

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

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

**June 30, 2014**

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

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With  
Independent Auditor's Report**

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the Cowley County Community College and Area Vocational-Technical School (College), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College basic financial statements. The individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC

December 5, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the Cowley County Community College annual financial report is provided for readers of the financial statements for the fiscal year ended June 30, 2014.

The College implemented a new reporting format for fiscal year 2011 which continues for fiscal year 2014. In doing so, the College believes the new reporting format to be more familiar to the end users of this report and provides more complete information going forward.

### *Overview of the Financial Statements*

The basic financial statements include the following components: College-wide financial statements, including the Cowley County Community College Endowment; notes to the financial statements; required supplementary information; supplementary information, including individual fund statements; and the single audit section related to compliance with federal award guidelines. Further detail concerning the component unit can be obtained from the Cowley County Community College Endowment Association.

The first statement included is the Statement of Net Position. This statement is divided into two columns: Cowley County Community College and the College's component unit, Cowley County Community College Endowment. This statement (in summary) lists the assets owned by the College and the endowment, liabilities for which the College (and endowment) is responsible, and the net of the two. This combined statement is supported in detail by Note 3 (Deposits and Investments); Note 4 (Capital assets); Note 5 (Long-term Liabilities); and the detail statements for each fund as included in the Supplementary Information. "Other Post-employment Benefits" is detailed in Note 8 and in the Required Supplementary Information section.

For both assets and liabilities, current is defined as "within one year", while non-current would refer to anything longer than one year.

The second statement, again divided into the same two columns, is the Statement of Revenues, Expenses, and Changes in Net Position. This statement shows revenues and expenditures for the College and the Endowment. Operating Revenues are those associated with exchanges with students, commonly tuition and sales such as books. Federal sources include grants to students such as Pell Grants, SEOG, and Federal Work Study.

Non-operating Revenues include all revenues that are not exchange based, such as the state operating grant and property taxes. Also included this year is \$27,892 in Investment income. The investment in this case is the idle funds invested in certificates of deposit in area banks and in United States Treasury notes.

The most definitive line to determine "profit or loss" is the Net increase (decrease) in net position line, in this case a negative net change of \$77,872 for the College and a positive net change of \$542,535 for the endowment. This statement is supported by the detail statements for each fund as included in the Supplementary Information. For purposes of this statement, Other auxiliary enterprises include cosmetology, wellness center, and athletic scholarships.

The final major statement included is the Statement of Cash Flows. This report does not reflect profit or loss, but rather changes in cash and cash equivalents. The last section of this statement reconciles the change in operating cash (this statement) to the net operating loss as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

*Comparative Financial Information*

Net position on June 30, 2012 was \$30,453,057, with net position for fiscal year 2013 decreasing to \$30,291,517. As of June 30, 2014, net position stands at \$30,213,645. The most significant cause of this decrease in both years is the conversion of the receivable from WATC into cash, and the use of that cash for continuing operations. Please see Table 1 below.

**Table 1**  
**Condensed Statements of Net Position**  
**Fiscal years Ended June 30**

	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>
<b>Assets</b>			
Current and other assets	\$ 16,563,037	\$ 16,698,606	\$ 16,105,466
Noncurrent assets	2,695,860	1,745,896	1,636,030
Capital assets, net of depecciation	<u>26,057,623</u>	<u>25,453,582</u>	<u>24,644,057</u>
<b>Total Assets</b>	<u>\$ 45,316,520</u>	<u>\$ 43,898,084</u>	<u>\$ 42,385,553</u>
<b>Liabilities</b>			
Current and other liabilities	\$ 4,898,961	\$ 4,899,824	\$ 4,625,241
Long term liabilities	<u>9,964,502</u>	<u>8,706,743</u>	<u>7,546,667</u>
<b>Total Liabilities</b>	<u>14,863,463</u>	<u>13,606,567</u>	<u>12,171,908</u>
<b>Net Position</b>			
Net investment in capital asset	15,885,197	16,122,150	16,750,884
Restricted	1,159,403	1,683,745	1,073,486
Unrestricted	<u>13,408,457</u>	<u>12,485,622</u>	<u>12,389,275</u>
<b>Total Net Position</b>	<u>30,453,057</u>	<u>30,291,517</u>	<u>30,213,645</u>
<b>Total Liabilites and Net Position</b>	<u>\$ 45,316,520</u>	<u>\$ 43,898,084</u>	<u>\$ 42,385,553</u>

Table 2 below is best understood by reading the analysis of the individual funds presented later in this document.

**Table 2**  
**Condensed Statements of Resources, Expenses, and Changes in Net Position**  
**Fiscal years Ended June 30**

	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>
<b>Revenue</b>			
<b>Operating revenues</b>			
Student tuition and fees	\$ 2,614,949	\$ 3,732,412	\$ 2,803,419
Federal grants and contracts	9,652,303	9,954,382	8,437,516
State and local grants and contracts	393,698	260,125	233,471
Auxiliary enterprises and activity funds	4,662,539	4,125,935	4,015,993
Other revenue	766,557	257,288	331,569
<b>Nonoperating revenues</b>			
State appropriations	7,124,180	8,191,287	8,468,481
Property taxes	5,793,743	5,145,924	5,420,469
Other revenue	797,080	30,339	42,775
Capital gifts and grants	637,394	189,360	182,725
<b>Total revenue</b>	<u>32,442,443</u>	<u>31,887,052</u>	<u>29,936,418</u>
<b>Expenses</b>			
<b>Operating expenses</b>			
Instruction	7,493,044	8,067,185	7,737,096
Academic support	680,522	816,179	867,536
Student services	4,313,856	4,510,168	4,389,629
Insitutional support	3,753,229	4,045,261	4,515,230
Operations and maintenance of plant	2,105,090	3,296,603	3,133,381
Depreciation	1,557,583	1,519,425	1,575,582
Scholarships and grants	5,233,530	5,932,439	3,974,090
Auxiliary enterprires	4,700,703	3,260,741	3,527,615
Subtotal	<u>29,837,557</u>	<u>31,448,001</u>	<u>29,720,159</u>
<b>Nonoperating expenses</b>			
Loss on disposal of capital assets	14,478	113,084	-
Interest on capiatl assets-related debt	377,767	335,540	294,131
Subtotal	<u>392,245</u>	<u>448,624</u>	<u>294,131</u>
<b>Total expenses</b>	<u>30,229,802</u>	<u>31,896,625</u>	<u>30,014,290</u>
<b>Net increase (decrease) in net position</b>	2,212,641	(9,573)	(77,872)
<b>Net position - beginning of year</b>	27,990,158	30,453,057	30,291,517
<b>Prior period adjustment</b>	250,258	(151,967)	-
<b>Net position - end of year</b>	<u>\$ 30,453,057</u>	<u>\$ 30,291,517</u>	<u>\$ 30,213,645</u>

Table 3 is provided below for comparison purposes.

**Table 3**  
**Condensed Statements of Cash Flows**  
**Fiscal Years Ended June 30**

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Cash Provided (used) by:			
Operating Activities	\$ (9,605,866)	\$ (10,025,002)	\$ (9,399,188)
Noncapital Financing Activities	12,482,928	12,160,379	12,586,192
Capital and Related Financing Activities	(4,814,488)	(2,572,497)	(2,286,338)
Investing Activities	<u>459,681</u>	<u>30,340</u>	<u>(970,364)</u>
Net Change in Cash	(1,477,745)	(406,780)	(69,698)
Cash Beginning of Year	<u>14,307,235</u>	<u>12,829,491</u>	<u>12,422,711</u>
Cash End of Year	<u>\$ 12,829,490</u>	<u>\$ 12,422,711</u>	<u>\$ 12,353,013</u>

*Analysis of the College's Overall Financial Position and Results of Operations*

As noted on the detail statement for the General Fund, the College has an Unencumbered Cash Balance in the General Fund (the General Fund and Postsecondary Technical Education Funds are the main operations funds for the College) of \$8,311,196. This represents cash available to continue operations in the event of a total loss of all revenue sources. As a ratio, the Unencumbered Cash Balance equals 42% of the funds expended (in the two funds and net of transfers from General to PSTE) for the year. This percentage is widely viewed as a healthy cash balance, putting the College in a strong financial position. This reserve is being maintained as a buffer to offset anticipated continued decreases in state-sourced funds. A significant portion of the reserve, estimated to be between \$1,500,000 and \$2,000,000, will be spent in Fiscal Year 2015 as the College replaces its student information system. The current system was purchased and installed in 1991.

*Analysis of Balances and Transactions of Individual Funds*

In an analysis of the individual funds, the following explanations are provided: Introduced in Fiscal Year 2012 is the Postsecondary Technical Education Fund. Legislation in 2011 created this fund to separate career/technical education (workforce degrees) from general education (transfer degrees). Relevant year-to-year comparisons for prior years can only be done by combining the information for the two funds. With that, revenues totaled \$20,846,481, less a transfer of \$1,063,124 from the General Fund to the PSTE Fund, or a net of \$19,783,357 for FY 2014. This compares to the combined General and PSTE Funds revenues for FY2013 & 2012 and the General Fund revenues from previous years: FY2013 of \$19,804,941, FY2012 of \$18,420,719, FY2011 of \$18,845,975, and FY-2010 of \$18,107,288.

Looking at the combined revenue details as compared to FY2013, Student sources were flat as expected. Combined state sources increased \$144,633, based on increased state funding for the program that reimburses each college for technical education classes taken by Kansas high school students. Local tax revenue was up very slightly from FY2013, due entirely to a difference in the collection rate. Levied taxes were essentially the same in both years.

Combined expenditures totaled \$20,830,576. With the adjustment for the transfer from General Fund to PSTE Fund, the net combined expenditures were \$19,767,452 as compared to FY2013 combined expenditures of \$19,742,360, combined FY2012 of \$18,481,507, FY2011 of \$18,720,648, and FY2010 of \$17,319,842. Overall spending was essentially flat as compared to the previous year. In total, \$15,527 was added to the cash carryover balance for the General Fund. As noted above, the cash position of the College remains very healthy.



In the current year, the Adult Education Fund, Adult Supplementary Education Fund, Housing Fund and Cosmetology Fund all showed an increase in Unencumbered cash for the fiscal year, most being insignificant changes.

The Motorcycle Driver Safety Fund, Bookstore Fund, Wellness Center Fund, and Special Assessments Fund all showed a negative change to Unencumbered cash.

In explanation:

Motorcycle Driver Safety Fund – Timing issue;

Bookstore Fund – Operations;

Wellness Center Fund -- Use of accumulated earnings to fund additional employee hours;

Special Assessments Fund -- Planned decrease. This fund will be eliminated in future years.

#### *Analysis of Significant Budgetary Variations*

In budgeting for operations, the College strives to under-forecast revenues (with the exception of transfers) and over-forecast expenditures. While the expenditure budgets may seem extravagant in some cases, the College spending is limited by the published budget. In a year when unexpected revenue becomes available and opportunities present themselves, the College needs the flexibility to react.

#### *Significant Capital and Long-term Debt Activity*

The College issued no new debt during FY2014. Debt outstanding at June 30, 2014 was \$7,760,000, a decrease of \$1,425,000 from the previous year ending balance of \$9,185,000. The Certificates of Participation issued for the Track Complex paid off in FY2014 and the Webb-Brown/Scott Certificates of Participation will pay off in FY2018. The Revenue Bonds issued on Kimmell Dormitory will pay off in FY2015.

#### *Significant Changes in Infrastructure Assets*

Near campus, the College purchased a residential property on North 4th Street. The building on this property was razed. Near the south athletic complex, the College purchased a residential property on South A St.

#### *Currently Known Facts or Conditions*

As of May 1, 2008 and July 1, 2008, the College transferred the operations of the Aviation Tech Center and the Southside Education Center, respectively, to Wichita Area Technical College. In return for this transfer, WATC purchased all equipment at both facilities through a payment schedule totaling \$5,000,000. Originally scheduled as \$1,000,000 on June 30, 2009 and \$2,000,000 each on June 30, 2010 and June 30, 2011, the payment schedule has been modified as follows: \$1,000,000 on June 30, 2009; \$500,000 each on June 30, 2010, June 30, 2011, and June 30, 2012; \$1,000,000 each on June 30, 2013 and June 30, 2014; and \$500,000 on June 30, 2015. The first six payments have been received and it is anticipated that the remaining payment will be made according to the modified agreement.

Historically the College receives nearly 40% of its General Fund revenue from the State of Kansas. In prior years this has come in the form of an operating grant. Beginning in FY12, that grant has been separated into two parts, one part for technical education and the second part for non-technical education (see notes above). The division and distribution of the grants to the various colleges are based on a cost model for education managed by the Kansas Board of Regents. The legislature has yet to appropriate enough money to fully fund the cost model. Related, the funding for high school students taking college courses is also underfunded at the state level based on enrollment projects. At the time of this writing, the State of Kansas is projecting a current year (FY2015) revenue shortfall of over \$250 million. The impact of the shortfall on current year funding is unknown, but the volatility of all state-source funding is obviously an ongoing concern.

Current year budget is being impacted in a negative way by lower than forecast student credit hour enrollments. If the lower enrollment trend continues in future semesters, the College will make the necessary adjustments to spending to remain fiscally sound. Also at the time of writing, the College has requested bids to re-fund the dorm revenue bonds currently outstanding. If an acceptable proposal is submitted, the refunding will take place in January 2015, with any savings recognized in the earliest possible timeframe. If no acceptable proposal is submitted, the current bond covenants and payment schedules will remain in effect. Nothing is at risk with a failure to refund the bonds.

On July 8, 2013, N. Clark Williams began his tenure as the fourth president of Cowley County Community College. On April 11, 2014, Mr. Williams resigned. The undersigned Executive Vice President of Business Services is currently serving as the interim president of the College.

For the College,

Tony Crouch  
Executive Vice President of Business Services  
December 5, 2014

## **BASIC FINANCIAL STATEMENTS**

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

**Statements of Net Position**

**June 30, 2014**

	<u>Cowley County Community College</u>	<u>Component Unit CCCC Endowment</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 10,708,831	\$ 129,261
Restricted cash and cash equivalents	1,644,182	-
Investments	998,256	1,602,816
Receivables - federal and state grants and contracts	1,142,623	-
Receivables - students (net of allowance of \$190,000)	646,508	-
Receivables - WATC	500,000	-
Receivables - other	2,023	-
Inventories	463,043	40,556
Total current assets	<u>16,105,466</u>	<u>1,772,633</u>
<b>Noncurrent Assets</b>		
Investments	-	3,265,864
Receivables - students (net of allowance of \$1,710,000)	1,636,030	-
Receivables - other	-	21,141
Capital assets, net of accumulated depreciation	24,644,057	-
Beneficial interest in trusts	-	476,789
Total noncurrent assets	<u>26,280,087</u>	<u>3,763,794</u>
<b>TOTAL ASSETS</b>	<u>\$ 42,385,553</u>	<u>\$ 5,536,427</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,517,285	\$ -
Deposits held in custody for others	1,561,853	-
Accrued interest payable	97,521	-
Compensated absences payable	159,320	-
Revenue bonds	769,262	-
Certificates of Participation	520,000	-
Total current liabilities	<u>4,625,241</u>	<u>-</u>
<b>Noncurrent Liabilities</b>		
Compensated absences payable	4,552	-
Other postemployment benefits payable	1,133,247	-
Revenue bonds	3,598,868	-
Certificates of Participation	2,810,000	-
Total noncurrent liabilities	<u>7,546,667</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>12,171,908</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,750,884	-
Restricted for:		
Nonexpendable - endowments	-	2,711,210
Expendable:		
Capital outlay and construction	82,926	-
Restricted funds	156,465	2,825,217
Revenue bond debt retirement	834,095	-
Unrestricted	12,389,275	-
Total net position	<u>30,213,645</u>	<u>5,536,427</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 42,385,553</u>	<u>\$ 5,536,427</u>

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

**Statements of Revenues, Expenses, and Changes in Net Position  
For the Year End June 30, 2014**

	<u>Cowley County Community College</u>	<u>Component Unit CCCC Endowment</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 6,772,390	\$ -
Less allowances for institutional scholarships	(109,757)	-
Less allowances for federal grants	<u>(3,859,214)</u>	<u>-</u>
Net student source revenue	2,803,419	-
Federal sources	8,437,516	-
State sources	233,471	-
Residential life (revenues are used as security for revenue bond series 2004)	1,997,634	-
Campus store (net of sales discounts of \$217,419)	1,820,239	-
Other auxiliary enterprises	179,193	-
Sales and services	18,927	-
Other operating revenues	<u>331,569</u>	<u>74,479</u>
Total operating revenues	<u>15,821,968</u>	<u>74,479</u>
<b>OPERATING EXPENSES</b>		
Educational and General:		
Instruction	7,737,096	-
Academic support	867,536	-
Student services	4,389,629	-
Institutional support	3,212,472	546,734
KPERS contribution paid directly by the State of Kansas	1,302,758	-
Operations and maintenance of plant	3,133,381	-
Depreciation and amortization	1,575,582	-
Scholarships and grants	3,974,090	-
Auxiliary Enterprises:		
Residential life	1,412,464	-
Campus store	1,917,304	-
Other auxiliary enterprises	<u>197,847</u>	<u>-</u>
Total operating expenses	<u>29,720,159</u>	<u>546,734</u>
Operating income (loss)	<u>(13,898,191)</u>	<u>(472,255)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	7,165,723	-
State contribution directly to the KPERS retirement system	1,302,758	-
Local sources	5,420,469	-
Private grants and gifts	-	369,470
Loss on disposal of capital assets	14,884	-
Investment income	27,891	645,320
Interest on capital asset-related debt	<u>(294,131)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>13,637,594</u>	<u>1,014,790</u>
Income before other revenues	(260,597)	542,535
Capital grants and gifts	<u>182,725</u>	<u>-</u>
Net increase (decrease) in net position	(77,872)	542,535
<b>NET POSITION</b>		
Net position - beginning of year	<u>30,291,517</u>	<u>4,993,892</u>
Net position - end of year	<u>\$ 30,213,645</u>	<u>\$ 5,536,427</u>

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

**Statement of Cash Flows  
For the Year End June 30, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Student tuition and fees	\$ 2,127,517
Grants and contracts	18,077,153
Sales and services of auxiliary enterprises	3,997,066
Other receipts	1,350,496
Payments to employees for salaries and benefits	(13,671,032)
Payments to suppliers	(12,948,354)
Loans issued to students	<u>(8,332,034)</u>
Net cash provided (used) by operating activities	<u>(9,399,188)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	7,165,723
County and local appropriations	<u>5,420,469</u>
Net cash flows provided (used) by noncapital financing activities	<u>12,586,192</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(759,468)
Proceeds from sales of capital assets	24,035
Proceeds from debt	-
Principal paid on debt and capital lease	(1,425,000)
Interest paid on debt and capital lease	(308,630)
Capital gifts and grants	<u>182,725</u>
Net cash provided (used) by capital and related financing activities	<u>(2,286,338)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(998,256)
Interest on investments	<u>27,892</u>
Net cash provided (used) by investing activities	<u>(970,364)</u>

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents - beginning of year	<u>12,422,711</u>
Cash and cash equivalents - end of year	<u>\$ 12,353,013</u>

**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO  
NET CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (13,898,191)
Depreciation and amortization expense	1,575,582
Changes in operating assets and liabilities:	
Receivables, net	1,571,464
Inventories	60,098
Accounts payable and accrued expenses	26,736
Accrued employee benefits	135,599
Deposits held in custody for others	(173,234)
Employee benefits paid directly by State of Kansas	<u>1,302,758</u>
Net cash used in operating activities	<u>\$ (9,399,188)</u>

# Cowley County Community College and Area Vocational-Technical School

## Notes to Financial Statements

June 30, 2014

### 1. Summary of Significant Accounting Policies

Cowley County Community College and Area Vocational-Technical School (the College) is a community college and a vocational/technical school. With more than 70 majors and degree possibilities, the College prepares students to transfer to a four-year program or to enter the workforce with a two-year job-ready degree.

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

#### *(a) Reporting Entity*

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

Cowley County Community College Endowment Association (Endowment) is a legally separate, tax-exempt component unit of the College. The Endowment 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 Endowment, the majority of resources, or income thereon, that the Endowment holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Endowment can only be used by, or for the benefit of, the College, the Endowment is considered a component unit of the College and is discretely presented in the College's financial statements. For financial reporting purposes only, the Endowment's statements of financial position and activities are included in the College's financial statements as required by generally accepted accounting principles for public colleges and universities.

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

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

The College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

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

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

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

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

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

#### *Deposits and Investments*

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

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

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

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

#### *Accounts Receivable*

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

#### *Inventories*

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

#### *Capital Assets*

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



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

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

#### Capital Assets

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

Estimated useful lives used for calculating depreciation are as follows:

Buildings and improvements - 20 to 30 years

Equipment and furniture - 5 to 15 years

#### Federal Financial Assistance Programs

Federal programs are audited in accordance with the U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations.

#### Compensated Absences Payable

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

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

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

#### Noncurrent Liabilities

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

#### Deferred Outflow/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College does not have any items that qualify for reporting in this category.

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

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

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

#### Net Position

The College's net positions are classified as follows:

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

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

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

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

#### Net position flow assumption

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

#### Classification of Revenues

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

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

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

#### Scholarship Allowances

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

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

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

#### Use of Estimates:

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

#### Property Tax Information

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

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

## 2. Stewardship, Compliance, and Accountability

### (a) *Budgetary Information*

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

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

The 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. Regulatory receipts are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year end.

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

### (a) Budgetary Information (Continued)

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

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

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. Certain sub-funds of the Restricted Funds have negative unencumbered cash balances at June 30, 2014, which is allowable under Kansas Statute 12-1663. The funds will be reimbursed in the following fiscal year from federal, state and other contracts for expenditures incurred by the College. This receivable has been recognized for GAAP purposes on the fund financial statements.

### (c) Depository Coverage (KSA 9-1402)

Kansas Statute 9-1402 states that before any deposit of public moneys or funds shall be made by any municipal corporation of the state of Kansas with any bank or savings bank, such municipal corporation shall obtain security for such deposits. The College was lacking full depository coverage on Union State Bank funds, having \$128,152 in funds at risk at year end. The College's funds were under secured during the year, putting the funds at risk of loss.

## 3. Deposits and Investments

As of June 30, 2014, the College had cash and cash equivalents as listed below:

Deposits in financial banking institutions	\$ 5,618,831
U. S. Treasuries	998,256
Certificates of deposit	<u>5,090,000</u>
Total cash and cash equivalents	<u>11,707,087</u>
Deposits in financial banking institutions – bond proceeds	<u>1,644,182</u>
Total restricted cash and cash equivalents	<u>1,644,182</u>
Combined cash and cash equivalents	<u>\$ 13,351,269</u>

At year end, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U. S. Treasuries	<u>\$ 998,256</u>	<u>\$ -</u>	<u>\$ 998,256</u>

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

*Interest rate risk* – In accordance with Kansas Statute 12-1675, the College manages its exposure to interest rate fluctuations by limiting all time investments to maturities of less than two years.

### 3. Deposits and Investments (Continued)

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

*Custodial credit risk* – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Kansas Statutes 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2014, the College was exposed to custodial credit risk with its deposits or investments.

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

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

### 4. Capital Assets

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

	Beginning Balance	Increases	(Decrease) Adjustments	Ending Balance
<b>Non-depreciable capital assets:</b>				
Land	\$ 2,518,871	\$ 107,713	\$ -	\$ 2,626,584
<b>Total non-depreciable capital assets</b>	<b>2,518,871</b>	<b>107,713</b>	<b>-</b>	<b>2,626,584</b>
<b>Depreciable capital assets:</b>				
Improvements	42,094,928	374,242	-	42,469,170
Equipment	4,201,280	258,656	(190,822)	4,269,114
<b>Total depreciable capital assets</b>	<b>46,296,208</b>	<b>632,898</b>	<b>(190,822)</b>	<b>46,738,284</b>
<b>Less accumulated depreciation:</b>				
Improvements	(19,919,241)	(1,252,429)	-	(21,171,670)
Equipment	(3,423,398)	(307,415)	181,671	(3,549,142)
<b>Total accumulated depreciation</b>	<b>(23,342,639)</b>	<b>(1,559,844)</b>	<b>181,671</b>	<b>(24,720,812)</b>
<b>Total depreciable capital assets (net)</b>	<b>22,953,569</b>	<b>(926,946)</b>	<b>(9,151)</b>	<b>22,017,472</b>
<b>Total capital assets, net</b>	<b>\$ 25,472,440</b>	<b>\$ (819,233)</b>	<b>\$ (9,151)</b>	<b>\$24,644,057</b>

## 5. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Certificates of participation					
Refunding certificate - track	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -
Refunding certificate - indoor sports	2,270,000	-	205,000	2,065,000	210,000
Refunding certificate - student services	1,565,000	-	300,000	1,265,000	310,000
Revenue Bonds					
Dorm system refunding	1,145,000	-	565,000	580,000	580,000
Dorm revenue	4,045,000	-	195,000	3,850,000	205,000
Premium on bonds	(77,609)	-	(15,738)	(61,870)	(15,738)
Compensated absences	156,477	7,395	-	163,872	159,320
Post-employment healthcare	<u>1,005,042</u>	<u>207,205</u>	<u>79,000</u>	<u>1,133,247</u>	<u>-</u>
Total long-term liabilities	<u>\$ 10,268,910</u>	<u>\$ 214,600</u>	<u>\$ 1,488,262</u>	<u>\$ 8,995,249</u>	<u>\$ 1,448,582</u>

The revenue bonds will be paid through the revenues generated from the Dormitory activities. The compensated absences and the postemployment healthcare benefits are generally liquidated by the General Fund. The certificates of participation will be paid through revenues generated through the various auxiliary enterprise funds and the General Fund.

### (a) Refunding - Dorm

The College issued the Refunding Bond Series 2004 Revenue Bonds. The original issue amount was \$4,335,000, due in annual principal installments of \$580,000 through year 2015. Interest rate is 4.1%. The bonds are secured by the net revenues of the Dormitories and Nelson Student Center.

The annual debt service requirements for the Refunding - Dorm are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2015	\$ 580,000	\$ 23,780	\$ 603,780
Total	<u>\$ 580,000</u>	<u>\$ 23,780</u>	<u>\$ 603,780</u>

### (b) Dorm Revenue

The College issued the Dormitory System Revenue Bonds Series 2007. The original issue amount was \$4,825,000, due in annual principal installments ranging from \$205,000 to \$360,000 through year 2028. Interest rates vary from 4.00% to 4.40%. The bonds are secured by the net revenues of the Dormitories and Nelson Student Center.

The remaining debt service requirement for the Dormitory System Revenue Bonds is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2015	\$ 205,000	\$ 160,033	\$ 365,033
6/30/2016	215,000	151,249	366,249
6/30/2017	225,000	142,393	367,393
6/30/2018	230,000	133,093	363,093
6/30/2019	240,000	123,308	363,308
6/30/20 - 6/30/24	1,385,000	449,356	1,834,356
6/30/25 - 6/30/28	<u>1,350,000</u>	<u>121,937</u>	<u>1,471,937</u>
Total	<u>\$ 3,850,000</u>	<u>\$ 1,281,369</u>	<u>\$ 5,131,369</u>

## 5. Long-Term Liabilities (Continued)

### (c) Indoor Sports Facility

The College issued the Student Union Indoor Sports Facility, Certificates of Participation Series A, 2011. The original issue amount was \$2,660,000, due in annual principal installments ranging from \$210,000 to \$255,000 through year 2023. Interest rates vary from 1.10% to 3.60%.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2015	\$ 210,000	\$ 58,080	\$ 268,080
6/30/2016	215,000	54,510	269,510
6/30/2017	215,000	50,210	265,210
6/30/2018	220,000	45,373	265,373
6/30/2019	225,000	39,653	264,653
6/30/20 - 6/30/23	<u>980,000</u>	<u>85,837</u>	<u>1,065,837</u>
Total	<u>\$ 2,065,000</u>	<u>\$ 333,663</u>	<u>\$ 2,398,663</u>

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

The College issued the Refunding Certificates of Participation Series B, 2011. The original issue amount was \$2,080,000, due in annual principal installments ranging from \$310,000 to \$325,000 through year 2018. Interest rates vary from 0.65% to 2.15%.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2015	\$ 310,000	\$ 21,588	\$ 331,588
6/30/2016	310,000	17,712	327,712
6/30/2017	320,000	12,908	332,908
6/30/2018	<u>325,000</u>	<u>6,987</u>	<u>331,987</u>
Total	<u>\$ 1,265,000</u>	<u>\$ 59,195</u>	<u>\$ 1,324,195</u>

### (e) Revenue Bond Covenants

The College is required to maintain certain covenants related to the revenue bonds. Specifics of these covenants are as follows:

a. The 2004 and 2007 Revenue Bond covenants request specific financial information as follows:

	<u>Student Housing</u>
Revenue	\$ 2,432,325
Expenses for operation and maintenance	(1,910,494)
Adjustment	
Capital expenditures	-
Transfers	-
Net revenues	<u>\$ 521,831</u>

b. The terms of the College's debt agreements require the information of the following accounts and other items. The balance shown in the reserve accounts meet the requirements of the above mentioned agreements.

## 5. Long-Term Liabilities (Continued)

### (e) Revenue Bond Covenants (Continued)

	Arts Building	2004 Revenue Bonds	2007 Revenue Bonds	Total
Cash balances requirement:				
Principal and interest	\$ -	\$ 205,223	\$ 239,382	\$ 444,606
Reserve	85,000	-	368,430	453,430
Depreciation, maintenance, and improvement	<u>1,178,180</u>	<u>166,240</u>	<u>-</u>	<u>1,344,420</u>
	<u>\$ 1,263,180</u>	<u>\$ 371,463</u>	<u>\$ 607,812</u>	<u>\$ 2,242,456</u>

The above cash balances are shown as follows in the financial statements.

	Arts Building	Revenue Bonds	Total
Student Union and Dormitory Facilities			
Reserved	\$ -	\$ 570,334	\$ 570,334
Unreserved	-	166,240	166,240
Total	<u>-</u>	<u>736,574</u>	<u>736,574</u>
Reserve Funds:			
Reserved	85,000	242,702	327,702
Unreserved	<u>1,178,180</u>	<u>-</u>	<u>1,178,180</u>
Total	<u>1,263,180</u>	<u>242,702</u>	<u>1,505,882</u>
Total	<u>\$ 1,263,180</u>	<u>\$ 979,276</u>	<u>\$ 2,242,456</u>

- c. The 2004 and 2007 Revenue Bond covenants request the number of users served by the Dormitory System (System). The number of users totaled 483 in 2014.
- d. The 2004 and 2007 Revenue Bond covenants request information on insurance coverage for the System. Insurance is as follows:

<u>Character</u>	<u>Amount</u>	<u>Expiration Date</u>	<u>Annual Premium</u>
Building	\$ 15,862,877	4/3/2015	\$ 28,125
Personal property	1,380,885	4/3/2015	2,448

In addition to the above listing of insurance, the System is included in the College's general liability insurance coverage of \$1,000,000 (single occurrence) and the College's business income insurance coverage.

- e. The 2004 and 2007 Revenue Bond covenants request information on the Debt Service Coverage Ratio.

Revenue - Housing	\$ 1,941,333
Interest income - Dorm	<u>2,465</u>
Total revenue	<u>\$ 1,943,798</u>
Debt Service - Housing	<u>\$ 975,163</u>
Debt Service Coverage Ratio	<u>1.99</u>



## 5. Long-Term Liabilities (Continued)

### (e) Revenue Bond Covenants (Continued)

- f. There is no information indicating arbitrage requirements have not been met.
- g. Continuing disclosure requirements have been met.
- h. All other significant requirements of the agreement have been met.

## 6. Operating Lease Obligations

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

The Bloomenshine Center, Arkansas City, KS is used for operating classes, a student lounge, administrative offices and related educational activities. The operating lease has an option to renew for a term of three years at a time. Expenses for year ending June 30, 2014 were \$116,600.

The operating lease of 101 Industrial Drive, Mulvane, KS is used for operating classes and related educational activities. The operating lease has an option to renew for an additional two years. Expenses for year ending June 30, 2014 were \$83,700.

The operating lease of 242 Industrial Drive, Mulvane, KS is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew for terms extending one year at a time. Expenses for year ending June 30, 2014 were \$32,736.

The operating lease of Paddington Place, Arkansas City, KS is used for registration offices and a computer lab. The operating lease has an option to renew for an additional three years. Expenses for year ending June 30, 2014 were \$29,160.

The operating lease of Crystal Pointe, Arkansas City, KS is used for the purpose of operation of a satellite college, and the provision of related services. The operating lease has an option to renew for an additional three year term. Expenses for year ending June 30, 2014 were \$46,040.

The operating lease of 410 E. Main Mulvane, KS is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew for an additional three years. Expenses for year ending June 30, 2014 were \$72,000.

The operating lease of 410 E. Mulvane, KS - Parking is used for parking for church-related functions, provided that said church functions are not held during regularly scheduled class periods. The operating lease has an option to renew for an additional three years negotiated at the time of the extension. Expenses for year ending June 30, 2014 were \$3,600.

The future minimum lease payments are as follows:

Year ending June 30,	Bloomenshine Center	242 Industrial Drive Mulvane	101 Industrial Drive Mulvane	Paddington Place
2015	\$ 99,600	\$ 2,728	\$ 90,000	\$ 29,160
2016	99,600	-	-	-
2017	99,600	-	-	-
2018	8,300	-	-	-
	<u>\$ 307,100</u>	<u>\$ 2,728</u>	<u>\$ 90,000</u>	<u>\$ 29,160</u>

**6. Operating Lease Obligations (Continued)**

Year ending June 30,	410 E. Main	410 E. Main	Total
	Mulvane	Mulvane - Parking	
2015	\$ 72,000	\$ 3,600	\$ 297,088
2016	72,000	3,600	175,200
2017	72,000	3,600	175,200
2018	-	-	8,300
	<u>\$ 216,000</u>	<u>\$ 10,800</u>	<u>\$ 655,788</u>

**7. Defined Benefit Retirement Plans**

**Plan Description** - The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

**Funding Policy** - K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two member benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members prior to January 1, 2014, and 5% commencing January 1, 2014, and 6% of covered salary for Tier 2 members. Member employees contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the internal revenue code. The State of Kansas, not the College, is legally responsible for making employer contributions to KPERS. The payment made by the State of Kansas on behalf of the College’s employees is recorded as revenue and as an expense on these financial statements.

**8. Other Postemployment Healthcare Benefits (OPEB)**

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

Retirees and Beneficiaries receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>173</u>
Total	<u><u>179</u></u>

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

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

**Annual OPEB Cost and Net OPEB Obligation** – The College’s annual OPEB cost (expense) consists of Annual Required Contribution (ARC) plus Interest on Net OPEB Obligation minus Adjustment to ARC. The Annual Required Contribution is the employer’s periodic required contribution actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The Interest on Net OPEB Obligation is the interest at the assumed investment return on the beginning of year Net OPEB Obligation. The Adjustment to ARC is the amortization of the discounted present value of the balance of the beginning of year Net OPEB Obligation. The Net OPEB Obligation is the sum of the OPEB liability or cost already booked at transition to Statement 45 and the cumulative difference between the Annual OPEB Cost and the employer’s contributions to the OPEB plans since the effective date of Statement 45. The following table presents the components of the College’s Annual OPEB Cost for the year, the amount actually contributed to the plan, and changes in the College’s Net OPEB Obligation to the Plan:

Normal cost	\$ 143,860
Amortization of unfunded AAL	<u>66,918</u>
Annual Required Contribution	210,778
Interest on net OPEB obligation	40,202
Adjustment to ARC	<u>(43,775)</u>
Annual OPEB cost (expense)	207,205
Contributions made	<u>(79,000)</u>
Increase in net OPEB obligation	128,205
Net OPEB obligation - beginning of year	<u>1,005,042</u>
Net OPEB obligation - end of year	<u>\$ 1,133,247</u>

Schedule of employer contributions (for fiscal year ended):

Fiscal Year Ended	Annual OPEB Cost	Net Employer Contributions	Net Percentage Contributed	End of Year Net OPEB Obligation
June 30, 2012	\$208,282	\$ 59,000	28.3%	\$ 851,290
June 30, 2013	\$207,752	54,000	26.0%	1,005,042
June 30, 2014	\$207,205	79,000	38.1%	1,133,247

**Funded Status and Funding Progress** – As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,477,303. The College’s policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,477,303. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,905,358, and the ratio of the UAAL to the covered payroll was 16.6%.

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

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

### Schedule of Funding Progress:

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

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

In the July 1, 2011 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 4.0 percent investment rate of return, which is a blended rate of the expected long-term investment returns on Plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date and on the annual healthcare cost trend rates. The valuation assumed annual healthcare cost trend rate of 10.0 percent initially and an ultimate rate of 5.0 percent after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over 30 years on a level percent-of-pay, open period basis.

## 9. Risk Management

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

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

The Cowley County Community College Endowment Association paid \$206,723 in student scholarships during the current fiscal year.

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

## 11. Contingent Liabilities

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

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

## 12. Segment Information

The College issued revenue bonds to finance activities of its auxiliary enterprise funds. Investors in those bonds rely on the revenue generated by the individual activities for repayment. Descriptive information for the College's segment is listed below:

### Revenue Bonds Series 2004 and 2007

#### Student Union and Dormitory System Revenue Bonds - Series 2004 and 2007

The revenues pledged to this Series 2004 and 2007 bonds consist of net revenues generated from the Dormitory system and the Union system of the College. The condensed financial information for this segment is as follows:

#### Condensed Statement of Net Position

Assets:	
Current assets	\$ 2,654,171
Capital assets, net	<u>7,001,144</u>
Total assets	<u>\$ 9,655,315</u>
Liabilities:	
Current liabilities	\$ 865,297
Long-term liabilities	<u>3,645,000</u>
Total liabilities	<u>4,510,297</u>
Net Position:	
Net investment in capital assets	4,063,130
Unrestricted	<u>1,081,888</u>
Total net position	<u>5,145,018</u>
Total liabilities and net position	<u>\$ 9,655,315</u>

#### Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating Revenue	\$ 2,896,002
Depreciation and amortization expense	(420,012)
Other operating expense	<u>(1,962,463)</u>
Operating income	<u>513,527</u>
Nonoperating revenues (expenses):	
Interest income	2,465
Interest expense	<u>(204,073)</u>
Change in net position	311,919
Beginning net position	<u>4,833,099</u>
Ending net position	<u>\$ 5,145,018</u>

## 12. Segment Information (Continued)

### Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 992,124
Capital financing activities	(975,164)
Investing activities	<u>2,465</u>
Net increase (decrease)	19,425
Beginning cash and cash equivalents	<u>2,634,746</u>
Ending cash and cash equivalents	<u>\$ 2,654,171</u>

## 13. Subsequent Events

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Other Post Employment Benefits  
Year Ended June 30, 2014**

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b-a)/c)</u>
7/1/2008	\$ -	\$ 1,502,502	\$ 1,502,502	0%	\$ 7,548,810	19.9%
7/1/2011	-	1,477,303	1,477,303	0%	8,905,358	16.6%

Schedule of Employer Contributions:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 208,282	\$ 59,000	\$ 851,290
6/30/2013	207,752	54,000	1,005,042
6/30/2014	207,205	79,000	1,133,247

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



**SUPPLEMENTARY INFORMATION**

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
General Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Cash Receipts</u></b>				
Student sources	\$ 5,003,695	\$ 5,003,695	\$ 4,698,915	\$ (304,780)
State sources	4,410,683	4,410,683	4,410,683	-
Local sources	4,934,276	4,934,276	5,005,569	71,293
Other sources	<u>1,174,690</u>	<u>1,174,690</u>	<u>1,286,709</u>	<u>112,019</u>
<b>Total Cash Receipts</b>	<b>\$ <u>15,523,344</u></b>	<b>\$ <u>15,523,344</u></b>	<b>15,401,876</b>	<b>\$ <u>(121,468)</u></b>
<b><u>Expenditures and Transfers Subject to Budget</u></b>				
Instruction	\$ 5,800,000	\$ 5,800,000	4,771,093	\$ (1,028,907)
Academic support	800,000	800,000	607,276	(192,724)
Student services	3,800,000	3,800,000	3,191,621	(608,379)
Institutional support	2,437,000	2,437,000	2,154,477	(282,523)
Operation and maintenance	4,000,000	4,000,000	3,345,752	(654,248)
Scholarships	534,500	534,500	218,006	(316,494)
Transfer to Vocational Fund	2,250,000	2,250,000	1,063,124	(1,186,876)
Nonmandatory transfers in (out)	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
<b>Total Expenditures and Transfers Subject to Budget</b>	<b>\$ <u>19,656,500</u></b>	<b>\$ <u>19,656,500</u></b>	<b>15,386,349</b>	<b>\$ <u>(4,270,151)</u></b>
Receipts Over (Under) Expenditures			15,527	
Unencumbered Cash, July 1			<u>8,295,669</u>	
Unencumbered Cash, June 30			<b>\$ <u>8,311,196</u></b>	
Unencumbered Cash, June 30			\$ 8,311,196	
Receivables			2,782,537	
Accrued sick leave			(43,552)	
Accrued vacation			(120,320)	
Accrued other post employment benefits			<u>(1,133,247)</u>	
<b>GAAP fund balance</b>			<b>\$ <u>9,796,614</u></b>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Postsecondary Technical Education Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Cash Receipts</u></b>				
Student sources	\$ 1,543,235	\$ 1,543,235	\$ 1,434,760	\$ (108,475)
State sources	2,822,617	2,822,617	2,937,765	115,148
Other sources	-	-	8,956	8,956
Transfers	2,250,000	2,250,000	1,063,124	(1,186,876)
<b>Total Cash Receipts</b>	<b>\$ 6,615,852</b>	<b>\$ 6,615,852</b>	<b>5,444,605</b>	<b>\$ (1,171,247)</b>
<b><u>Expenditures and Transfers Subject to Budget</u></b>				
Instruction	\$ 3,000,000	\$ 3,000,000	2,413,139	\$ (586,861)
Academic support	615,000	615,000	260,261	(354,739)
Student services	700,000	700,000	546,264	(153,736)
Institutional support	900,000	900,000	922,398	22,398
Operation and maintenance	1,300,000	1,300,000	1,117,295	(182,705)
Scholarships	-	-	93,431	93,431
Mandatory transfers in (out)	100,852	100,852	91,439	(9,413)
<b>Total Expenditures and Transfers Subject to Budget</b>	<b>\$ 6,615,852</b>	<b>\$ 6,615,852</b>	<b>5,444,227</b>	<b>\$ (1,171,625)</b>
Receipts Over (Under) Expenditures			378	
Unencumbered Cash, July 1			(378)	
Unencumbered Cash, June 30			\$ -	
Unencumbered Cash, June 30			\$ -	
Receivables			-	
GAAP fund balance			\$ -	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Education Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Federal sources	\$ 45,230	\$ 45,230	\$ 55,676	\$ 10,446
State sources	50,076	50,076	50,746	670
Local sources	185,000	185,000	35,000	(150,000)
Other sources	-	-	27,537	27,537
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Cash Receipts	<u>\$ 280,306</u>	<u>\$ 280,306</u>	168,959	<u>\$ (111,347)</u>
<u>Expenditures Subject to Budget Instruction</u>				
	<u>\$ 295,917</u>	<u>\$ 295,917</u>	<u>159,086</u>	<u>\$ (136,831)</u>
Receipts Over (Under) Expenditures			9,873	
Unencumbered Cash, July 1			<u>15,608</u>	
Unencumbered Cash, June 30			<u>\$ 25,481</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 25,481</u>	
			<u>-</u>	
GAAP fund balance			<u>\$ 25,481</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Supplementary Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Student sources	\$ 250,000	\$ 250,000	\$ 12,193	\$ (237,807)
Other sources	<u>100,000</u>	<u>100,000</u>	<u>30,721</u>	<u>(69,279)</u>
<b>Total Cash Receipts</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>42,914</b>	<b>\$ (307,086)</b>
<u>Expenditures Subject to Budget</u>				
Instruction	<u>\$ 351,758</u>	<u>\$ 351,758</u>	<u>15,857</u>	<u>\$ (335,901)</u>
Receipts Over (Under) Expenditures			27,057	
Unencumbered Cash, July 1			<u>1,758</u>	
Unencumbered Cash, June 30			<u>\$ 28,815</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 28,815</u>	<u>-</u>
GAAP fund balance			<u>\$ 28,815</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Motorcycle Driver Safety Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Student sources	<u>\$ 25,000</u>	<u>\$ 25,000</u>	\$ 3,856	<u>\$ (21,144)</u>
<u>Expenditures Subject to Budget</u>				
Instruction	<u>\$ 32,947</u>	<u>\$ 32,947</u>	6,349	<u>\$ (26,598)</u>
Receipts Over (Under) Expenditures			(2,493)	
Unencumbered Cash, July 1			<u>7,947</u>	
Unencumbered Cash, June 30			<u>\$ 5,454</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 5,454</u>	<u>-</u>
GAAP fund balance			<u>\$ 5,454</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Bookstore Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Sales	\$ 3,000,000	\$ 3,000,000	\$ 1,887,672	\$ (1,112,328)
Other income	350,000	350,000	167,343	(182,657)
<b>Total Cash Receipts</b>	<b>\$ 3,350,000</b>	<b>\$ 3,350,000</b>	<b>2,055,015</b>	<b>\$ (1,294,985)</b>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 275,000	\$ 275,000	156,618	\$ (118,382)
General operating expenses	534,121	534,121	423,218	(110,903)
Supplies	75,000	75,000	102,277	27,277
Cost of goods sold	2,500,000	2,500,000	1,392,592	(1,107,408)
Equipment	125,000	125,000	-	(125,000)
<b>Total Expenditures Subject to Budget</b>	<b>\$ 3,509,121</b>	<b>\$ 3,509,121</b>	<b>2,074,705</b>	<b>\$ (1,434,416)</b>
Receipts Over (Under) Expenditures			(19,690)	
Unencumbered Cash, July 1			233,420	
Unencumbered Cash, June 30			<u>\$ 213,730</u>	
Unencumbered Cash, June 30 Inventory			\$ 213,730 <u>463,043</u>	
GAAP fund balance			<u>\$ 676,773</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Housing Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Cash Receipts</u></b>				
Sales	\$ 2,500,000	\$ 2,500,000	\$ 1,894,932	\$ (605,068)
Other income	100,000	100,000	104,353	4,353
<b>Total Cash Receipts</b>	<b>\$ 2,600,000</b>	<b>\$ 2,600,000</b>	<b>1,999,285</b>	<b>\$ (600,715)</b>
<b><u>Expenditures Subject to Budget</u></b>				
Salaries and benefits	\$ 500,000	\$ 500,000	320,478	\$ (179,522)
General operating expenses	1,200,000	1,200,000	7,899	(1,192,101)
Supplies	-	-	271,644	271,644
Cost of goods sold	50,000	50,000	802,163	752,163
Equipment	156,530	156,530	10,281	(146,249)
Transfer	1,000,000	1,000,000	550,000	(450,000)
<b>Total Expenditures Subject to Budget</b>	<b>\$ 2,906,530</b>	<b>\$ 2,906,530</b>	<b>1,962,465</b>	<b>\$ (944,065)</b>
Receipts Over (Under) Expenditures			36,820	
Unencumbered Cash, July 1			308,194	
Unencumbered Cash, June 30			<u>\$ 345,014</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 345,014</u>	<u>-</u>
GAAP fund balance			<u>\$ 345,014</u>	



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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Cosmetology Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Sales	\$ 125,000	\$ 125,000	\$ 105,635	\$ (19,365)
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 30,000	\$ 30,000	25,502	\$ (4,498)
Supplies	75,000	75,000	17,022	(57,978)
Cost of goods sold	15,000	15,000	55,181	40,181
Equipment	5,010	5,010	-	(5,010)
Total Expenditures Subject to Budget	\$ 125,010	\$ 125,010	97,705	\$ (27,305)
Receipts Over (Under) Expenditures			7,930	
Unencumbered Cash, July 1			10	
Unencumbered Cash, June 30			\$ 7,940	
Unencumbered Cash, June 30 Receivables			\$ 7,940	
			-	
GAAP fund balance			\$ 7,940	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Wellness Center Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Student sources	\$ 65,000	\$ 65,000	\$ 14,919	\$ (50,081)
Other income	100,000	100,000	59,789	(40,211)
<b>Total Cash Receipts</b>	<b>\$ 165,000</b>	<b>\$ 165,000</b>	<b>74,708</b>	<b>\$ (90,292)</b>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 115,000	\$ 115,000	89,203	\$ (25,797)
General operating expenses	10,000	10,000	-	(10,000)
Supplies	30,000	30,000	6,462	(23,538)
Equipment	36,301	36,301	4,476	(31,825)
<b>Total Expenditures Subject to Budget</b>	<b>\$ 191,301</b>	<b>\$ 191,301</b>	<b>100,141</b>	<b>\$ (91,160)</b>
<b>Receipts Over (Under) Expenditures</b>			<b>(25,433)</b>	
<b>Unencumbered Cash, July 1</b>			<b>26,302</b>	
<b>Unencumbered Cash, June 30</b>			<b>\$ 869</b>	
<b>Unencumbered Cash, June 30 Receivables</b>			<b>\$ 869</b>	
			<b>-</b>	
<b>GAAP fund balance</b>			<b>\$ 869</b>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Athletics Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Student sources	<u>\$ 650,000</u>	<u>\$ 650,000</u>	\$ 486,902	<u>\$ (163,098)</u>
<u>Expenditures Subject to Budget</u>				
General operating expenses	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>486,902</u>	<u>\$ (163,098)</u>
Receipts Over (Under) Expenditures			-	
Unencumbered Cash, July 1			<u>-</u>	
Unencumbered Cash, June 30			<u>\$ -</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ -</u>	
GAAP fund balance			<u>\$ -</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Capital Outlay Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Private gifts	<u>\$ 250,000</u>	<u>\$ 250,000</u>	\$ -	<u>\$ (250,000)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Plant equipment and facility	<u>\$ 250,000</u>	<u>\$ 250,000</u>	-	<u>\$ (250,000)</u>
Receipts Over (Under) Expenditures			-	
Unencumbered Cash, July 1			-	
Unencumbered Cash, June 30			<u>\$ -</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ -</u>	
GAAP fund balance			<u>\$ -</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Special Assessment Fund  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures Subject to Budget</u>				
Plant equipment and facility	<u>\$ 75,476</u>	<u>\$ 75,476</u>	<u>4,564</u>	<u>\$ (70,912)</u>
Receipts Over (Under) Expenditures			(4,564)	
Unencumbered Cash, July 1			<u>75,476</u>	
Unencumbered Cash, June 30			<u>\$ 70,912</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 70,912</u>	<u>-</u>
Balance per internal books			<u>\$ 70,912</u>	

**SINGLE AUDIT SECTION**

**Cowley County Community College and Area Vocational-Technical School**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Identifying Number	Disbursements/ Expenditures
<u>Department of Education</u>			
Direct Programs:			
TRIO Student Support Services 12-13	84.042A	P042A110052-12	\$ 37,616
TRIO Student Support Services 13-14	84.042A	P042A110052-13	226,535
TRIO Upper Bound Program	84.047A	P047A121104	50,126
TRIO Upper Bound Program	84.047A	P047A121104-13	204,144
Supplemental Education Opportunity Grant	84.007	P007A131504	109,689
Federal Work-Study Program	84.033	P033A131504	135,064
PELL Grant	84.063	P063P131454	7,525,375
Federal Direct Student Loan	84.268	P268K141454	8,332,033
Passed Through Kansas Board of Regents:			
Adult Education - Basic Grants to States	84.002		55,676
Carl Perkins	84.048A		129,477
Total Department of Education			<u>16,805,735</u>
Total Federal Financial Assistance Expended			<u>\$ 16,805,735</u>

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Federal Work-Study Program and Supplemental Education Opportunity Grant both have expenditures in excess of the award amount. This is due to administrative fees in the amount of \$7,500 for Federal Work-Study and \$3,439 for SEOG. Administrative fees are allowed to be charged to the grant and are reimbursed by the federal government and are therefore included in the above expenditures.

Note 3 - Federal Work-Study Program and Supplemental Education Opportunity Grant both have expenditures in excess of the award amount. Both grants had matching requirements met by the College. Work-Study had \$31,891 matched by the College. SEOG had \$26,564 matched by the College. As required, neither of these non-federal dollars are included in the expenditures shown above.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate discretely presented component units of Cowley County Community College and Area Vocational-Technical School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cowley County Community College and Area Vocational-Technical School basic financial statements, and have issued our report thereon dated December 5, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2014-001).



## Compliance and Other Matters

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

## Purpose of this Report

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

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC

December 5, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

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

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

We have audited Cowley County Community College and Area Vocational-Technical School's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

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

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, and Loyd, LLC

December 5, 2014

**Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Cowley County Community College and Area Vocational-Technical School.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Cowley County Community College and Area Vocational-Technical School Arkansas City, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Cowley County Community College and Area Vocational-Technical School, Arkansas City, Kansas expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs include:

	<u>CFDA No.</u>
<b>Student Financial Aid Programs:</b>	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal PELL Grant Program	84.063
Federal Direct Student Loan Program	84.268
TRIO Student Support Services	84.042A
TRIO Upper Bound Program	84.047A

8. The threshold for distinguishing Types A and B program was \$300,000.
9. Cowley County Community College and Area Vocational-Technical School, Arkansas City, Kansas qualified as a low-risk auditee.

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

**2014-001 SIGNIFICANT DEFICIENCY- CAPITAL ASSETS**

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

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

**Cowley County Community College and Area Vocational-Technical School  
Arkansas City, Kansas**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

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

**2014-001    SIGNIFICANT DEFICIENCY- CAPITAL ASSETS (Continued)**

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

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

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

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

**Student Financial Aid Programs**

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

TRIO Student Support Services CFDA No. 84.042A, TRIO Upper Bound Program CFDA No. 84.047A

There were no reportable findings.

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

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2014**

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

Student Financial Aid Programs – CFDA Numbers, 84.007, 84.033, 84.063, 84.268, 84.375:

There were no reportable findings for the year ended June 30, 2014