

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

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, 2015

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

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

620 - 624 - 1994  
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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Seward County Community College / Area Technical School Foundation (Foundation), which is the discretely presented component unit of the College. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide*.

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

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Seward County Community College / Area Technical School, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and required supplementary information on pages 45 through 46 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 March 3, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Byron Bird and Associates, Chartered*

BYRON BIRD AND ASSOCIATES, CHARTERED  
Liberal, Kansas  
March 3, 2016

## 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, 2015. 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, 2014 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, 2014 through June 30, 2015. The independent audit firm for the Foundation is Hay, Rice & Associates, 21 Plaza Drive, Liberal, KS 67901. The reader of this management discussion and analysis is encouraged to contact the Seward County

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

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

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

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and, the Statement of Cash Flows. All following dollar amounts are presented as actual rounded to the nearest dollar. This discussion and analysis of the college's financial statements provides an overview of its financial activities for fiscal year ending June 30, 2015. All readers are encouraged to peruse the three audited financial statements and the accompanying notes. The notes provide insight into the values contained in the financial statements.



### **Statement of Net Position**

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

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

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

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

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

ABBREVIATED STATEMENT OF NET POSITION  
JUNE 30

	<u>2014</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets	\$12,873,702	\$14,347,092
Capital Assets	<u>\$25,720,638</u>	<u>\$23,687,723</u>
Total Assets	<u>\$38,594,340</u>	<u>\$38,034,815</u>
Deferred Outflow of Resources	<u>\$281,732</u>	<u>\$236,794</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,751,723	\$1,779,760
Long Term Liabilities	<u>\$5,134,132</u>	<u>\$4,744,055</u>
Total Liabilities	<u>\$6,885,855</u>	<u>\$6,523,815</u>
Deferred Inflows of Resources	<u>\$2,977,642</u>	<u>\$3,199,058</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$21,232,027	\$19,796,149
Restricted for:		
Expendable Capital Projects	\$565,360	\$518,157
Expendable Debt Service	\$1,280,358	\$1,297,766
Expendable Scholarships	\$96,109	\$101,594
Expendable Technology	\$437,242	\$652,414
Unrestricted	<u>\$5,401,479</u>	<u>\$6,182,656</u>
Total Net Position	<u>\$29,012,575</u>	<u>\$28,548,736</u>

Total net position decreased by \$463,839. 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

	2014	2015
Student Tuition and Fees	\$2,002,210	\$2,233,734
Grants and Contracts	\$3,853,672	\$2,647,809
Auxiliary Enterprise Revenue	\$1,487,300	\$1,675,575
Other Operating Revenue	\$180,341	\$173,571
Total Operating Revenues	\$7,523,523	\$6,730,689
Instruction	\$7,635,821	\$7,597,492
Academic Support	\$194,940	\$220,973
Student Services	\$2,375,430	\$2,499,763
Institutional Support	\$3,759,901	\$4,254,091
Operation and Maintenance of Plant	\$2,801,074	\$2,603,464
Depreciation	\$2,917,859	\$2,973,407
Scholarships and Fellowships	\$804,710	\$788,579
Auxiliary Enterprise Expenses	\$1,563,240	\$1,705,678
Total Operating Expenses	\$22,052,975	\$22,643,447
Operating Income (Loss)	(\$14,529,452)	(\$15,912,758)
State Appropriations	\$3,016,067	\$4,902,388
Local Property Taxes	\$8,453,467	\$9,141,806
Pell Grants	1,687,921	1,558,518
Noncapital Gifts and Contributions	\$15,190	\$12,670
Interest Income	\$22,888	\$25,131
Interest and Fees on Capital Asset debt	(\$207,444)	(\$191,594)
Net Non Operating Revenues (Expenses)	\$12,988,089	\$15,448,919
Capital gifts and contributions	\$39,482	\$0
Decrease in Net Position	(\$1,501,881)	(\$463,839)
Net Position – July 1	\$30,514,456	\$29,012,575
Net Position – June 30	\$29,012,575	\$28,548,736

As presented in the statement, total operating revenues decreased \$792,834. This decrease is caused by the reduction of grant income received. Operating expenses increased \$590,472. This increase was primarily from increased costs in personnel, institutional support, and in student services operations.

### **Statement of Cash Flows**

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

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

	2014	2015
Net Cash Flows From Operating Activities	(\$11,470,035)	(\$11,800,837)
Net Cash Flows From Non-Capital Financing Activities	\$13,082,476	\$14,794,133
Net Cash Flows from Capital & Related Financing Activities	(\$1,695,840)	(\$1,695,250)
Net Cash Flows from Investing Activities	\$22,888	\$25,131
Net Increase (Decrease) in Cash	(\$60,511)	\$1,323,177
Cash, Beginning of Year, July 1	\$10,409,351	\$10,348,840
Cash, End of Year, June 30	\$10,348,840	\$11,672,017

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

The increase of end of year cash balance from 2014 to 2015 came largely from financing activities in the form of increased state and local revenue.

## **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, 2015. 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, 2015 is \$3,395,000. The outstanding interest is \$727,756. 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, 2015.

### **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, 2015 is \$157,500. The series 2009 PEI Bonds had an original value of \$1,244,000. The outstanding principal on this bond issue as of June 30, 2015 is \$311,000. 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, 2015 is \$264,868. The outstanding interest is \$35,707. 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, 2015

	<u>College</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 11,672,017
Taxes receivable	164,628
Accounts receivable, net of allowance for doubtful accounts of \$785,000 (Note 4)	1,926,796
Prepaid expenses	118,795
Inventories	464,856
Total Current Assets	<u>14,347,092</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation (Note 5)	<u>23,687,723</u>
Total Noncurrent Assets	<u>23,687,723</u>
Total Assets	<u>38,034,815</u>
Deferred Outflow of Resources	
Deferred charge on refunding of debt	<u>236,794</u>
Total Deferred Outflow of Resources	<u>236,794</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	361,807
Accrued interest on debt	40,015
Dorm deposits payable	13,600
Deposits held in custody for others	232,767
Accrued compensated absences	219,466
Current portion of early retirement liability	257,368
Current portion of long-term debt	654,737
Total Current Liabilities	<u>1,779,760</u>
Noncurrent Liabilities:	
Early retirement liability, net of current portion	392,158
Other postemployment benefits payable	878,266
Long-term debt, net of current portion	<u>3,473,631</u>
Total Noncurrent Liabilities	<u>4,744,055</u>
Total Liabilities	<u>6,523,815</u>
Deferred Inflows of Resources	
Unearned revenue (Note 6)	<u>3,199,058</u>
Total Deferred Inflows of Resources	<u>3,199,058</u>
<b>NET POSITION</b>	
Net Investment in capital assets	19,796,149
Restricted - expendable:	
For capital projects	518,157
For debt service	1,297,766
For scholarships	101,594
For technology	652,414
Unrestricted	<u>6,182,656</u>
Total Net Position	<u>\$ 28,548,736</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, 2015

	<u>Foundation</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,263,603
Unconditional promises to give, net	939,414
Investments	<u>6,964,945</u>
Total Current Assets	<u>9,167,962</u>
Total Assets	\$ <u>9,167,962</u>
<b>LIABILITIES AND NET ASSETS</b>	
Total Liabilities	\$ <u>          -</u>
<b>NET ASSETS</b>	
Unrestricted	245,506
Temporarily restricted	4,158,110
Permanently restricted	<u>4,764,346</u>
Total Net Assets	<u>9,167,962</u>
Total Liabilities and Net Assets	\$ <u>9,167,962</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, 2015

	<u>College</u>
Operating Revenues	
Student tuition and fees, net of scholarship allowances of \$968,626	\$ 2,233,734
Federal grants and contracts	2,407,581
State and local grants and contracts	240,228
Auxiliary enterprises:	
Food service/dormitory, net of scholarship allowances of \$293,573	742,236
Bookstore, net of scholarship allowances of \$80,030	731,584
Cosmetology, net of scholarship allowances of \$13,727	85,887
Auto parts management	115,868
Other operating revenues	173,571
Total operating revenues	<u>6,730,689</u>
Operating Expenses	
Instruction	7,597,492
Academic support	220,973
Student services	2,499,763
Institutional support	4,254,091
Operation and maintenance of plant	2,603,464
Scholarships and fellowships	788,579
Auxiliary enterprises:	
Food service/dormitory	760,337
Bookstore	763,493
Cosmetology	96,657
Auto parts management	85,191
Depreciation	2,973,407
Total operating expenses	<u>22,643,447</u>
Net Operating Loss	<u>(15,912,758)</u>
Nonoperating Revenues (Expenses)	
State appropriations	4,902,388
Local property taxes	9,141,806
Pell grants	1,558,518
Noncapital gifts and contributions	12,670
Interest income	25,131
Interest and fees on capital asset related debt	<u>(191,594)</u>
Net nonoperating revenues (expenses)	<u>15,448,919</u>
Decrease in net position	(463,839)
Net Position - July 1, 2014	<u>29,012,575</u>
Net Position - June 30, 2015	\$ <u>28,548,736</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, 2015

	Foundation			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:				
Donations				
Individuals	\$ 24,162	1,155,894	100,450	1,280,506
Business organizations	7,541	113,309	58,300	179,150
Foundations/Trusts	-	308,830	3,139	311,969
Clubs/Organizations/Schools	-	297,679	101,705	399,384
State Board of Regents - Grants	-	4,350	-	4,350
Special events	63,584	-	-	63,584
Interest/Dividend income	11,618	241,184	-	252,802
Realized gain (loss) on investments	732	47,715	-	48,447
Unrealized gain (loss) on investments	(8,983)	(237,737)	-	(246,720)
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments:				
Scholarships and other student support	811,155	(811,155)	-	-
Foundation projects	77,863	(77,863)	-	-
Total revenue and other support	987,672	1,042,206	263,594	2,293,472
Expenses:				
Program Expenses:				
Scholarships and other student support	811,155	-	-	811,155
Special events	14,967	-	-	14,967
Foundation projects	77,863	-	-	77,863
Total program services	903,985	-	-	903,985
Supporting Services:				
General and administrative	115,335	-	-	115,335
Investment expenses	2,288	40,285	-	42,573
Total supporting services	117,623	40,285	-	157,908
Total expenses	1,021,608	40,285	-	1,061,893
Transfer	-	(1,447)	1,447	-
Changes in Net Assets	(33,936)	1,000,474	265,041	1,231,579
Net Assets - June 30, 2014	279,442	3,157,636	4,499,305	7,936,383
Net Assets - June 30, 2015	\$ 245,506	4,158,110	4,764,346	9,167,962

(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, 2015

	<u>College</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 2,130,251
Grants and contracts	3,439,019
Payments to vendors and suppliers	(8,235,713)
Payments to employees	(9,429,300)
Payments for scholarships	(1,537,133)
Auxiliary enterprise charges	1,658,468
Other receipts	<u>173,571</u>
Net cash used for operating activities	<u>(11,800,837)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Local property taxes	9,256,344
State appropriations	3,970,587
Pell grants	1,583,402
Noncapital donations and special events	12,670
Student organization agency transactions	<u>(28,870)</u>
Net cash provided by noncapital financing activities	<u>14,794,133</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	(903,857)
Principal paid on capital debt	(641,975)
Interest and fees paid on capital debt	<u>(149,418)</u>
Net cash used for capital and related financing activities	<u>(1,695,250)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>25,131</u>
Net cash provided by investing activities	<u>25,131</u>
Net increase in cash and cash equivalents	1,323,177
Cash and cash equivalents, Beginning of year	<u>10,348,840</u>
Cash and cash equivalents, End of the year	<u>\$ 11,672,017</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, 2015

	<u>College</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Net Operating Loss	\$ (15,912,758)
Adjustments to reconcile net operating loss to net cash flow from operating activities:	
Depreciation expense	2,973,407
State on-behalf payments for employee benefits (KPERs)	931,801
Changes in assets and liabilities:	
Accounts receivable, net	(113,834)
Inventories	(69,933)
Prepaid expenses	62,973
Accounts payable and accrued expenses	274,360
Deferred revenue	<u>53,147</u>
Net cash used for operating activities	\$ <u>(11,800,837)</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, 2015

	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest and dividend income	\$ 252,803
Donations and special events	1,035,934
Scholarships and other student support	(811,155)
Special events	(14,967)
Foundation projects	(77,863)
General and administrative	(115,335)
Investment expenses	<u>(42,573)</u>
Net cash provided by operating activities	<u>226,844</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(810,581)</u>
Net cash used by investing activities	<u>(810,581)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for permanent investment	<u>263,594</u>
Net cash provided by financing activities	<u>263,594</u>
Net decrease in cash and cash equivalents	(320,143)
Cash and cash equivalents, Beginning of year	<u>1,583,746</u>
Cash and cash equivalents, End of the year	\$ <u>1,263,603</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, 2015

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

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

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

**Financial Reporting Entity**

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

**Discretely Presented Component Unit**

The Seward County Community College / Area Technical School Foundation is considered to be a related organization to the college. The Foundation is a legally separate, tax-exempt organization that acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements. During the year ended June 30, 2015, the College received scholarships totaling \$733,697 and expenditure reimbursements of \$163,634.

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

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

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



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2015

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

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

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

Non-exchange transactions, in which the College receives value without directly giving equal value in return, include 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. Revenues from grants, state appropriations, and other contributions are 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 \$617,488, which represent the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2015 are completed. Encumbrances outstanding at June 30, 2015 do not constitute expenses or liabilities and are not reflected in these financial statements. Encumbered appropriations expire at year-end but are typically renewed in the next fiscal year.

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

**Use of Estimates**

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

**Income Taxes**

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

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2015

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

**Current and Non-current**

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

**Cash and Cash Equivalents**

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

**Accounts Receivable**

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

**Prepaid Expenses**

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

**Inventories**

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

**Capital Assets**

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

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

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2015

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

**Compensated Absences**

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

**Deferred Outflows/Inflows of Resources**

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

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

**Net Position**

*Net investment in capital assets* – This represents the College's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets.

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

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

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

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2015

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

**Net Position Flow Assumption**

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

**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 2014 were allocated between fiscal years 2015 and 2016.

As of June 30, 2015, the county treasurer had distributed to the College approximately 96% of the 2014 taxes levied. A portion of the 2014 and 2015 taxes levied will be used to finance the year ending June 30, 2016.

**Classification of Revenues**

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

**Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**On-Behalf Payments for Employee Benefits**

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. See Note 8 for disclosures regarding the collective net pension liability.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2015

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

**Federal Financial Assistance Programs**

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

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

**Budgetary Information**

Kansas statutes require that an annual operating budget be legally adopted for the current unrestricted funds, capital outlay fund, and retirement of indebtedness funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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

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

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

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Liberal, Kansas  
Notes to Financial Statements  
June 30, 2015

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

**Cash-Basis Law**

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. Some sub-funds of the Restricted Funds have a negative cash balance at June 30, 2015, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed from federal grants, state grants, and other contracts in the following fiscal year. This combined receivable has been recognized for GAAP purposes on these financial statements.

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

As of June 30, 2015, the College did not have any activity in investment-type assets.

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

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College has not designated a "peak period". All deposits were legally secured at June 30, 2015.

At June 30, 2015, the College's carrying amount of the deposits was \$11,672,017 and the bank balance was \$11,715,965. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance; \$11,215,965 was collateralized with securities held by the pledging financial institutions' agents in the College's name.

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

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2015

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

Accounts receivable consisted of the following at June 30, 2015:

Student tuition and fees	\$ 1,771,025
Auxiliary enterprises and other operating activities	848,678
Federal and state agencies	<u>92,093</u>
Gross accounts receivable	2,711,796
Less allowance for doubtful accounts	( 785,000)
Net accounts receivable	\$ <u>1,926,796</u>

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

Following are the changes in capital assets for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ <u>294,019</u>	-	-	<u>294,019</u>
Total non-depreciable capital assets	<u>294,019</u>	-	-	<u>294,019</u>
Depreciable capital assets:				
Land improvements	1,017,693	-	-	1,017,693
Buildings	42,726,595	474,379	-	43,200,974
Furniture and equipment	9,821,932	466,113	-	10,288,045
Library materials	<u>1,081,170</u>	-	-	<u>1,081,170</u>
Total depreciable capital assets	<u>54,647,390</u>	<u>940,492</u>	-	<u>55,587,882</u>
Total capital assets	<u>54,941,409</u>	<u>940,492</u>	-	<u>55,881,901</u>
Less accumulated depreciation:				
Land improvements	1,011,847	4,933	-	1,016,780
Buildings	19,875,207	2,233,475	-	22,108,682
Furniture and equipment	7,252,547	734,999	-	7,987,546
Library materials	<u>1,081,170</u>	-	-	<u>1,081,170</u>
Total accumulated depreciation	<u>29,220,771</u>	<u>2,973,407</u>	-	<u>32,194,178</u>
Total capital assets, net	<u>\$25,720,638</u>	<u>(2,032,915)</u>	-	<u>23,687,723</u>

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2015

**NOTE 6: UNEARNED REVENUES – COLLEGE**

Unearned revenues consisted of the following at June 30, 2015:

Property taxes levied for future period	\$ 3,076,423
Grant and contract funds received in advance	50,872
Tuition and fees received in advance	<u>71,763</u>
 Total unearned revenues	 \$ <u>3,199,058</u>

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

Changes in long-term liabilities for the College for the year ended June 30, 2015, were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Amounts due within one year</u>	<u>Fees &amp; Interest Paid</u>
Debt payable and capital lease obligations:						
KBOR PEI Loans	\$ 781,500	-	313,000	468,500	313,000	1,954
Capital lease obligations	313,843	-	48,975	264,868	51,737	16,039
Certificates of Participation	<u>3,675,000</u>	<u>-</u>	<u>280,000</u>	<u>3,395,000</u>	<u>290,000</u>	<u>131,425</u>
	4,770,343	-	641,975	4,128,368	654,737	149,418
Other liabilities:						
Early retirement benefits	334,221	453,399	138,094	649,526	257,368	-
Post-employment healthcare	804,168	244,098	170,000	878,266	-	-
Compensated absences	<u>254,077</u>	<u>-</u>	<u>34,611</u>	<u>219,466</u>	<u>219,466</u>	<u>-</u>
 Total Long-term liabilities	 \$ <u>6,162,809</u>	 <u>697,497</u>	 <u>984,680</u>	 <u>5,875,626</u>	 <u>1,131,571</u>	 <u>149,418</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, 2015</u>
KBOR PEI Infrastructure Loan					
Series 2008	3/26/08	1,260,000	12/1/15	0.00%	157,500
Series 2009	3/31/09	1,244,000	12/1/16	0.00%	311,000
Lease purchase obligation	5/6/11	500,000	6/3/21	5.50%	264,868
Certificates of Participation					
Series 2011A	9/1/11	4,290,000	3/1/2025	3.00% to 4.00%	3,395,000

The Board of Regents loans and the capital lease obligations are usually paid through the General Fund. The Certificates of Participation will be liquidated by the COP Debt Service Fund. The early retirement benefits, post-employment healthcare, and compensated absences are generally liquidated by the General Fund.



SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2015

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

**Kansas Board of Regents PEI Loan**

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

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

Year ending June 30,	<u>Principal</u>	<u>Fees</u>	<u>Total</u>
2016	\$ 313,000	1,171	314,171
2017	<u>155,500</u>	<u>389</u>	<u>155,889</u>
Total	<u>\$ 468,500</u>	<u>1,560</u>	<u>470,060</u>

**Lease Purchase Agreement**

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

Assets under capital leases as of June 30, 2015 are as follows:

Building	\$ 500,000
Less accumulated depreciation	<u>(120,253)</u>
Net	<u>\$ 379,747</u>

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 51,737	13,277	65,014
2017	54,656	10,358	65,014
2018	57,739	7,275	65,014
2019	60,996	4,018	65,014
2020	<u>39,740</u>	<u>779</u>	<u>40,519</u>
Total	<u>\$ 264,868</u>	<u>35,707</u>	<u>300,575</u>

**Refunding Certificates of Participation**

In August 2011, 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. The defeased bonds were paid off March 1, 2015.

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

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Notes to Financial Statements  
June 30, 2015

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

**Refunding Certificates of Participation (Continued)**

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

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 290,000	121,700	411,700
2017	300,000	113,000	413,000
2018	310,000	101,000	411,000
2019	320,000	92,100	412,100
2020	330,000	80,200	410,200
2021-2025	<u>1,845,000</u>	<u>219,756</u>	<u>2,064,756</u>
Total	<u>\$ 3,395,000</u>	<u>727,756</u>	<u>4,122,756</u>

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

**Description of Pension Plan**

The College participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

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

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the College are included in the State /School employee group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at [www.kpers.org](http://www.kpers.org).

**Special Funding Situation**

The employer contributions for the College, as defined in K.S.A. 74-4931(2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68. Accordingly, the State is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and expenses for the pension plan attributable to the College. The College records revenue and pension expense in an amount equal to the expense recognized by the State on behalf of the College.

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**NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)**

**Benefits**

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

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

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

**Contributions**

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 0.9% of total payroll for the fiscal year ended June 30, 2014.

The employer contributions for the College are funded 100% by the State of Kansas on behalf of the College. The actuarially determined employer contribution rates and the statutory contribution rates for school employees are 15.12 % and 10.27%, respectively. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2015 are 5.00% or 6.00% for State/School employees.

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**NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)**

**Employer and Nonemployer Allocations**

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

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

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

The individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group.

At June 30, 2014, the proportion recognized by the State of Kansas on behalf of the College was 0.192%, which was a decrease of 0.002% from the proportion measured at June 30, 2013.

**Net Pension Liability**

At June 30, 2015, the College reported no liability for its proportionate share of the net pension liability due to the special funding situation with the State. The proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College at June 30, 2014 was \$12,284,585.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014, using the following actuarial assumptions:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 12.5%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

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**NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)**

**Actuarial Assumptions (continued)**

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges).

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2009.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.00%
Fixed income	14.00%	0.85%
Yield driven	8.00%	5.50%
Real return	11.00%	3.75%
Real estate	11.00%	6.65%
Alternative	8.00%	9.50%
Short-term investments	<u>1.00%</u>	0.00%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued KPERS financial report.

**Revenue and Pension Expense Recorded by the College**

For the year ended June 30, 2015, the College recognized revenue and pension expense in an equal amount of \$931,801.

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

Employees of the College can participate in a 403(b) tax sheltered annuity. The plan is administered by TIAA-CREF and Oppenheimer. The college will match employee contributions up to \$1,100 in FY 2015. During the year ended June 30, 2015, the employees contributed \$191,849 and the College contributed \$120,304.

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

The College provides an early retirement program for certain eligible employees. Those eligible under the program may receive benefits for up to 5 years. Eligible employees will receive health insurance coverage (single membership) equal to that of a full-time employee from the time the employee chooses to take early retirement and will continue until the early retirement employee becomes eligible for Medicare or reaches age 65, whichever occurs first. The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. Per GASB Statement No. 47 the College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Payments for the retired employees under this plan were \$138,094 for the year ended June 30, 2015.

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

**Plan description**

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

**Funding Policy**

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

**Plan Report**

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

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

**Annual OPEB Cost and Net OPEB Obligation**

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

Normal cost	\$ 168,207
Amortization of unfunded actuarial accrued liability	<u>80,607</u>
Annual required contribution (ARC)	248,814
Interest on net OPEB obligation	28,146
Adjustment to the ARC	<u>( 32,862)</u>
Annual OPEB cost	244,098
Less: Employer contributions	<u>(170,000)</u>
Increase in net OPEB obligation	74,098
Net OPEB obligation, July 1	<u>804,168</u>
Net OPEB obligation, June 30	<u>\$ 878,266</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>
2013	\$ 204,921	\$ 94,000	46%	\$ 740,897
2014	\$ 204,271	\$ 141,000	69%	\$ 804,168
2015	\$ 244,098	\$ 170,000	70%	\$ 878,266

**Funding Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The College's unfunded actuarial accrued liability (UAAL) for benefits was \$1,905,814. The covered payroll (annual payroll of active employees covered by the plan) was \$7,775,948, and the ratio of the UAAL to the covered payroll was 24.5%.

**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

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

In the July 1, 2014 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 7 percent reduced by 0.5 percent annually to an ultimate rate of 5.0 percent. The AAL is being amortized as a level percentage of pay. The amortization of UAAL is done over a period of 30 years.

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

**NOTE 12: RENT REVENUE – COLLEGE**

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

**NOTE 13: RISK MANAGEMENT – COLLEGE**

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

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

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



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

**Nature of Activities**

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

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

**Financial Statement Presentation**

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

The Foundation separates its net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets with no donor-imposed restrictions.

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.

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.

**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.

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

**Contributions**

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 release to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance unconditional.

**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 2012 are closed to IRS examination.

**Estimates**

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

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

Net Change in Assets	\$ 1,231,579
Adjustments:	
(Gain) loss on sale of assets	( 48,447)
Contributions – permanently restricted	( 263,594)
Unrealized (gain) loss on investments	246,720
Increase in unconditional promises to give	( <u>939,414</u> )
Net Cash Provided by Operating Activities	\$ <u>226,844</u>

For the year ended June 30, 2015, there was a non-cash gift received. This consisted of mutual funds valued at \$50,120.

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**NOTE 15: 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	\$ 2,428,056
Library and music department needs	60,071
Capital projects	1,509,041
Athletic programs	148,237
Professional development	<u>12,705</u>
	<u>\$ 4,158,110</u>

**Permanently Restricted Net Assets**

Net assets were permanently restricted for the following purposes:

Professional development	\$ 25,129
Scholarship and other student support	4,653,066
Library and music department needs	<u>86,151</u>
	<u>\$ 4,764,346</u>

**Deposits**

At June 30, 2015, SCCC/ATS Foundation's carrying amount of deposits was \$1,712,824 and the bank balance was \$1,818,552. Of the bank balance, \$1,202,954 was covered by federal depository insurance and \$615,598 was collateralized with securities held by the pledging financial institutions' agents in SCCC/ATS Foundations' name.

**Risks and Uncertainties**

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

**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.

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

**Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015.

Corporate Bonds – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds – Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

U.S. Government Securities – Valued using the pricing models maximizing the use of observable inputs for similar securities.

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June 30, 2015

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

**Fair Value Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2015:

	Assets at Fair Value as of June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit with maturities over three months	\$ 702,954	\$ -	-	\$ 702,954
Marketable equity mutual funds	6,248,487	-	-	6,248,487
Bonds	-	13,504	-	13,504
Total assets at fair value	<u>\$6,951,441</u>	<u>\$13,504</u>	<u>-</u>	<u>\$6,964,945</u>

**Fair Value of Financial Instruments**

The carrying amount of cash and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The carrying amount of investments (which is fair value) is based upon quoted market prices. The fair value of unconditional promises to give to be received in more than one year is based on future cash flows discounted at 6%.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$1,263,603	\$1,263,603
Unconditional promises to give	939,414	939,414
Investments	6,964,945	6,964,945

**Promises to Give**

Unconditional promises to give at June 30, 2015 are as follows:

Promises to give expected to be collected in:

Less than one year	\$ 426,327
One to five years	<u>579,873</u>
Total unconditional promises to give	\$1,006,200
Less – Discounts to net present value	<u>66,786</u>
Net unconditional promises to give at June 30, 2015	<u>\$ 939,414</u>

Promises to give receivable in more than one year are recognized at fair value using present value techniques and a discount rate of 6%, when the donor makes an unconditional promise to give to the Foundation.

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

**Endowment Fund**

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

**Investment Return Objectives, Risk Parameters and Strategies**

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. Endowment assets are invested in well diversified asset mix, which includes equity and debt securities. The Foundation attempts to build endowment assets through additional contributions. The endowment funds realized and unrealized income is considered temporarily restricted income.

**Spending Policy**

The current spending policy is not expected to allow the Foundation's endowment fund to grow. The original gift is preserved while the income is considered temporary and can be spent on professional development, scholarships, student support, library and music department needs.

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

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$4,764,346	\$4,764,346
Board-designated endowment funds	<u>-</u>	<u>-</u>
Total Funds	<u>\$4,764,346</u>	<u>\$4,764,346</u>

Changes in endowment net assets as of June 30, 2015 are as follows:

Endowment net assets, beginning of year	\$4,499,305	\$4,499,305
Contributions	263,594	263,594
Transfer	<u>1,447</u>	<u>1,447</u>
Endowment net assets, end of year	<u>\$4,764,346</u>	<u>\$4,764,346</u>

**Transfers**

Assets were transferred for the following reasons for the fiscal year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Temporarily restricted miscellaneous projects to temporarily restricted fund Onions Title V Endowment	\$ <u>-</u>	\$ <u>(1,447)</u>	\$ <u>1,447</u>

**Subsequent Events**

Foundation's management has evaluated subsequent events through December 3, 2015, 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  
 Required Supplementary Information  
June 30, 2015

Schedule 1

Schedule of Funding Progress for Other Post-Employment Benefits

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%
7/1/2014	\$ -	\$ 1,905,814	\$ 1,905,814	0.00%	\$ 7,775,948	24.5%

The major items of impact in the actuarial valuation dated July 1, 2014 relative to the prior valuation are as follows:

- Retirement and Turnover assumptions were updated when applicable to reflect the latest statistics from KPERS.
- The assumed proportion of future retirees with a covered spouse was lowered from 15% to 10%
- The assumed proportion of future employees retiring at less than age 60 who will enroll in the plan was lowered from 70% to 50%.
- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Total Dataset Mortality table with full generational improvement.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Required Supplementary Information  
June 30, 2015

Schedule 2

Schedule of the College's Proportionate Share of the Net Pension Liability  
 Kansas Public Employees Retirement System  
 Last Two Fiscal Years\*

	2014	2013
College's proportion of the collective net pension liability	0.00%	0.00%
College's proportionate share of the collective net pension liability	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the College	12,284,585	14,123,787
Total collective net pension liability	\$ 12,284,585	\$ 14,123,787
College's covered-employee payroll	\$ 8,413,915	\$ 8,304,745
College's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	66.60%	59.94%

Schedule of College's Contributions

Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll	\$ 8,413,915	\$ 8,304,745
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

\* GASB 68 requires presentation of ten years. As of June 30, 2015, only two years of information is available.

Changes in benefit terms for KPERS: Effective January 1, 2014, KPERS Tier 1 members' employee contribution rate increased to 5.0% and then on January 1, 2015, increased to 6.0% with an increase in benefit multiplier to 1.85% for future years of service. For Tier 2 members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

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

## 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, 2015

Schedule 3 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 3

Page 1 of 12

## Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2015

	General Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Taxes and Shared Receipts			
Prior year ad valorem property tax	\$ 90,029	\$ 110,897	\$ (20,868)
Current year ad valorem property tax	8,333,420	8,497,973	(164,553)
Motor vehicle tax	647,707	607,804	39,903
Recreational vehicle tax	5,885	5,031	854
Delinquent tax	163,460	96,009	67,451
In lieu of tax - IRB	14,603	13,568	1,035
Other	1,240	-	1,240
Student tuition and fees	1,138,574	1,202,476	(63,902)
Federal sources	2,090	-	2,090
State sources	2,809,512	2,431,297	378,215
Interest income	25,088	15,000	10,088
Other income	<u>146,097</u>	<u>448,000</u>	<u>(301,903)</u>
Total Receipts	<u>13,377,705</u>	\$ <u>13,428,055</u>	\$ <u>(50,350)</u>
Expenditures:			
Instruction	2,540,780	\$ 3,050,854	\$ (510,074)
Academic support	155,217	153,497	1,720
Student services	1,727,575	1,933,119	(205,544)
Institutional support	2,527,187	2,731,911	(204,724)
Operation and maintenance of plant	1,777,540	2,230,421	(452,881)
Scholarships	198,543	212,796	(14,253)
Operating transfers out	<u>3,489,031</u>	<u>4,124,764</u>	<u>(635,733)</u>
Total Expenditures	<u>12,415,873</u>	\$ <u>14,437,362</u>	\$ <u>(2,021,489)</u>
Receipts Over (Under) Expenditures	961,832		
Unencumbered Cash, Beginning of Year	5,818,339		
Prior Year Cancelled Encumbrances	<u>26,738</u>		
Unencumbered Cash, End of Year	\$ <u>6,806,909</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, 2015

Schedule 3

Page 2 of 12

	<u>Post Secondary Technical Education Fund</u>		
	<u>Actual -</u> Regulatory <u>Basis</u>	<u>Original</u> and Final <u>Budget</u>	<u>Variance-</u> Over <u>(Under)</u>
Receipts:			
Student tuition and fees	\$ 789,021	\$ 706,216	\$ 82,805
State sources	1,161,075	1,184,770	(23,695)
Operating transfers in	<u>3,289,031</u>	<u>3,874,764</u>	<u>(585,733)</u>
Total Receipts	<u>5,239,127</u>	<u>\$ 5,765,750</u>	<u>\$ (526,623)</u>
Expenditures:			
Instruction	3,572,318	\$ 3,744,770	\$ (172,452)
Academic Support	56,647	65,438	(8,791)
Student services	254,033	300,395	(46,362)
Institutional support	559,573	687,260	(127,687)
Operation and maintenance of plant	<u>808,123</u>	<u>972,295</u>	<u>(164,172)</u>
Total Expenditures	<u>5,250,694</u>	<u>\$ 5,770,158</u>	<u>\$ (519,464)</u>
Receipts Over (Under) Expenditures	(11,567)		
Unencumbered Cash, Beginning of Year	4,387		
Prior Year Cancelled Encumbrances	<u>12,188</u>		
Unencumbered Cash, End of Year	<u>\$ 5,008</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, 2015

	Adult Supplementary Education Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 113,933	\$ 560,000	\$ (446,067)
State sources	-	-	-
Other income	39,000	97,432	(58,432)
Total Receipts	152,933	\$ 657,432	\$ (504,499)
Expenditures:			
Instruction	183,803	\$ 800,000	\$ (616,197)
Total Expenditures	183,803	\$ 800,000	\$ (616,197)
Receipts Over (Under) Expenditures	(30,870)		
Unencumbered Cash, Beginning of Year	142,568		
Prior Year Cancelled Encumbrances	-		
Unencumbered Cash, End of Year	\$ 111,698		

(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, 2015

Schedule 3

Page 4 of 12

	<u>Truck Driver Training Course Fund</u>		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 104,794	\$ 85,000	\$ 19,794
State sources	19,125	-	19,125
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Receipts	<u>223,919</u>	\$ <u>185,000</u>	\$ <u>38,919</u>
Expenditures:			
Instruction	<u>218,501</u>	\$ <u>220,004</u>	\$ <u>(1,503)</u>
Total Expenditures	<u>218,501</u>	\$ <u>220,004</u>	\$ <u>(1,503)</u>
Receipts Over (Under) Expenditures	5,418		
Unencumbered Cash, Beginning of Year	35,004		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>40,422</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, 2015

Schedule 3  
 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)
Receipts:						
Sales	\$ 790,848	\$ 940,000	\$ (149,152)	\$ 1,000,056	\$ 975,000	\$ 25,056
Other income	16,958	-	16,958	20,426	20,000	426
Total Receipts	<u>807,806</u>	<u>\$ 940,000</u>	<u>\$ (132,194)</u>	<u>1,020,482</u>	<u>\$ 995,000</u>	<u>\$ 25,482</u>
Expenditures:						
Salaries and benefits	131,384	\$ 140,000	\$ (8,616)	219,726	\$ 225,000	\$ (5,274)
General operating expenses	40,095	25,000	15,095	5,931	1,000	4,931
Supplies	7,052	14,000	(6,948)	-	40,000	(40,000)
Cost of goods sold	623,573	675,000	(51,427)	508,499	475,000	33,499
Equipment	2,029	20,000	(17,971)	13,590	15,000	(1,410)
Travel	4,333	5,000	(667)	-	-	-
Utilities	-	-	-	14,290	15,000	(710)
Non-mandatory transfers	-	50,000	(50,000)	55,800	200,000	(144,200)
Total Expenditures	<u>808,466</u>	<u>\$ 929,000</u>	<u>\$ (120,534)</u>	<u>817,836</u>	<u>\$ 971,000</u>	<u>\$ (153,164)</u>
Receipts Over (Under) Expenditures	(660)			202,646		
Unencumbered Cash, Beginning of Year	295,963			1,034,678		
Prior Year Cancelled Encumbrances	-			-		
Unencumbered Cash, End of Year	<u>\$ 295,303</u>			<u>\$ 1,237,324</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, 2015

Schedule 3  
 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)
Receipts:						
Sales	\$ 100,643	\$ 135,000	\$ (34,357)	\$ 115,868	\$ 100,000	\$ 15,868
Other income	-	1,200	(1,200)	-	1,000	(1,000)
Total Receipts	<u>100,643</u>	<u>\$ 136,200</u>	<u>\$ (35,557)</u>	<u>115,868</u>	<u>\$ 101,000</u>	<u>\$ 14,868</u>
Expenditures:						
Salaries and benefits	-	\$ 17,000	\$ (17,000)	-	\$ -	\$ -
General operating expenses	1,273	8,000	(6,727)	-	2,700	(2,700)
Supplies	82,058	90,000	(7,942)	321	500	(179)
Cost of goods sold	11,551	10,000	1,551	92,839	90,000	2,839
Equipment	-	1,000	(1,000)	-	-	-
Travel	101	8,000	(7,899)	-	-	-
Utilities	-	-	-	-	-	-
Non-mandatory transfers	-	-	-	-	-	-
Total Expenditures	<u>94,983</u>	<u>\$ 134,000</u>	<u>\$ (39,017)</u>	<u>93,160</u>	<u>\$ 93,200</u>	<u>\$ (40)</u>
Receipts Over (Under) Expenditures	5,660			22,708		
Unencumbered Cash, Beginning of Year	89,644			52,396		
Prior Year Cancelled Encumbrances	<u>804</u>			<u>-</u>		
Unencumbered Cash, End of Year	<u>\$ 96,108</u>			<u>\$ 75,104</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, 2015

Schedule 3  
 Page 7 of 12

	Total Auxiliary Enterprises		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Sales	\$ 2,007,415	\$ 2,150,000	\$ (142,585)
Other income	37,384	22,200	15,184
Total Receipts	2,044,799	\$ 2,172,200	\$ (127,401)
Expenditures:			
Salaries and benefits	351,110	\$ 382,000	\$ (30,890)
General operating expenses	47,299	36,700	10,599
Supplies	89,431	144,500	(55,069)
Cost of goods sold	1,236,462	1,250,000	(13,538)
Equipment	15,619	36,000	(20,381)
Travel	4,434	13,000	(8,566)
Utilities	14,290	15,000	(710)
Non-mandatory transfers	55,800	250,000	(194,200)
Total Expenditures	1,814,445	\$ 2,127,200	\$ (312,755)
Receipts Over (Under) Expenditures	230,354		
Unencumbered Cash, Beginning of Year	1,472,681		
Prior Year Cancelled Encumbrances	804		
Unencumbered Cash, End of Year	\$ 1,703,839		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Capital Outlay

Schedule 3

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Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2015

	<u>Capital Outlay</u>		
	<u>Actual - Regulatory Basis</u>	<u>Original and Final Budget</u>	<u>Variance- Over (Under)</u>
Receipts:			
State sources	\$ 129,096	\$ 129,167	\$ (71)
Other income	1,100	101,500	(100,400)
Tax credit donations income	-	-	-
Mandatory transfers	<u>67,291</u>	<u>-</u>	<u>67,291</u>
Total Receipts	<u>197,487</u>	\$ <u>230,667</u>	\$ <u>(33,180)</u>
Expenditures:			
Plant Equipment and Facility	<u>232,255</u>	\$ <u>279,167</u>	\$ <u>(46,912)</u>
Total Expenditures	<u>232,255</u>	\$ <u>279,167</u>	\$ <u>(46,912)</u>
Receipts Over (Under) Expenditures	(34,768)		
Unencumbered Cash, Beginning of Year	72,750		
Prior Year Cancelled Encumbrances	<u>19,044</u>		
Unencumbered Cash, End of Year	\$ <u>57,026</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule 3

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, 2015

	<u>Certificates of Participation Debt Service</u>		
	<u>Actual - Regulatory Basis</u>	<u>Original and Final Budget</u>	<u>Variance- Over (Under)</u>
Receipts:			
Mandatory transfers	\$ <u>412,869</u>	\$ <u>407,300</u>	\$ <u>5,569</u>
Total Receipts	<u>412,869</u>	\$ <u>407,300</u>	\$ <u>5,569</u>
Expenditures:			
Principal on COP	280,000	\$ 280,000	\$ -
Interest and fees	<u>127,225</u>	<u>127,300</u>	<u>(75)</u>
Total Expenditures	<u>407,225</u>	\$ <u>407,300</u>	\$ <u>(75)</u>
Receipts Over (Under) Expenditures	5,644		
Unencumbered Cash, Beginning of Year	1,108,251		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>1,113,895</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, 2015

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

	<u>General</u>	<u>Post Sec Tech Ed</u>	<u>Adult Supplemental</u>
<b>Revenues:</b>			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$ 13,377,705	5,239,127	152,933
<b>Adjustments</b>			
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.	89,000	37,954	(4,840)
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	( 170,544)	-	-
Transfers reported separately for GAAP reporting	<u>-</u>	<u>(3,289,031)</u>	<u>-</u>
<b>Total revenues on GAAP basis</b>	<b>\$ <u>13,296,161</u></b>	<b><u>1,988,050</u></b>	<b><u>148,093</u></b>
<b>Expenditures:</b>			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$ 12,415,873	5,250,694	183,803
<b>Adjustments</b>			
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.	( 33,211)	-	-
Net OPEB obligations and early retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.	389,403	-	-
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.	( 22,543)	1,892	-
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.	62,973	-	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.	-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting	-	-	-
Transfers reported separately for GAAP reporting	<u>( 3,489,031)</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures on GAAP basis</b>	<b>\$ <u>9,323,464</u></b>	<b><u>5,252,586</u></b>	<b><u>183,803</u></b>

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 Notes to Schedule  
For the Year Ended June 30, 2015

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

		<u>Truck Driver</u>	<u>Auxiliary Enterprises</u>		<u>Capital Outlay</u>
<b>Revenues:</b>					
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	223,919	2,044,799		197,487
<b>Adjustments</b>					
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.		6,081	18,106		-
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting		-	-		-
Transfers reported separately for GAAP reporting		<u>(100,000)</u>	<u>-</u>		<u>(67,291)</u>
<b>Total revenues on GAAP basis</b>	<b>\$</b>	<b><u>130,000</u></b>	<b><u>2,062,905</u></b>		<b><u>130,196</u></b>
<b>Expenditures:</b>					
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	218,501	1,814,445		232,255
<b>Adjustments</b>					
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.		-	-		-
Net OPEB obligations and early retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.		-	-		-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.		-	3,919		73,904
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.		-	17,246		-
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		-	( 69,932)		-
Transfers reported separately for GAAP reporting		<u>-</u>	<u>( 55,800)</u>		<u>-</u>
<b>Total Expenditures on GAAP basis</b>	<b>\$</b>	<b><u>218,501</u></b>	<b><u>1,709,878</u></b>		<b><u>306,159</u></b>

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
 Liberal, Kansas  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 Notes to Schedule  
For the Year Ended June 30, 2015

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

		COP <u>Debt Service</u>
Revenues:		
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	412,869
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>( 412,869)</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)	\$	407,225
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.		( 2,762)
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>404,463</u></u>

(See Auditors' Report)



## SINGLE AUDIT SECTION



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

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 3, 2016. 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 College's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Byron Bird and Associates, Chartered*

BYRON BIRD AND ASSOCIATES, CHARTERED  
Liberal, Kansas  
March 3, 2016



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

620 - 624 - 1994  
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LIBERAL, KANSAS 67901

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

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 *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, 2015. 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, 2015.

## Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Byron Bird and Associates, Chartered*

BYRON BIRD AND ASSOCIATES, CHARTERED  
Liberal, Kansas  
March 3, 2016

## SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL

Liberal, Kansas

Schedule 4

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Student Financial Assistance Cluster</b>			
Department of Education Direct Programs			
Federal PLUS Loans			\$ 9,190
Federal Direct Unsubsidized Stafford Loans			320,325
Federal Direct Subsidized Stafford Loans			<u>421,066</u>
Total Federal Direct Student Loans	84.268		750,581
Federal Pell Grant Program	84.063		1,560,608
Federal Work-Study Program	84.033		52,223
Federal Supplemental Educational Opportunity Grants	84.007		<u>43,401</u>
Total Department of Education Direct Programs			<u>2,406,813</u>
<b>Total Student Financial Assistance Cluster</b>			<u>2,406,813</u>
<b>Other Programs</b>			
Department of Education Direct Programs			
Higher Education - Inst Aid / Title V - Developing Hispanic-Serving Institutions	84.031S		851,469
Higher Education - Inst Aid / Building Access and Success	84.031C		<u>913,631</u>
Total Higher Education Institutional Aid			1,765,100
TRIO - Student Support Services	84.042A		<u>237,476</u>
Subtotal Department of Education Direct Programs			<u>2,002,576</u>
Department of Education Pass-Through Programs From:			
Kansas Board of Regents			
Adult Basic Education	84.002	3042-3000	138,580
Career and Technical Education - Carl Perkins	84.048	3539	<u>87,534</u>
Subtotal Department of Education Pass Through Programs			<u>226,114</u>
Total Department of Education			<u>2,228,690</u>
National Science Foundation Pass-Through Programs From:			
Kansas State University			
Education and Human Resources	47.076	NS9757	<u>47,859</u>
Total National Science Foundation			<u>47,859</u>
Department of Health and Human Services Pass-Through Programs From:			
Kansas State University			
Biomedical Research and Research Training	93.859	HH9895	<u>28,868</u>
Total Department of Health and Human Services			<u>28,868</u>
Department of Transportation Pass-Through Programs From:			
Iowa State University			
University Transportation Centers Program	20.701		<u>4,450</u>
Total Department of Transportation			<u>4,450</u>
Total Expenditures of Federal Awards			\$ <u>4,716,680</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, 2015

Note A: **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Seward County Community College / Area Technical School under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Seward County Community College / Area Technical School, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

Note B: **Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

SEWARD COUNTY COMMUNITY COLLEGE / AREA TECHNICAL SCHOOL  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015

Schedule 5

None



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

***Financial Statements***

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

Internal Control over financial reporting:

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

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

***Federal Awards***

Internal Control over federal major programs:

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

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

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

Identification of major programs:

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

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

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

**Section II – Financial Statement Findings**

None reported

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

None reported