbered Cash, Beginning of Year	1,058,154		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>1,108,251</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 Notes to Schedule  
For the Year Ended June 30, 2014

Reconciliation of Revenue and Expenditures on a budgetary basis to GAAP basis.

	<u>General</u>	<u>Post Sec Tech Ed</u>	<u>Adult Supplemental</u>
<b>Revenues:</b>			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$ 12,253,204	5,136,353	226,051
<b>Adjustments</b>			
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.	( 10,763)	10,468	(20,861)
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting	25,667	-	-
Transfers reported separately for GAAP reporting	<u>(25,000)</u>	<u>(3,265,470)</u>	<u>-</u>
<b>Total revenues on GAAP basis</b>	<b>\$ <u>12,243,108</u></b>	<b><u>1,881,351</u></b>	<b><u>205,190</u></b>
<b>Expenditures:</b>			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$ 12,478,770	5,292,076	194,440
<b>Adjustments</b>			
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.	11,122	-	-
Net OPEB obligations and early retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.	99,468	-	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.	( 61,269)	(24,724)	-
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.	( 1,516)	-	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.	-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting	-	-	-
Transfers reported separately for GAAP reporting	<u>( 3,430,470)</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures on GAAP basis</b>	<b>\$ <u>9,096,105</u></b>	<b><u>5,267,352</u></b>	<b><u>194,440</u></b>

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

Notes to Schedule

For the Year Ended June 30, 2014

Schedule 2

Page 11 of 12

Reconciliation of Revenue and Expenditures on a budgetary basis to GAAP basis.

		<u>Truck Driver</u>	<u>Auxiliary Enterprises</u>	<u>Capital Outlay</u>
<b>Revenues:</b>				
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	171,872	1,823,184	275,851
<b>Adjustments</b>				
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.		2,654	18,117	-
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting		-	-	-
Transfers reported separately for GAAP reporting		<u>(100,000)</u>	<u>-</u>	<u>(146,237)</u>
<b>Total revenues on GAAP basis</b>	<b>\$</b>	<b><u>74,526</u></b>	<b><u>1,841,301</u></b>	<b><u>129,614</u></b>
<b>Expenditures:</b>				
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	210,376	1,670,186	322,689
<b>Adjustments</b>				
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.		-	-	-
Net OPEB obligations and early retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.		-	-	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.		-	(6,752)	(12,135)
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.		-	4,969	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.		-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting		-	337	-
Transfers reported separately for GAAP reporting		<u>-</u>	<u>( 105,400)</u>	<u>-</u>
<b>Total Expenditures on GAAP basis</b>	<b>\$</b>	<b><u>210,376</u></b>	<b><u>1,563,340</u></b>	<b><u>310,554</u></b>

(See Auditors' Report)



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 Notes to Schedule  
For the Year Ended June 30, 2014

Reconciliation of Revenue and Expenditures on a budgetary basis to GAAP basis.

		COP	
		<u>Debt Service</u>	
<b>Revenues:</b>			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	459,522	
<b>Adjustments</b>			
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.		-	
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting		-	
Transfers reported separately for GAAP reporting		<u>( 459,522)</u>	
<b>Total revenues on GAAP basis</b>	<b>\$</b>	<b><u>          -</u></b>	
 <b>Expenditures:</b>			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	409,425	
<b>Adjustments</b>			
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.		-	
Net OPEB obligations and early retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.		-	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.		-	
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.		-	
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.		( 2,664)	
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting		-	
Transfers reported separately for GAAP reporting		<u>          -</u>	
<b>Total Expenditures on GAAP basis</b>	<b>\$</b>	<b><u>          406,761</u></b>	

(See Auditors' Report)

## SINGLE AUDIT SECTION



**BYRON BIRD AND ASSOCIATES, CHARTERED**  
CERTIFIED PUBLIC ACCOUNTANTS

620 - 624 - 1994  
224 N. LINCOLN  
LIBERAL, KANSAS 67901

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

The Board of Trustees  
Seward County Community College / Area Technical School  
Liberal, Kansas 67901

We have audited the financial statements of the business-type activities and the discretely presented component unit of Seward County Community College / Area Technical School (College), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 28, 2015. We conducted our audit in accordance with the 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*. Our report includes a reference to other auditors who audited the financial statements of Seward County Community College / Area Technical School Foundation (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Byron Bird and Associates, Chartered*

BYRON BIRD AND ASSOCIATES, CHARTERED  
Liberal, Kansas  
February 28, 2015



**BYRON BIRD AND ASSOCIATES, CHARTERED**  
CERTIFIED PUBLIC ACCOUNTANTS

620 - 624 - 1994  
224 N. LINCOLN  
LIBERAL, KANSAS 67901

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To The Board of Trustees  
Seward County Community College / Area Technical School  
Liberal, Kansas 67901

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

We have audited Seward County Community College / Area Technical School's (College) compliance with the types of compliance requirements described in the OMB *Circular A-133 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, 2014. 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 laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 for the year ended June 30, 2014.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Byron Bird and Associates, Chartered*

BYRON BIRD AND ASSOCIATES, CHARTERED  
Liberal, Kansas  
February 28, 2015

## SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule 3

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Education</u></b>			
Direct Programs:			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 1,690,741
Federal College Work Study Program	84.033		52,203
Federal Supplemental Educational Opportunity Grants	84.007		45,716
Federal PLUS Loans	84.268		8,428
Federal Direct Unsubsidized Stafford Loans	84.268		231,464
Federal Direct Subsidized Stafford Loans	84.268		418,914
Higher Education - Inst Aid / Title V - Developing Hispanic- Serving Institutions	84.031S		409,587
Higher Education - Inst Aid / Building Access and Success	84.031C		961,056
TRIO - Student Support Services	84.042A		198,998
Total Direct Programs			<u>4,017,107</u>
Passed Through Kansas Board of Regents			
Adult Basic Education	84.002	3042-3000	115,404
Adult Basic Education	84.002	AO-K	1,111
Career and Technical Education - Carl Perkins	84.048	3539-3539	129,194
Career and Technical Education - Carl Perkins	84.048	AO-K	17,337
Total Passed through Kansas Board of Regents			<u>263,046</u>
Total U.S. Department of Education			<u>4,280,153</u>
<b><u>National Science Foundation</u></b>			
Passed Through Kansas State University			
Education and Human Resources	47.076	S14096	6,858
Total National Science Foundation			<u>6,858</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed Through Kansas State University			
Biomedical Research and Research Training	93.859	HH9895	30,764
Total U.S. Department of Health and Human Serv.			<u>30,764</u>
 Total Expenditures of Federal Awards			 \$ <u>4,317,775</u>

(The Accompanying Notes are an Integral Part of This Schedule)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Note A: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Seward County Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014

Schedule 4

None

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

***Financial Statements***

The auditor’s report expresses an unmodified opinion on the financial statements of Seward County Community College / Area Technical School.

Internal Control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_X\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

***Federal Awards***

Internal Control over federal major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No
- Significant deficiency(ies ) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_X\_\_\_ none reported

The auditor’s report issued on compliance for the major federal award programs for Seward County Community College / Area Technical School expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, & 84.268 84.031S	Student Financial Assistance Cluster Higher Education – Institutional Aid / Title V – Developing Hispanic-Serving Institutions
84.031C	Higher Education – Institutional Aid / Building Access and Success

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_X\_\_\_ Yes \_\_\_\_\_ No

**Section II – Financial Statement Findings**

None reported

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

None reported