

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

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, 2013

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SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Financial Statements
For the Year Ended June 30, 2013

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BYRON BIRD AND ASSOCIATES, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

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224 N. LINCOLN
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, 2013, 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 *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 January 30, 2014, 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

Liberal, Kansas
January 30, 2014

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, 2013. 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, 2012 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, 2012 through June 30, 2013. 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 Positions; the Statement of Revenues, Expenses and Changes in Net Positions; 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, 2013. 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), Liabilities (current and non-current), and Net Position (Assets minus Liabilities) 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 assets 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 minus liabilities) 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 net position. Expendable restricted net position is 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 assets. The

final category is unrestricted net position. Unrestricted net position is available to the institution for any lawful purpose of the institution.

ABBREVIATED STATEMENT OF NET POSITION
JUNE 30

| | <u>2012</u> | <u>2013</u> |
|----------------------------------|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets | \$12,248,014 | \$13,032,174 |
| Capital Assets | \$30,238,860 | \$27,717,380 |
| Other Non Current Assets | - | - |
| Total Assets | <u>\$42,486,874</u> | <u>\$40,749,554</u> |
| <u>LIABILITIES</u> | | |
| Current Liabilities | \$4,792,986 | \$4,796,402 |
| Long Term Liabilities | <u>\$5,797,399</u> | <u>\$5,438,696</u> |
| Total Liabilities | <u>\$10,590,385</u> | <u>\$10,235,098</u> |
| <u>NET POSITION</u> | | |
| Net Investment in Capital Assets | \$24,537,128 | \$22,587,882 |
| Restricted for: | | |
| Expendable Capital Projects | \$475,845 | \$541,323 |
| Expendable Debt Service | \$1,253,898 | \$1,224,303 |
| Expendable Scholarships | \$69,790 | \$93,198 |
| Expendable Technology | \$417,752 | \$434,735 |
| Expendable Other | - | - |
| Unrestricted | <u>\$5,142,076</u> | <u>\$5,633,015</u> |
| Total Net Position | <u>\$31,896,489</u> | <u>\$30,514,456</u> |

Total net position decreased by \$1,382,033. 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

| | 2012 | 2013 |
|---|----------------|----------------|
| Student Tuition and Fees | \$1,843,283 | \$2,195,888 |
| Grants and Contracts | \$4,735,546 | \$3,228,103 |
| Auxiliary Enterprise Revenue | \$1,516,084 | \$1,538,415 |
| Other Operating Revenue | \$686,578 | \$225,597 |
| Total Operating Revenues | \$8,781,491 | \$7,188,003 |
| Instruction | \$7,548,155 | \$7,738,399 |
| Academic Support | \$196,543 | \$194,988 |
| Student Services | \$2,238,794 | \$2,178,471 |
| Institutional Support | \$3,258,019 | \$3,696,709 |
| Operation and Maintenance of Plant | \$2,400,726 | \$2,384,590 |
| Depreciation | \$3,007,337 | \$2,985,197 |
| Scholarships and Fellowships | \$1,107,136 | \$916,959 |
| Auxiliary Enterprise Expenses | \$1,660,553 | \$1,680,977 |
| Total Operating Expenses | \$21,417,263 | \$21,776,290 |
| Operating Income (Loss) | (\$12,635,772) | (\$14,588,287) |
| State Appropriations | \$2,995,856 | \$3,016,067 |
| Local Property Taxes | \$8,011,738 | \$8,485,372 |
| Pell Grants | | 1,803,426 |
| Noncapital Gifts and Contributions | \$21,257 | \$18,707 |
| Interest Income | \$46,663 | \$30,553 |
| Interest and Fees on Capital Asset debt | (\$141,004) | (\$223,371) |
| Net Non Operating Revenues (Expenses) | \$10,934,510 | \$13,130,754 |
| Capital gifts and contributions | \$41,750 | \$75,500 |
| Decrease in Net Position | (\$1,659,512) | (\$1,382,033) |
| Net Position – July 1 | \$33,556,001 | \$31,896,489 |
| Net Position – June 30 | \$31,896,489 | \$30,514,456 |

As presented in the statement, total operating revenues decreased \$1,593,488. This decrease is caused mainly by Pell grants being shown as non-operating revenue in fiscal year 2013 and included in operating revenue in fiscal year 2012. Operating expenses increased \$359,027. This increase was primarily from increased costs in personnel, technology, fuel, insurance, and supplies.

Statement of Cash Flows

The final statement presented by Seward County Community College/Area Technical School 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. The 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 by the operating activities 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

| | 2012 | 2013 |
|--|---------------|----------------|
| Net Cash Flows From Operating Activities | (\$9,890,277) | (\$11,833,930) |
| Net Cash Flows From Non-Capital Financing Activities | \$10,637,430 | \$13,601,274 |
| Net Cash Flows from Capital & Related Financing Activities | (\$2,535,371) | (\$1,186,485) |
| Net Cash Flows from Investing Activities | \$46,663 | \$30,553 |
| Net Increase (Decrease) in Cash | (\$1,741,555) | \$611,412 |
| Cash, Beginning of Year, July 1 | \$11,539,494 | \$9,797,939 |
| Cash, End of Year, June 30 | \$9,797,939 | \$10,409,351 |

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

The increase in end of year cash balance from 2012 to 2013 came largely from financing activities in the form of increased local revenue, and reduced 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, 2013. 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 20011A

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, 2013 is \$3,945,000. The outstanding interest is \$996,056. 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, 2013.

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, 2013 is \$472,500. The series 2009 PEI Bonds had an original value of \$1,244,000. The outstanding principal on this bond issue as of June 30, 2013 is \$622,000. 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 effective interest rate of 5.641%. The outstanding principal as of June 30, 2013 is \$420,010. The outstanding interest is \$100,916. 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, 2013

| | <u>College</u> |
|--|----------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 10,409,351 |
| Taxes receivable | 204,156 |
| Accounts receivable, net of allowance for doubtful accounts of \$726,000 (Note 4) | 1,843,154 |
| Prepaid expenses | 180,252 |
| Inventories | <u>395,261</u> |
| Total Current Assets | <u>13,032,174</u> |
| Noncurrent Assets: | |
| Capital assets, net (Note 5) | <u>27,717,380</u> |
| Total Noncurrent Assets | <u>27,717,380</u> |
| Total Assets | <u>40,749,554</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 351,002 |
| Accrued interest on debt | 45,441 |
| Dorm deposits payable | 15,900 |
| Unearned revenue (Note 6) | 3,099,574 |
| Deposits held in custody for others | 311,807 |
| Accrued compensated absences | 242,955 |
| Current portion of early retirement liability | 103,669 |
| Current portion of long-term debt | <u>626,054</u> |
| Total Current Liabilities | <u>4,796,402</u> |
| Noncurrent Liabilities: | |
| Early retirement liability, net of current portion | 194,355 |
| Net OPEB obligation | 740,897 |
| Long-term debt, net of current portion | <u>4,503,444</u> |
| Total Noncurrent Liabilities | <u>5,438,696</u> |
| Total Liabilities | <u>10,235,098</u> |
| NET POSITION | |
| Net Investment in capital assets | 22,587,882 |
| Restricted - expendable for: | |
| For capital projects | 541,323 |
| For debt service | 1,224,303 |
| For scholarships | 93,198 |
| For technology | 434,735 |
| Unrestricted | <u>5,633,015</u> |
| Total Net Position | <u>\$ 30,514,456</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, 2013

| | <u>Foundation</u> |
|---------------------------------------|-------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 932,457 |
| Investments | 5,597,642 |
| Total Current Assets | <u>6,530,099</u> |
| Total Assets | \$ <u>6,530,099</u> |
| LIABILITIES AND NET ASSETS | |
| Total Liabilities | \$ <u>-</u> |
| NET ASSETS | |
| Unrestricted | 250,321 |
| Temporarily restricted | 2,379,845 |
| Permanently restricted | 3,899,933 |
| Total net assets | <u>6,530,099</u> |
| Total Liabilities and Net Assets | \$ <u>6,530,099</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, 2013

| | <u>College</u> |
|---|---------------------------------|
| Operating Revenues | |
| Student tuition and fees (net of scholarship allowances of \$997,405) | \$ 2,195,888 |
| Federal grants and contracts | 1,540,459 |
| State and local grants and contracts | 1,687,644 |
| Auxiliary enterprises revenues (net of scholarship allowance of \$357,177) | 1,538,415 |
| Other operating revenues | <u>225,597</u> |
| Total operating revenues | <u>7,188,003</u> |
| Operating Expenses | |
| Instruction | 7,738,399 |
| Academic support | 194,988 |
| Student services | 2,178,471 |
| Institutional support | 3,696,709 |
| Operation and maintenance of plant | 2,384,590 |
| Depreciation | 2,985,197 |
| Scholarships and fellowships | 916,959 |
| Auxiliary enterprises expenses | <u>1,680,977</u> |
| Total operating expenses | <u>21,776,290</u> |
| Net Operating Loss | <u>(14,588,287)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| State appropriations | 3,016,067 |
| Local property taxes | 8,485,372 |
| Pell grants | 1,803,426 |
| Noncapital gifts and contributions | 18,707 |
| Interest income | 30,553 |
| Interest and fees on capital asset related debt | <u>(223,371)</u> |
| Net nonoperating revenues (expenses) | <u>13,130,754</u> |
| Loss before other revenues, expenses, gains, and losses | (1,457,533) |
| Capital gifts and contributions | <u>75,500</u> |
| Decrease in net position | (1,382,033) |
| Net Position - July 1, 2012 | <u>31,896,489</u> |
| Net Position - June 30, 2013 | \$ <u><u>30,514,456</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 4

Seward County Community College / Area Technical School Foundation - Component Unit
Statement of Activities
For the Year Ended June 30, 2013

| | <u>Unrestricted</u> | <u>Foundation</u> | | <u>Total</u> |
|--|--------------------------|-------------------------------|-------------------------------|-------------------------|
| | | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | |
| Revenue and Other Support: | | | | |
| Donations | | | | |
| Individuals | \$ 5,235 | 454,610 | 38,680 | 498,525 |
| Business organizations | - | 91,080 | 19,056 | 110,136 |
| Foundations/Trusts | - | 272,421 | 4,000 | 276,421 |
| Clubs/Organizations/Schools | 12,414 | 85,174 | 2,241 | 99,829 |
| State Board of Regents - Grants | - | 1,850 | - | 1,850 |
| Special events | 67,167 | - | - | 67,167 |
| Interest/Dividends income | 5,785 | 121,372 | - | 127,157 |
| Realized gain (loss) on investments | 7,757 | 136,462 | - | 144,219 |
| Unrealized gain (loss) on investments | 10,114 | 242,898 | - | 253,012 |
| Net Assets Released from Restrictions: | | | | |
| Restrictions Satisfied by Payments: | | | | |
| Scholarships and other student support | 690,859 | (690,859) | - | - |
| Foundation projects | 38,719 | (38,719) | - | - |
| Total revenue and other support | <u>838,050</u> | <u>676,289</u> | <u>63,977</u> | <u>1,578,316</u> |
| Expenses: | | | | |
| Program Expenses: | | | | |
| Scholarships and other student support | 690,859 | - | - | 690,859 |
| Special events | 22,098 | - | - | 22,098 |
| Foundation projects | 38,719 | - | - | 38,719 |
| Total program services | <u>751,676</u> | <u>-</u> | <u>-</u> | <u>751,676</u> |
| Supporting Services: | | | | |
| General and administrative | 30,291 | - | - | 30,291 |
| Investment expenses | 1,371 | 27,356 | - | 28,727 |
| Total supporting services | <u>31,662</u> | <u>27,356</u> | <u>-</u> | <u>59,018</u> |
| Total expenses | <u>783,338</u> | <u>27,356</u> | <u>-</u> | <u>810,694</u> |
| Transfer | <u>(12,314)</u> | <u>6,819</u> | <u>5,495</u> | <u>-</u> |
| Changes in Net Assets | 42,398 | 655,752 | 69,472 | 767,622 |
| Net Assets - July 1, 2012 | <u>207,923</u> | <u>1,724,093</u> | <u>3,830,461</u> | <u>5,762,477</u> |
| Net Assets - June 30, 2013 | \$ <u><u>250,321</u></u> | <u><u>2,379,845</u></u> | <u><u>3,899,933</u></u> | <u><u>6,530,099</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, 2013

| | <u>College</u> |
|---|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and fees | \$ 1,964,225 |
| Grants and contracts | 3,295,988 |
| Payments to vendors and suppliers | (7,949,923) |
| Payments to employees | (9,019,438) |
| Payments for scholarships | (1,823,162) |
| Auxiliary enterprise charges | 1,472,783 |
| Other receipts (payments) | <u>225,597</u> |
| Net cash used by operating activities | <u>(11,833,930)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Local property taxes | 8,741,758 |
| State appropriations | 3,016,067 |
| Pell grants | 1,811,578 |
| Noncapital donations and special events | 18,707 |
| Student organization agency transactions | <u>13,164</u> |
| Net cash provided by noncapital financing activities | <u>13,601,274</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of capital assets | (463,717) |
| Capital gifts and contributions | 75,500 |
| Principal paid on capital debt | (623,691) |
| Interest & fees paid on capital debt | <u>(174,577)</u> |
| Net cash used by capital and related financing activities | <u>(1,186,485)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | <u>30,553</u> |
| Net cash provided by investing activities | <u>30,553</u> |
| Net increase in cash and cash equivalents | 611,412 |
| Cash and cash equivalents, Beginning of year | <u>9,797,939</u> |
| Cash and cash equivalents, End of the year | <u>\$ 10,409,351</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, 2013

| | <u>College</u> |
|--|------------------------|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | |
| Net Operating loss | \$ (14,588,287) |
| Adjustments to reconcile net operating loss to net cash used by operating activities: | |
| Depreciation expense | 2,985,197 |
| Changes in assets and liabilities: | |
| Accounts receivable, net | (292,700) |
| Inventories | 2,577 |
| Accounts payable and accrued expenses | 232,873 |
| Prepaid expenses | (180,252) |
| Deferred revenue | <u>6,662</u> |
| Net cash used by operating activities | \$ <u>(11,833,930)</u> |
| | |
| Noncash activities | |
| State on-behalf payments for fringe benefits | \$ <u>861,202</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, 2013

| | <u>Foundation</u> |
|--|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Interest and dividend income | \$ 127,157 |
| Donations and special events | 989,952 |
| Scholarships and other student support | (690,859) |
| Special events | (22,098) |
| Foundation projects | (38,719) |
| General and administrative | (30,291) |
| Investment expenses | <u>(28,727)</u> |
| Net cash provided by operating activities | <u>306,415</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Net proceeds from purchase and sale of investments | <u>(218,812)</u> |
| Net cash used by investing activities | <u>(218,812)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Contributions restricted for permanent investment | <u>63,977</u> |
| Net cash provided by financing activities | <u>63,977</u> |
| Net increase in cash and cash equivalents | 151,580 |
| Cash and cash equivalents, Beginning of year | <u>780,877</u> |
| Cash and cash equivalents, End of the year | \$ <u>932,457</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, 2013

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 conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College reports are based on applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies.

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, 2013, the College received scholarships totaling \$645,507 and expenditure reimbursements of \$100,648.

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 16) 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, 2013

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 intra-agency and intra-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 \$462,615, which represent the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2013 are completed. Encumbrances outstanding at June 30, 2013 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.

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 assets during the reporting period. Actual results could differ from those estimates.

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 5th of the proposed budget and notice of public hearing on the budget.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

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

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The 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.

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 and cash equivalents include deposits held at banks and all highly liquid instruments purchased with an original maturity of three months or less, plus small amounts of cash maintained for petty cash and change funds.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

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

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.

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.

Unearned Revenue

Unearned revenues include (1) tax levies received and accrued that are restricted for future fiscal years; (2) amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting year; (3) amounts received from grant and contract sponsors that have not yet been earned.

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 2013, the state made contributions of \$861,202 (see Note 9).

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

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.

Net Position

Net investment in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation and net of 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. The College has no restricted nonexpendable net position at June 30, 2013.

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.

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 2012 were allocated between fiscal years 2013 and 2014.

As of June 30, 2013, the county treasurer had distributed to the College approximately 95% of the 2012 taxes levied. A portion of the 2012 and 2013 taxes levied will be used to finance the year ending June 30, 2014.

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, 2013

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

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, and (3) gifts and contributions.

Pell grant receipts are classified as non-operating revenues and any amounts applied to student receivable accounts are recorded as scholarship discounts or allowances per guidance provided in GASB No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

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.

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: COMPLIANCE WITH KANSAS STATUTES

Negative Cash:

The Federal Pell grant fund, Adult Basic Education grant fund, Bridges grant fund, A-OK grant fund, and Federal Loan funds have negative cash balances. Expenditures from this fund are reimbursed by federal and state aid. Per K.S.A. 12-1663 this is not a violation of Kansas Statute.

Under-collateralization

The College was under-collateralized by \$180,759 on June 30, 2013.

Management is aware of no other statutory violations for the period covered by the audit.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

NOTE 3: DEPOSITS AND INVESTMENTS – COLLEGE

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”.

At June 30, 2013, the College’s carrying amount of the deposits was \$10,405,151 and the bank balance was \$10,458,888. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$531,834 was covered by federal depository insurance; \$9,746,295 was collateralized with securities held by the pledging financial institutions’ agents in the College’s name; and the balance of \$180,759 was not legally secured.

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.

NOTE 4: ACCOUNTS RECEIVABLE, NET – COLLEGE

Accounts receivable consisted of the following at June 30, 2013:

| | |
|--|----------------------------|
| Student tuition and fees | \$ 1,664,613 |
| Auxiliary enterprises and other operating activities | 775,304 |
| Federal and state agencies | <u>129,237</u> |
| Gross accounts receivable | 2,569,154 |
| Less allowance for doubtful accounts | (<u>726,000</u>) |
| Net accounts receivable | \$ <u><u>1,843,154</u></u> |

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

NOTE 5: CAPITAL ASSETS, NET – COLLEGE

Capital asset activity for the year ended June 30, 2013 was as follows:

| | Balance June 30, <u>2012</u> | Additions/ <u>Transfers</u> | Retirements/ <u>Reductions</u> | Balance June 30, <u>2013</u> |
|---------------------------------------|------------------------------------|--------------------------------|-----------------------------------|------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ <u>294,019</u> | <u>-</u> | <u>-</u> | <u>294,019</u> |
| Total assets not being depreciated | <u>294,019</u> | <u>-</u> | <u>-</u> | <u>294,019</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 1,017,693 | - | - | 1,017,693 |
| Buildings | 42,044,189 | 223,747 | - | 42,267,936 |
| Furniture and equipment | 9,897,519 | 239,970 | - | 10,137,489 |
| Library materials | <u>1,081,170</u> | <u>-</u> | <u>-</u> | <u>1,081,170</u> |
| Total assets being depreciated | <u>54,040,571</u> | <u>463,717</u> | <u>-</u> | <u>54,504,288</u> |
| Total capital assets | <u>54,334,590</u> | <u>463,717</u> | <u>-</u> | <u>54,798,307</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 998,135 | 6,856 | - | 1,004,991 |
| Buildings | 15,509,337 | 2,164,415 | - | 17,673,752 |
| Furniture and equipment | 6,507,088 | 813,926 | - | 7,321,014 |
| Library materials | <u>1,081,170</u> | <u>-</u> | <u>-</u> | <u>1,081,170</u> |
| Total accumulated depreciation | <u>24,095,730</u> | <u>2,985,197</u> | <u>-</u> | <u>27,080,927</u> |
| Total Capital assets, net | <u>\$30,238,860</u> | <u>(2,521,480)</u> | <u>-</u> | <u>27,717,380</u> |

NOTE 6: UNEARNED REVENUES – COLLEGE

Unearned revenues consisted of the following at June 30, 2013:

| | |
|---|---------------------|
| Property taxes levied for future period | \$ 3,027,079 |
| Tuition and fees received in advance | <u>72,495</u> |
| Total unearned revenues | <u>\$ 3,099,574</u> |

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

NOTE 7: LONG-TERM LIABILITIES – COLLEGE

Changes in long-term liabilities for the College for the year ended June 30, 2013, 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 & Interest Paid</u> |
|---|--|------------------|---------------------------------|------------------------------------|--|---|
| Debt payable and capital lease obligations: | | | | | | |
| KBOR PEI Loans | \$ 1,407,500 | - | 313,000 | 1,094,500 | 313,000 | 3,519 |
| Capital lease obligations | 460,700 | - | 40,690 | 420,010 | 43,054 | 24,323 |
| Certificates of Participation | 4,215,000 | - | 270,000 | 3,945,000 | 270,000 | 146,735 |
| Deferred Refunding | <u>(381,468)</u> | <u>(-)</u> | <u>(51,456)</u> | <u>(330,012)</u> | <u>-</u> | <u>-</u> |
| | 5,701,732 | - | 572,234 | 5,129,498 | 626,054 | 174,577 |
| Other liabilities: | | | | | | |
| Early retirement benefits | 145,725 | 208,578 | 56,279 | 298,024 | 103,669 | - |
| Net OPEB Obligation | 629,976 | 204,921 | 94,000 | 740,897 | - | - |
| Compensated absences | <u>252,737</u> | <u>-</u> | <u>9,782</u> | <u>242,955</u> | <u>242,955</u> | <u>-</u> |
| Total Long-term obligations | <u>\$ 6,730,170</u> | <u>413,499</u> | <u>732,295</u> | <u>6,411,374</u> | <u>972,678</u> | <u>174,577</u> |

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, 2013</u> |
|-------------------------------|--------------------------|----------------------------|---------------------------------------|-----------------------|--------------------------------------|
| KBOR PEI Infrastructure Loan | | | | | |
| Series 2008 | 3/26/08 | 1,260,000 | 12/1/15 | 0.00% | 472,500 |
| Series 2009 | 3/31/09 | 1,244,000 | 12/1/16 | 0.00% | 622,000 |
| Lease purchase obligation | 5/6/11 | 500,000 | 6/3/21 | 5.50% | 420,010 |
| Certificates of Participation | | | | | |
| Series 2011A | 9/1/11 | 4,290,000 | 3/1/2025 | 3.00% to 4.00% | 3,945,000 |

Loan Obligations

The College has 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.

Debt service requirements to maturity for KBOR PEI Infrastructure loans:

| Year ending June 30, | <u>Principal Due</u> | <u>Interest/Fees Due</u> | <u>Total Due</u> |
|----------------------|--------------------------|------------------------------|----------------------|
| 2014 | \$ 313,000 | 2,736 | 315,736 |
| 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>\$ 1,094,500</u> | <u>6,250</u> | <u>1,100,750</u> |

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

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

Lease Purchase Agreement

The College has 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, 2013 are as follows:

| | |
|-------------------------------|-------------------|
| Building | \$ 500,000 |
| Less accumulated depreciation | (<u>53,587</u>) |
| Net | \$ <u>446,413</u> |

Future minimum lease payments are as follows

| Year ending June 30, | Principal <u>Due</u> | Interest <u>Due</u> | Total <u>Due</u> |
|----------------------|-------------------------|------------------------|---------------------|
| 2014 | \$ 43,054 | 22,062 | 65,116 |
| 2015 | 45,482 | 19,634 | 65,116 |
| 2016 | 48,048 | 17,068 | 65,116 |
| 2017 | 50,758 | 14,358 | 65,116 |
| 2018 | 53,621 | 11,495 | 65,116 |
| 2019-2021 | <u>179,047</u> | <u>16,299</u> | <u>195,346</u> |
| Total | \$ <u>420,010</u> | <u>100,916</u> | <u>520,926</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, 2013, bonds totaling \$250,000 are considered defeased.

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 a deduction from long-term debt, 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.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

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

Future annual maturities of Certificates of Participation payable are as follows:

| Year ending June 30, | Principal <u>Due</u> | Interest <u>Due</u> | Total <u>Due</u> |
|----------------------|-------------------------|------------------------|---------------------|
| 2014 | \$ 270,000 | 138,200 | 408,200 |
| 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 |
| 2019-2023 | 1,710,000 | 344,656 | 2,054,656 |
| 2024-2025 | <u>785,000</u> | <u>47,400</u> | <u>832,400</u> |
| Total | <u>\$ 3,945,000</u> | <u>996,056</u> | <u>4,941,056</u> |

NOTE 8: INTERFUND TRANSACTIONS – COLLEGE

Interfund transfers for the year ended June 30, 2013, consisted of the following:

| Mandatory Transfers | | <u>Amount</u> |
|-------------------------------|------------------------|---------------------|
| <u>From</u> | <u>To</u> | |
| Student Union Bond Retirement | Bond and Interest | \$ 357,461 |
| General | Post-Secondary Tech Ed | 2,625,000 |
| General | Adult Basic Education | 50,000 |
| General | Truck Driver Education | 65,000 |
| General | Capital Outlay | <u>50,000</u> |
| Totals | | <u>\$ 3,147,461</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, binding legal agreements, and grant agreements with agencies of the government, donors, or other organizations to match gifts and grants.

NOTE 9: 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.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

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 of 4% of covered salary for Tier 1 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 is required to contribute the statutory required employers share. State law sets a limitation on annual increases in the contribution rates. The State of Kansas contributions rates for the period July 1, 2012 through June 30, 2013, July 1, 2011 through June 30, 2012, and July 1, 2010 through June 30, 2011 were 10.37%, 9.77%, and 9.17%, respectively, of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2013, 2012, and 2011 were \$323,067,803, \$298,635,383, and \$253,834,044, respectively, equal to the required contributions for each year.

NOTE 10: 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 \$600 in FY 2013. During the year ended June 30, 2013, the employees contributed \$160,634 and the College contributed \$136,598.

NOTE 11: 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 \$56,279 for the year ended June 30, 2013.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

NOTE 12: OTHER POST EMPLOYMENT BENEFITS – COLLEGE

Plan description. As provided by K.S.A. 12-5040, the College allows retirees to participate in the group health insurance plan. While certain retirees pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. Upon meeting specified criteria, retirees may fully receive single coverage until they are Medicare eligible. Otherwise, retirees are required to pay carrier-charged premiums to maintain coverage. In all cases, the retiree contribution for spousal coverage is equal to the family coverage rate less the single coverage rate. Coverage is provided through a fully-insured arrangement that operates as a single-employer defined benefit plan. Coverage is available until Medicare eligibility for both retirees and spouses.

Funding Policy. Benefits are paid from general operating assets of the College. 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.

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

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost 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 | 22,049 |
| Adjustment to the ARC | <u>(25,744)</u> |
| Annual OPEB cost | 204,921 |
| Less: Employer contributions | <u>(94,000)</u> |
| Increase in net OPEB obligation | 110,921 |
| Net OPEB obligation, July 1 | <u>629,976</u> |
| Net OPEB obligation, June 30 | \$ <u>740,897</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> |
|-----------------------|----------------------------|---|----------------------------------|--|
| 2011 | \$ 183,100 | \$ 16,000 | 9% | \$ 501,300 |
| 2012 | \$ 205,676 | \$ 77,000 | 37% | \$ 629,976 |
| 2013 | \$ 204,921 | \$ 94,000 | 46% | \$ 740,897 |

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

NOTE 12: OTHER POST EMPLOYMENT BENEFITS – COLLEGE (Continued)

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.

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 decrements of 1 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 13: 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 14: 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.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

NOTE 15: 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.

NOTE 16: 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.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
Liberal, Kansas
Notes to Financial Statements
June 30, 2013

**NOTE 16: SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
FOUNDATION – NOTES (Continued)**

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.

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 2010 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 | \$ 767,623 |
| Adjustments: | |
| (Gain) loss on sale of assets | (144,219) |
| Contributions – permanently restricted | (63,977) |
| Unrealized (gain) loss on investments | <u>(253,012)</u> |
| Net Cash Provided by Operating Activities | \$ <u>306,415</u> |

For the year ended June 30, 2013, there were no non-cash transactions.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2013

**NOTE 16: SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL
 FOUNDATION – NOTES (Continued)**

Temporarily Restricted Net Assets

Net assets temporarily restricted for the following purposes:

| | |
|---------------------------------------|---------------------|
| Scholarship and other student support | \$ 1,898,733 |
| Library and music department needs | 55,914 |
| Capital projects | 274,816 |
| Athletic programs | 129,349 |
| Professional development | <u>21,033</u> |
| | <u>\$ 2,379,845</u> |

Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes:

| | |
|---------------------------------------|---------------------|
| Professional development | \$ 25,129 |
| Scholarship and other student support | 3,789,297 |
| Library and music department needs | <u>85,507</u> |
| | <u>\$ 3,899,933</u> |

Transfers

Assets were transferred for the following reasons for the fiscal year ended June 30, 2013:

| | <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 | - |
| John Shockley Memorial became eligible for transfer to permanently restricted fund | - | (5,075) | 5,075 |
| Transfer ten percent of fundraising administrative fees to Foundation scholarships | (2,314) | 2,314 | - |
| Charles and Josephine Light realized income became eligible for transfer to permanently restricted fund | - | (420) | <u>420</u> |
| | <u>\$ (12,314)</u> | <u>6,819</u> | <u>5,495</u> |

Deposits and Investments

At June 30, 2013, SCCC/ATS Foundation's carrying amount of deposits was \$932,457 and the bank balance was \$934,534. Of the bank balance, \$502,782 was covered by federal depository insurance and \$431,752 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, 2013

**NOTE 16: 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 5, 2013, 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, 2013

| 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, 2013

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

Page 1 of 12

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2013

| | General Fund | | |
|---|---------------------------------|---------------------------------|------------------------------|
| | Actual - Regulatory Basis | Original and Final Budget | Variance- Over (Under) |
| Cash Receipts: | | | |
| Taxes and Shared Revenue: | | | |
| Prior year ad valorem property tax | \$ 356,206 | \$ 501,200 | \$ (144,994) |
| Current year ad valorem property tax | 7,630,352 | 7,436,000 | 194,352 |
| Motor vehicle tax | 573,423 | 12,100 | 561,323 |
| Recreational vehicle tax | 4,976 | 529,445 | (524,469) |
| Delinquent tax | 161,868 | 111,543 | 50,325 |
| In lieu of tax - IRB | 14,934 | 13,901 | 1,033 |
| Student tuition and fees | 1,172,236 | 1,428,540 | (256,304) |
| Federal sources | 2,595 | - | 2,595 |
| State sources | 2,292,884 | 1,831,297 | 461,587 |
| Interest income | 30,508 | 49,350 | (18,842) |
| Other income | 164,794 | 510,000 | (345,206) |
| Total Cash Receipts | <u>12,404,776</u> | \$ <u>12,423,376</u> | \$ <u>(18,600)</u> |
| Expenditures: | | | |
| Instruction | 2,630,523 | \$ 2,231,679 | \$ 398,844 |
| Academic support | 140,603 | 190,000 | (49,397) |
| Student services | 1,644,649 | 1,453,680 | 190,969 |
| Institutional support | 2,235,026 | 3,993,111 | (1,758,085) |
| Operation and maintenance of plant | 1,790,473 | 2,448,297 | (657,824) |
| Scholarships | 190,746 | 300,000 | (109,254) |
| Operating transfers out | <u>2,790,000</u> | <u>2,590,000</u> | <u>200,000</u> |
| Total Expenditures | <u>11,422,020</u> | \$ <u>13,206,767</u> | \$ <u>(1,784,747)</u> |
| Cash Receipts Over (Under) Expenditures | 982,756 | | |
| Unencumbered Cash, Beginning of Year | 5,033,086 | | |
| Prior Year Cancelled Encumbrances | <u>19,179</u> | | |
| Unencumbered Cash, End of Year | \$ <u>6,035,021</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, 2013

Schedule 2

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| | <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 | \$ 709,401 | \$ 1,034,460 | \$ (325,059) |
| State sources | 1,184,770 | 1,184,770 | - |
| Operating transfers in | <u>2,625,000</u> | <u>2,375,000</u> | <u>250,000</u> |
| Total Cash Receipts | <u>4,519,171</u> | \$ <u>4,594,230</u> | \$ <u>(75,059)</u> |
| Expenditures: | | | |
| Instruction | 3,392,535 | \$ 3,039,135 | \$ 353,400 |
| Academic Support | 58,604 | 86,932 | (28,328) |
| Student services | 254,188 | 325,996 | (71,808) |
| Institutional support | 576,863 | 673,725 | (96,862) |
| Operation and maintenance of plant | <u>780,759</u> | <u>1,086,653</u> | <u>(305,894)</u> |
| Total Expenditures | <u>5,062,949</u> | \$ <u>5,212,441</u> | \$ <u>(149,492)</u> |
| Cash Receipts Over (Under) Expenditures | (543,778) | | |
| Unencumbered Cash, Beginning of Year | 691,736 | | |
| Prior Year Cancelled Encumbrances | <u>9,358</u> | | |
| Unencumbered Cash, End of Year | \$ <u>157,316</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, 2013

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 | \$ 137,187 | \$ 563,788 | \$ (426,601) |
| State sources | 901 | - | 901 |
| Other income | <u>77,997</u> | <u>100,000</u> | <u>(22,003)</u> |
| Total Cash Receipts | <u>216,085</u> | \$ <u>663,788</u> | \$ <u>(447,703)</u> |
| Expenditures: | | | |
| Instruction | <u>268,677</u> | \$ <u>800,000</u> | \$ <u>(531,323)</u> |
| Total Expenditures | <u>268,677</u> | \$ <u>800,000</u> | \$ <u>(531,323)</u> |
| Cash Receipts Over (Under) Expenditures | (52,592) | | |
| Unencumbered Cash, Beginning of Year | 162,500 | | |
| Prior Year Cancelled Encumbrances | <u>150</u> | | |
| Unencumbered Cash, End of Year | \$ <u>110,058</u> | | |

(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, 2013

Schedule 2

Page 4 of 12

| | <u>Truck Driver Training Course Fund</u> | | |
|---|--|---------------------------------|------------------------------|
| | Actual - Regulatory Basis | Original and Final Budget | Variance- Over (Under) |
| Cash Receipts: | | | |
| Student tuition and fees | \$ 41,880 | \$ 54,000 | \$ (12,120) |
| State sources | 14,867 | - | 14,867 |
| Operating transfers in | <u>65,000</u> | <u>65,000</u> | <u>-</u> |
| Total Cash Receipts | <u>121,747</u> | \$ <u>119,000</u> | \$ <u>2,747</u> |
| Expenditures: | | | |
| Instruction | <u>172,600</u> | \$ <u>244,173</u> | \$ <u>(71,573)</u> |
| Total Expenditures | <u>172,600</u> | \$ <u>244,173</u> | \$ <u>(71,573)</u> |
| Cash Receipts Over (Under) Expenditures | (50,853) | | |
| Unencumbered Cash, Beginning of Year | 124,361 | | |
| Prior Year Cancelled Encumbrances | <u>-</u> | | |
| Unencumbered Cash, End of Year | \$ <u>73,508</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, 2013

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 | \$ 809,283 | \$ 750,000 | \$ 59,283 | \$ 817,960 | \$ 1,000,000 | \$ (182,040) |
| Other income | 24,845 | 200,000 | (175,155) | 10,998 | 75,000 | (64,002) |
| Total Cash Receipts | 834,128 | \$ 950,000 | \$ (115,872) | 828,958 | \$ 1,075,000 | \$ (246,042) |
| Expenditures: | | | | | | |
| Salaries and benefits | 132,577 | \$ 100,000 | \$ 32,577 | 211,957 | \$ 141,000 | \$ 70,957 |
| General operating expenses | 32,634 | 45,000 | (12,366) | 1,715 | 15,000 | (13,285) |
| Supplies | 6,942 | 10,000 | (3,058) | - | 10,000 | (10,000) |
| Cost of goods sold | 647,567 | 600,000 | 47,567 | 445,427 | 550,000 | (104,573) |
| Equipment | 398 | 32,000 | (31,602) | 7,850 | 80,451 | (72,601) |
| Travel | 3,127 | 10,000 | (6,873) | - | 5,000 | (5,000) |
| Utilities | - | - | - | 11,283 | - | 11,283 |
| Non-mandatory transfers | - | 150,000 | (150,000) | - | 150,000 | (150,000) |
| Total Expenditures | 823,245 | \$ 947,000 | \$ (123,755) | 678,232 | \$ 951,451 | \$ (273,219) |
| Cash Receipts Over (Under) Expenditures | 10,883 | | | 150,726 | | |
| Unencumbered Cash, Beginning of Year | 243,366 | | | 754,947 | | |
| Prior Year Cancelled Encumbrances | - | | | - | | |
| Unencumbered Cash, End of Year | \$ 254,249 | | | \$ 905,673 | | |

(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, 2013

Schedule 2
 Page 6 of 12

| | 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 | \$ 105,180 | \$ 100,000 | \$ 5,180 | \$ 60,789 | \$ 65,000 | \$ (4,211) |
| Other income | 1,902 | 4,000 | (2,098) | 2 | - | 2 |
| Total Cash Receipts | <u>107,082</u> | <u>\$ 104,000</u> | <u>\$ 3,082</u> | <u>60,791</u> | <u>\$ 65,000</u> | <u>\$ (4,209)</u> |
| Expenditures: | | | | | | |
| Salaries and benefits | 16,032 | \$ - | \$ 16,032 | - | \$ - | \$ - |
| General operating expenses | 400 | 8,000 | (7,600) | 2,625 | 4,000 | (1,375) |
| Supplies | 72,690 | 50,000 | 22,690 | 224 | 500 | (276) |
| Cost of goods sold | 9,920 | 35,000 | (25,080) | 53,209 | 60,000 | (6,791) |
| Equipment | 2,809 | 10,000 | (7,191) | - | - | - |
| Travel | 765 | - | 765 | - | - | - |
| Utilities | - | - | - | - | - | - |
| Non-mandatory transfers | - | - | - | - | - | - |
| Total Expenditures | <u>102,616</u> | <u>\$ 103,000</u> | <u>\$ (384)</u> | <u>56,058</u> | <u>\$ 64,500</u> | <u>\$ (8,442)</u> |
| Cash Receipts Over (Under) Expenditures | 4,466 | | | 4,733 | | |
| Unencumbered Cash, Beginning of Year | 90,837 | | | 59,725 | | |
| Prior Year Cancelled Encumbrances | - | | | - | | |
| Unencumbered Cash, End of Year | <u>\$ 95,303</u> | | | <u>\$ 64,458</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, 2013

Schedule 2
 Page 7 of 12

| | Total Auxiliary Enterprises | | |
|---|---------------------------------|---------------------------------|------------------------------|
| | Actual - Regulatory Basis | Original and Final Budget | Variance- Over (Under) |
| Cash Receipts: | | | |
| Sales | \$ 1,793,212 | \$ 1,915,000 | \$ (121,788) |
| Other income | <u>37,747</u> | <u>279,000</u> | <u>(241,253)</u> |
| Total Cash Receipts | <u>1,830,959</u> | \$ <u>2,194,000</u> | \$ <u>(363,041)</u> |
| Expenditures: | | | |
| Salaries and benefits | 360,566 | \$ 241,000 | \$ 119,566 |
| General operating expenses | 37,374 | 72,000 | (34,626) |
| Supplies | 79,856 | 70,500 | 9,356 |
| Cost of goods sold | 1,156,123 | 1,245,000 | (88,877) |
| Equipment | 11,057 | 122,451 | (111,394) |
| Travel | 3,892 | 15,000 | (11,108) |
| Utilities | 11,283 | - | 11,283 |
| Non-mandatory transfers | <u>-</u> | <u>300,000</u> | <u>(300,000)</u> |
| Total Expenditures | <u>1,660,151</u> | \$ <u>2,065,951</u> | \$ <u>(405,800)</u> |
| Cash Receipts Over (Under) Expenditures | 170,808 | | |
| Unencumbered Cash, Beginning of Year | 1,148,875 | | |
| Prior Year Cancelled Encumbrances | <u>-</u> | | |
| Unencumbered Cash, End of Year | \$ <u>1,319,683</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, 2013

| | <u>Capital Outlay</u> | | |
|---|--|--|---------------------------------------|
| | <u>Actual - Regulatory Basis</u> | <u>Original and Final Budget</u> | <u>Variance- Over (Under)</u> |
| Cash Receipts: | | | |
| State sources | \$ 127,079 | \$ 127,079 | \$ - |
| Other income | 16,305 | 51,331 | (35,026) |
| Tax credit donations income | 60,500 | - | 60,500 |
| Mandatory transfers | <u>50,000</u> | <u>50,000</u> | <u>-</u> |
| Total Cash Receipts | <u>253,884</u> | \$ <u>228,410</u> | \$ <u>25,474</u> |
| Expenditures: | | | |
| Plant Equipment and Facility | <u>228,347</u> | \$ <u>228,410</u> | \$ <u>(63)</u> |
| Total Expenditures | <u>228,347</u> | \$ <u>228,410</u> | \$ <u>(63)</u> |
| Cash Receipts Over (Under) Expenditures | 25,537 | | |
| Unencumbered Cash, Beginning of Year | 78,032 | | |
| Prior Year Cancelled Encumbrances | <u>192</u> | | |
| Unencumbered Cash, End of Year | \$ <u>103,761</u> | | |

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule 2

Certificates of Participation Debt Service Fund

Page 9 of 12

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2013

| | <u>Certificates of Participation Debt Service</u> | | |
|---|---|--|---------------------------------------|
| | <u>Actual - Regulatory Basis</u> | <u>Original and Final Budget</u> | <u>Variance- Over (Under)</u> |
| Cash Receipts: | | | |
| Mandatory transfers | \$ <u>357,461</u> | \$ <u>370,000</u> | \$ <u>(12,539)</u> |
| Total Cash Receipts | <u>357,461</u> | \$ <u>370,000</u> | \$ <u>(12,539)</u> |
| Expenditures: | | | |
| Principal on COP | 270,000 | \$ 270,000 | \$ - |
| Interest and fees | <u>146,735</u> | <u>147,550</u> | <u>(815)</u> |
| Total Expenditures | <u>416,735</u> | \$ <u>417,550</u> | \$ <u>(815)</u> |
| Cash Receipts Over (Under) Expenditures | (59,274) | | |
| Unencumbered Cash, Beginning of Year | 1,117,428 | | |
| Prior Year Cancelled Encumbrances | <u>-</u> | | |
| Unencumbered Cash, End of Year | \$ <u>1,058,154</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, 2013

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> |
|--|-----------------------------|-----------------------------|-------------------------------|
| Revenues: | | | |
| Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9) | \$ 12,404,776 | 4,519,171 | 216,085 |
| Adjustments | | | |
| Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting. | 48,188 | 70,166 | 22,746 |
| 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 | (263,048) | - | - |
| Transfers reported separately for GAAP reporting | <u>-</u> | <u>(2,625,000)</u> | <u>-</u> |
| Total revenues on GAAP basis | \$ <u>12,189,916</u> | <u>1,964,337</u> | <u>238,831</u> |
| Expenditures: | | | |
| Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9) | \$ 11,422,020 | 5,062,949 | 268,677 |
| Adjustments | | | |
| Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting. | (13,782) | - | - |
| Net OPEB obligations and early retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting. | 263,220 | - | - |
| 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. | 12,848 | 1,808 | (899) |
| 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. | (180,252) | - | - |
| 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>(2,790,000)</u> | <u>-</u> | <u>-</u> |
| Total Expenditures on GAAP basis | \$ <u>8,714,054</u> | <u>5,064,757</u> | <u>267,778</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, 2013

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

| | | <u>Truck Driver</u> | <u>Auxiliary Enterprises</u> | | <u>Capital Outlay</u> |
|--|-----------|-------------------------|----------------------------------|--|---------------------------|
| Revenues: | | | | | |
| Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9) | \$ | 121,747 | 1,830,959 | | 253,884 |
| Adjustments | | | | | |
| Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting. | | 12,501 | 64,633 | | - |
| 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>(65,000)</u> | <u>-</u> | | <u>(50,000)</u> |
| Total revenues on GAAP basis | \$ | <u>69,248</u> | <u>1,895,592</u> | | <u>203,884</u> |
| Expenditures: | | | | | |
| Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9) | \$ | 172,600 | 1,660,151 | | 228,347 |
| Adjustments | | | | | |
| 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. | | - | 31,266 | | (133,127) |
| 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. | | - | (11,626) | | - |
| 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 | | - | 2,577 | | - |
| Transfers reported separately for GAAP reporting | | <u>-</u> | <u>-</u> | | <u>232,125</u> |
| Total Expenditures on GAAP basis | \$ | <u>172,600</u> | <u>1,682,368</u> | | <u>327,345</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, 2013

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

| | | <u>COP</u> <u>Debt Service</u> |
|--|----|-----------------------------------|
| Revenues: | | |
| Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9) | \$ | 357,461 |
| Adjustments | | |
| 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>(357,461)</u> |
| Total revenues on GAAP basis | \$ | <u><u>-</u></u> |
| Expenditures: | | |
| Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9) | \$ | 416,735 |
| Adjustments | | |
| 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. | | (2,663) |
| 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> |
| Total Expenditures on GAAP basis | \$ | <u><u>414,072</u></u> |

(See Auditors' Report)



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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 30, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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

Liberal, Kansas
January 30, 2014



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, 2013. 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, 2013.

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

Liberal, Kansas
January 30, 2014

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule 3

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

| <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> |
|---|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Education</u> | | | |
| Direct Programs: | | | |
| Student Financial Assistance Cluster | | | |
| Federal Pell Grant Program | 84.063 | | \$ 1,806,021 |
| Federal College Work Study Program | 84.033 | | 52,213 |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | 44,026 |
| Federal PLUS Loans | 84.268 | | 12,480 |
| Federal Direct Unsubsidized Stafford Loans | 84.268 | | 329,299 |
| Federal Direct Subsidized Stafford Loans | 84.268 | | 557,525 |
| Higher Education - Inst Aid / Expanding Access to High Demand Technical and Allied Health Programs | 84.031S | | 400,523 |
| Higher Education - Inst Aid / Building Access and Success | 84.031C | | 555,819 |
| TRIO - Student Support Services | 84.042A | | 227,383 |
| Total Direct Programs | | | <u>3,985,289</u> |
| Passed Through Kansas Board of Regents | | | |
| Adult Basic Education | 84.002 | 3042-3000 | 105,159 |
| Career and Technical Education - Carl Perkins | 84.048 | 3539-3539 | 111,097 |
| Career and Technical Education - Carl Perkins | 84.048 | AO-K | 5,167 |
| Total Passed through Kansas Board of Regents | | | <u>221,423</u> |
| Total U.S. Department of Education | | | <u>4,206,712</u> |
| <u>U.S. Department of Labor</u> | | | |
| Passed Through Kansas Board of Regents | | | |
| Workforce Investment Act | 17.258 | AO-K | 3,333 |
| Total U.S. Department of Labor | | | <u>3,333</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed Through Kansas State University | | | |
| Special Minority Initiatives | 93.960 | HH9934 | 912 |
| Special Minority Initiatives | 93.960 | HH9895 | 32,232 |
| Total U.S. Department of Health and Human Serv. | | | <u>33,144</u> |
| Total Expenditures of Federal Awards | | | \$ <u>4,243,189</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, 2013

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, 2013

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 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 on compliance for the major federal award programs for Seward County Community College / Area Technical School expresses an unmodified opinion on all major federal programs.

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 / Expanding Access to High Demand Technical and Allied Health Programs |
| 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