

**COWLEY COUNTY COMMUNITY COLLEGE**

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

**June 30, 2018**

# Cowley County Community College

June 30, 2018

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COWLEY COUNTY COMMUNITY COLLEGE  
ORGANIZATIONAL DATA  
FOR THE YEAR ENDED JUNE 30, 2018

**BOARD OF TRUSTEES**

OFFICERS OF THE BOARD OF TRUSTEES

JoLynn Foster	Chairperson
Jill Long	Vice Chairperson
Dr. Gloria Walker, CPA	Treasurer
Tiffany Vollmer	Board Clerk
David Andreas, JD	Legal Counsel

MEMBERS OF THE BOARD OF TRUSTEES

		<u>Term Expires</u>
JoLynn Foster (Chairperson)	Arkansas City, Kansas	January 2020
Jill Long (Vice Chairperson)	Arkansas City, Kansas	January 2020
Nancy Burger	Winfield, KS	January 2020
Ned Graham	Winfield, Kansas	January 2022
Bob Juden	Winfield, KS	January 2022
Brian Sanderholm	Arkansas City, Kansas	January 2022
Gary Wilson	Arkansas City, Kansas	January 2022
Glennis Zimmerman	South Haven, KS	January 2020

CURRENT PRINCIPLE ADMINISTRATIVE OFFICERS

Dr. Dennis C. Rittle	President
Dr. Gloria Walker, CPA	Vice President of Finance and Administration
Dr. Michelle Schoon	Interim Vice President of Academic Affairs
Dr. Kori Gregg	Vice President of Institutional Advancement
Paul Erdmann	Vice President of Information Technology
Shane Larson	Athletic Director
Jan Grace	Campus Operations Officer – Sumner Campus
Deborah Phelps	Executive Director of Institutional Effectiveness
Kristi Shaw	Executive Director of Enrollment Management
Jason O'Toole	Executive Director of Student Affairs

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cowley County Community College  
Arkansas City, Kansas

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Cowley County Community College (College), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the College, as of June 30, 2018, 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.

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## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits and pension information on pages 3 – 15 and 40 - 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### *Emphasis of Matter*

As discussed in Note 13 to the financial statements, in 2018 the College adopted new account guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, 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*

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

November 9, 2018

COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

This section of the Cowley County Community College (“the College”) (“Cowley College”) Annual Financial Report presents management’s discussion and analysis. Management’s Discussion and Analysis is included to provide a narrative introduction, overview, and analysis of the financial position and changes in financial position of the College’s financial activity during the fiscal year ended June 30, 2018. Since management’s discussion and analysis is designed to focus on current activities, and currently known facts, please read this in conjunction with the College’s basic financial statements and the notes thereto. Responsibility for the completeness and fairness of this information rests with the management of the College.

**Financial Highlights**

In fiscal year 2017-2018, the College continued to evaluate the college’s financial resources and spending, aligned with the approved annual budget and strategic plan. Management continues to make changes to accounting policies and processes to take advantage of the financial system’s ability to assist in recording and reconciling accounting transactions throughout the fiscal year. The college continues to ensure its finances are sustainable in the face of state appropriations’ cuts. For fiscal year 2017-2018, the college continued to utilize the 2015-2018 Strategic Plan, which was in its final year. Cowley College’s 2015-2018 Strategic Plan includes six goals as the foundation for students’ enrollment growth, student success, and financial stability, as follows:

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

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

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

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

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

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

The focus of each goal is on student success, and the college continues to achieve many initiatives set forth in past three fiscal years. The college maintains its vision statement, mission statement, core values, and strategic theme as follows:

COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Vision Statement**

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

**Mission Statement**

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

**Core Values**

People, Accountability, Integrity, Leadership

**Strategic Theme**

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

The vision statement, mission statement, core values and strategic theme are all important in moving the College forward. In conjunction with our efforts to align the College around putting students first and student success, there is no goal more visible and important to the students, stakeholders, and community than the fiscal well-being and transparency of Cowley College's finances.

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

**Fiscal Planning and Budget**

Cowley College remains a fiscally sound institution, and meets its goal of focusing on student success through the integration of the budget development and strategic planning, which creates a standardized process that links strategic priorities and goals with the annual budget. The process is intended to provide a consistent approach for instructional and administrative departments to timely prepare the annual budget. Throughout fiscal year (FY) 2017-2018, the college continued to focus on clearly linking instructional, departmental, and college activities and initiatives with institutional priorities and goals. As a results, the process is reflected in the management's discussion and analysis of financial reporting for fiscal year ending June 30, 2018. The management's discussion and analysis provides an over-view of the financial highlights of the College including comparisons over the past three fiscal years.

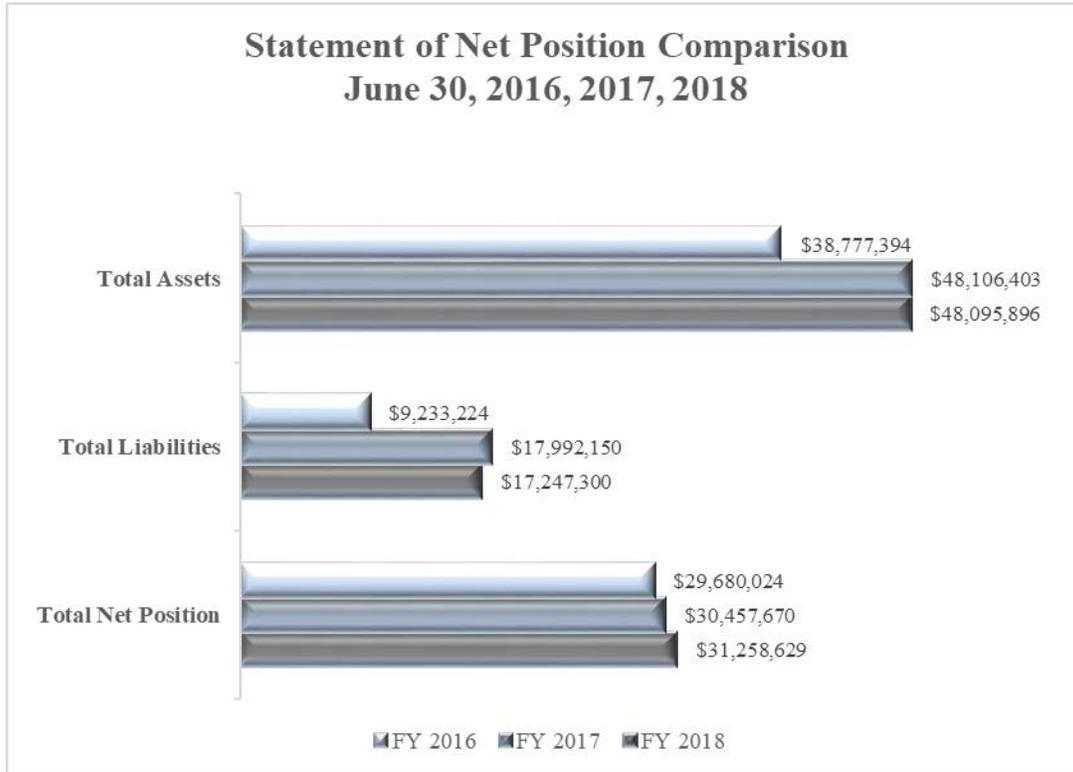
**Statement of Net Position**

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

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

**COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
(Unaudited)**

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting is similar to the accounting basis utilized by most private-sector institutions, and is used by government entities including institutions of higher education that adopted GASB 34 & GASB 35, and thus, classify themselves as business-type entities. This statement defines the financial position of the College. This overview compares the financial position of the College for the past fiscal years; 2018, 2017, and 2016.



As noted in the above chart, Total Assets increased by \$9.3 million or 24%, Total Liabilities increased by \$8 million or 8.60%, and the Total Net Position of the College increased by \$1.6 million or 5.3% from fiscal year ending 2016 to fiscal year ending 2018.

The primary changes over the past two years included the increases in cash proceeds including students’ payments, investments of bond proceeds of previous years, and specifically the net cash proceeds from the selling of the Certificates of Participation (bonds) in Spring 2017 to finance the construction of the new Wellington project – Sumner Campus of Cowley College and the associated sales tax collections. Additionally, the College’s net position increased from the non-cash gift of land, appraised at \$1.7 million, for the Sumner Campus in capital assets in the Spring 2017, and other land properties appraised at \$67,030 in Spring 2018.

A closer look at each year’s changes is noted in the below year-over-year comparison. To better understand the Statement of Net Position – Year over Year Change, it is best read in conjunction with the State of Net Position under the Basic Financial Statements section just after this Management’s Discussion and Analysis section.

**COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Statement of Net Position - Year over Year Change**

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
<b>ASSETS</b>					
Current Assets	\$ 17,801,342	\$ 23,003,847	\$ 14,616,713	\$ (5,202,505)	\$ 8,387,134
Non-current Assets - Receivables- Net	2,728,654	2,740,695	2,313,247	(12,041)	427,448
Non-current Assets - Capital Assets - Net	27,565,900	22,361,861	21,847,434	5,204,039	514,427
<b>TOTAL ASSETS</b>	<b>\$ 48,095,896</b>	<b>\$ 48,106,403</b>	<b>\$ 38,777,394</b>	<b>\$ (10,507)</b>	<b>\$ 9,329,009</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
	\$ 427,675	\$ 361,312	\$ 135,854	\$ 66,363	\$ 225,458
<b>LIABILITIES:</b>					
Current Liabilities	\$ 2,752,746	\$ 3,707,504	\$ 2,624,699	\$ (954,758)	\$ 1,082,805
Noncurrent Liabilities	14,494,554	14,284,646	6,608,525	209,908	7,676,121
<b>TOTAL LIABILITIES</b>	<b>\$ 17,247,300</b>	<b>\$ 17,992,150</b>	<b>\$ 9,233,224</b>	<b>\$ (744,850)</b>	<b>\$ 8,758,926</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
	\$ 17,642	\$ 17,895	\$ -	\$ (253)	\$ 17,895
<b>NET POSITION:</b>					
Investment in Plant, Net	\$ 14,332,836	\$ 17,125,881	\$ 16,015,870	\$ (2,793,045)	\$ 1,110,011
Restricted - Expendable	3,893,600	449,130	933,938	3,444,470	(484,808)
Unrestricted	13,032,193	12,882,659	12,730,216	149,534	152,443
<b>TOTAL NET POSITION</b>	<b>\$ 31,258,629</b>	<b>\$ 30,457,670</b>	<b>\$ 29,680,024</b>	<b>\$ 800,959</b>	<b>\$ 777,646</b>

The College's financial condition remains strong with a Net Position of \$31,258,629 (2018); \$30,457,670 (2017), and \$29,680,024 (2016). The increase in the College's net position for fiscal year 2018 also included a prior-period adjustment of \$1.4 million due to accrual of property taxes (\$219,753) to keep in compliance with GASB 33, reconciliation of student receivable (-\$57,034), and transfer of funds from the Agency Fund type accounts (\$1.292,304) to General Operating Fund type account due to change in software for fiscal year 2018.

Another indicator of the College's strong net position is its annual *Ratio of Expendable Fund Balance to Total Expenditures and Mandatory Transfers (REFBTE)* at 0.60:1 (FY 2018); 0.50:1 (FY 2017), and 0.54:1 (FY 2016). This ratio describes the institution's ability to support its current level of operations from all available expendable resources without considering revenues generated from operations. The formula for REFBTE is expendable and unrestricted fund balance (see Net Position section above) divided by total expenditures and mandatory transfers excluding depreciation (see Operating Expenses by Functional Classification below). Experience analysts suggest a ratio of 0.3:1 or better indicates a stable financial condition for an institution. Fiscal year 2018 ratio at 0.63:1 indicates the College could continue to operate for two-thirds of a year without any other revenues being generated; whereas, in the prior two fiscal years the College could continue to operate for one-half of the fiscal year without any other revenues being generated.

COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Assets**

In comparing fiscal year 2018 to fiscal year 2017, there were decreases in unrestricted cash and cash equivalent (short-term investments) of approximately \$755,755 or -6%, which results in the \$11.7 million in unrestricted cash on-hand included in the Current Assets. Restricted cash and cash equivalents decreased by \$5.0 million or -57.7% due the spending of the proceeds of the Certificates of Participation (COP) for the Wellington project - Sumner Campus for on-going construction of the campus, and payment of the debt services with sales tax collections. This results in total cash and cash equivalents including restricted cash and cash equivalents of \$15.4 million for fiscal year ending June 30, 2018. Current account receivable for federal and state grants and contracts, and students increased over fiscal year 2017 by \$13,667 bringing the total for fiscal year 2018 to a little over \$1 million outstanding. Fiscal year ending June 30, 2018, saw the first recording of receivables from property taxes, contribution, and sales tax totaling \$528,709. Prepaid expense decreased by \$9,406; thus totaling \$265,008 for fiscal year ending June 30, 2018. Non-current assets included a decrease in student receivable of \$12,041; thus, leaving students' bills outstanding at \$2.7 million. Capital assets, net of accumulated depreciation, resulting book value came in at \$27.5 million, an increase over fiscal year 2017 of \$5.2 million. Capital assets include furniture, equipment, buildings, land/properties, and other capital infrastructures the College owns.

In comparing fiscal year 2017 to fiscal year 2016, there were increases in unrestricted cash and cash equivalent of approximately \$1.3 million or 12.1%, which results in the \$12.5 million in unrestricted cash on-hand included in the Current Assets. The College has no long-term investments. Restricted cash and cash equivalents, and short-term investments increased by \$7 million or 429.5% to \$8.7 million due to the cash proceeds received for the sale of Certificates of Participation for the Wellington project - Sumner Campus and sales taxes collections for repayment of debt service on those bonds. Total cash and cash equivalent equates to \$21.2 million. Current account receivables for federal and state grants and contracts and students had net sum decrease of \$437,805, thus, totaling \$1 million due to the College from those respective parties. Prepaid Expenses and Inventories accounted for \$724,645 of Current Assets. Non-Current Assets - Students Receivables increased by \$427,448 to equate to the \$2.7 million, net of allowance. Capital assets, net of accumulated depreciation, increased by \$514,427 to equate to \$22.3 million for Non-Current Assets – Capital Assets.

Kansas' statute 12-1675 limits community colleges' investment maturity to not more than two years. The College's investment portfolio is highly liquid with 100% of the assets invested in certificate of deposits, treasury bonds, and federal agency bonds. Funds invested in certificate of deposits and other bank deposits are secured with U.S. Treasuries or United States agencies which have the full faith and credit of the United States government or federal agencies.

**Deferred Outflows of Resources**

The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The College's deferred charge on refunding a debt is now reported as a deferred outflow of resources as the amount is deferred and amortized over the life of the refunded debt. The College refinanced the 2007 Series-Dorm Revenue Bond with a Certificate of Participation to lower the interest rate of the life of the debt and reduce the total debt service payments by \$349,745 over the next thirteen years. The refinancing savings were \$112,227 (FY 2018); \$124,040 (FY 2017); and \$135,854 (FY 2016). Additionally, other deferred outflows of resources came from changes in proportions of share of contributions for KPERs as it relates to the pensions as an actuarial.

**Liabilities**

COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Overall current liabilities for fiscal year 2018 decreased by \$954,758 from fiscal year 2017, resulting from the reclassification of deposit is held in custody for others (agency accounts) to the General Fund for past years' incidental fees (*auditors had not recorded this reclassification in the prior year as the College had*), decrease in debt service payments, increase in capital lease payment, decrease in accrued interest payments, and increase in accounts payments including accrued expenses. Current liabilities are those due within one year. Noncurrent liabilities are those due greater than one year.

Overall noncurrent liabilities for fiscal year 2018 increased for compensate absences payable (\$26,014), other post-employment benefits payable (\$861,080), net pension liability (\$22,803), capital lease obligation (\$633,653), and decreased for Certificate of Participation-debt services (\$1,333,642). The other post-employment benefits payable and net pension liability are required calculations to satisfy GASB 75 and GASB 68, respectively. The capital lease obligation of \$633,653 results from the College obtaining three capital leases to finance the 540-computer project, the Chiller and HVAC project, and the signage and wayfinding project. This capital lease obligation is a 36-month capital lease with a \$1 buy-out at the end of the lease. The capital lease for the computer project is funded by the College's general funds, and the Chiller/HVAC and signage and wayfinding projects are funded by the Capital Outlay Mill annual levy.

Current liabilities from 2016 to 2017 increased by \$1 million with the primary increases in the Certificate of Participation (\$867,386) for debt services on the dormitories, indoor sports facility, and an academic building. Noncurrent liabilities' increases from 2016 to 2017 of approximately \$7.6 million primarily came from the noncurrent liability portion of the sale of Certificates of Participation to fund the construction and equipping of the College's Wellington project - Sumner Campus. Increases in compensated absences payable, other post-employment benefits, and net pension liability of approximately \$300,000 account for the residual increases in Noncurrent Liabilities.

**Deferred Inflows of Resources**

The deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. For fiscal year 2018, this relates to the pensions as an actuarially and change in the proportionate share of contribution of \$17,642; which is a decrease of \$253 from fiscal year 2017.

**Net Position**

The overall net position of the college continues to be relatively strong and stands at \$31.2 million for FY 2018; \$30.4 million for FY 2017; and \$29.6 million for FY 2016, and as indicated by the *Ratio of Expendable Fund Balance to Total Expenditures and Mandatory Transfers* noted in the State of Net Position – Year over Year in the first section above.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the College's results of operations for each fiscal year. Operating revenues are generated from the services provided to students and other customers of the College. Operating expenses include those costs incurred in the productions of good and services which result in operating revenues, as well as depreciation and amortization. All other activities are classified as non-operating revenues, expenses, and/or gains and losses. A large portion of the revenues including Ad Valorem taxes and state appropriations are classified as non-operating revenues. Kansas public community colleges may reflect an operating income or loss with the increase or decrease, respectively, in net position reflective of all activities.

COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

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

A summarized comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2018, 2017, and 2016 is presented in the table below.

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

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
Operating Revenues	\$ 15,449,132	\$ 14,023,893	\$ 14,834,967	\$ 1,425,239	\$ (811,074)
Operating Expenses	29,798,969	28,072,947	26,659,683	1,726,022	1,413,264
Operating Income (Loss)	\$ (14,349,837)	\$ (14,049,054)	\$ (11,824,716)	\$ (300,783)	\$ (2,224,338)
Nonoperating Revenues, Net	14,245,834	12,990,761	13,391,353	1,255,073	(400,592)
Capital Grants and Gifts	162,624	1,922,053	170,674	(1,759,429)	1,751,379
Increase (Decrease) in Net Position	<u>\$ 58,621</u>	<u>\$ 863,760</u>	<u>\$ 1,737,311</u>	<u>\$ (805,139)</u>	<u>\$ (873,551)</u>

For the third consecutive fiscal year the College has an increase in its net position; \$58,621 (FY 2018); \$863,760 (FY 2017); and \$1,737,311 (FY 2016) although year over year the amount has decreased. For fiscal year 2018, operating revenues increase by approximately \$1.4 million namely due to collection and accruing of tuition and fees, other operating revenues, and other sales and service including sales taxes in Sumner County resulting from the 2016 Sales Taxes referendum for the construction, acquisition, and equipping of the Wellington project; Cowley College – Sumner Campus. Likewise, operating expenses increased by approximately \$1.7 million, with those increases primarily in the cost of instruction, student services, and residential life expenses. For fiscal year 2018, non-operating revenues increased in each category; state appropriations, Ad Valorem taxes, and investment income resulting in a net increase of \$1.2 million, with the exception of private gives and grants, which decreased by \$1.7 million.

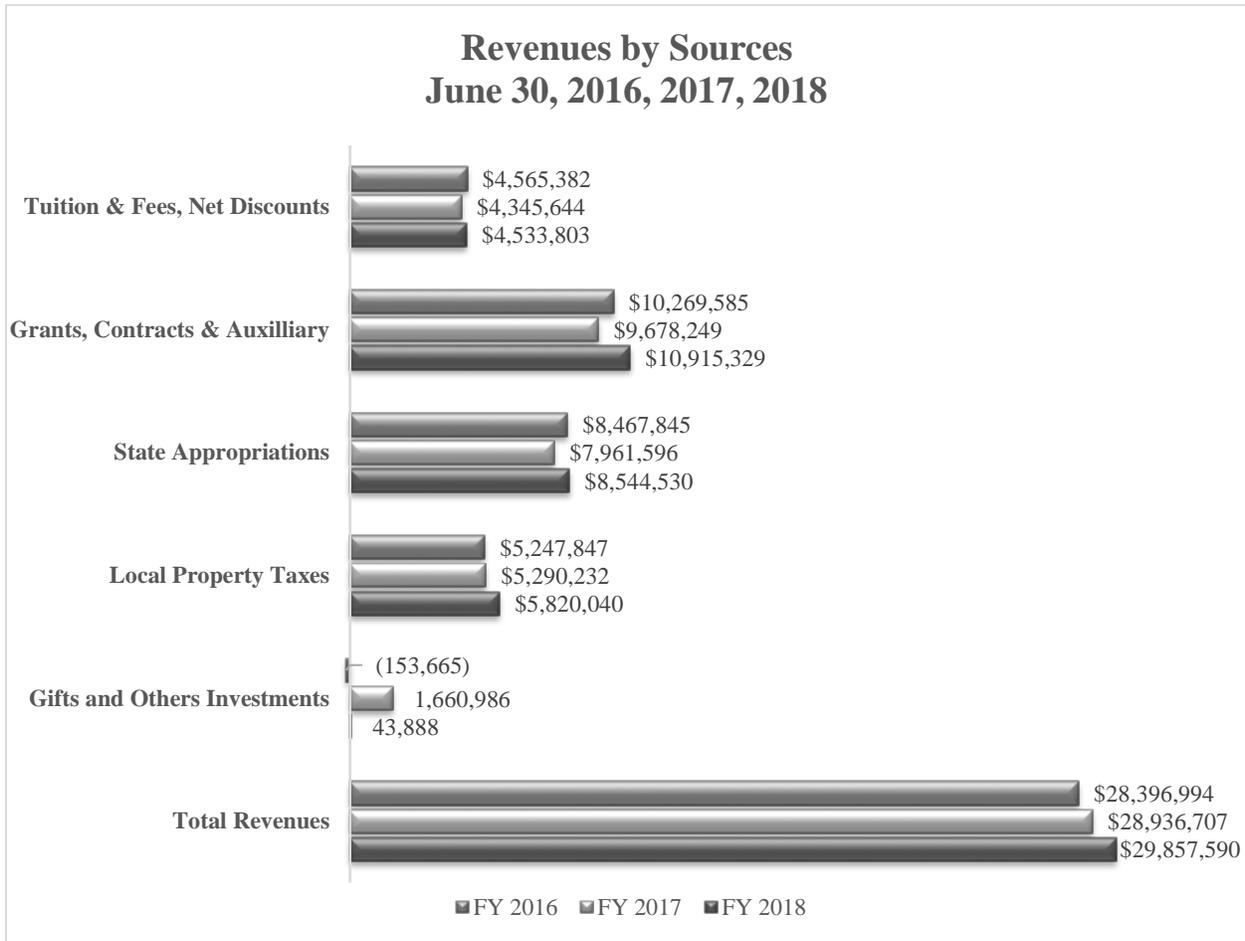
The increase in net position also includes the recording of accruals, in accordance with general accepted accounting principles, for students' tuition and fees, sales tax revenues, Ad Valorem taxes, amortization of premium on debt services, depreciation and amortization expenses, and vacation and sick leave expenses. The details are noted under the following sections below: Revenues by Source, Revenues, and Expenses.

**Revenues by Source**

In accordance with GASB Statements No. 34 and 35, revenues are identified in the Statement of Revenues, Expenses, and Changes in Net Position as Operating Revenues and Non-operating Revenues. Operating Revenues are remunerations associated with exchanges with students, commonly tuition and fees, textbooks, other materials students purchase for college, and other sales and services offered to students and other customers. Other remunerations classified as operating revenues include federal, state, and local exchanges associated with students in the form of Pell Grants, SEOG, and Federal and Local Work study.

**COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

Non-operating revenues are those remunerations that are not exchanges with students directly but with others based on the College's deliver of education to students. Non-operating revenues include primarily State Appropriations, Ad Valorem taxes (local property taxes), Capital Outlay Mill (local property taxes), and other revenues such as investment income and capital gifts. The Capital Outlay Mill was newly created in fiscal year 2018 for the purpose of securing funds for funding or financing the costs of new, rehabilitated, and renovated of infrastructures, facilities, and equipment for the College's designated taxing areas.



**COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Revenues**

**Revenues by Sources**

	2018	2017	2016	Change	
				2017 to 2018	2016 to 2017
<b>OPERATING REVENUES:</b>					
Tuition & Fees, Net of Discount	\$ 4,533,803	\$ 4,345,644	\$ 4,565,382	\$ 188,159	\$ (219,738)
Grants, Contracts & Auxiliary					
Federal	5,066,919	5,341,826	5,793,167	(274,907)	(451,341)
State	162,624	212,731	222,505	(50,107)	(9,774)
Other & Local Sales and Services	2,059,888	380,658	322,010	1,679,230	58,648
Auxiliary	3,625,898	3,743,034	3,931,903	(117,136)	(188,869)
Total Grants, Contracts, and Auxiliary	10,915,329	9,678,249	10,269,585	1,237,080	(591,336)
<b>TOTAL OPERATING REVENUES</b>	<b>15,449,132</b>	<b>14,023,893</b>	<b>14,834,967</b>	<b>1,425,239</b>	<b>(811,074)</b>
<b>NONOPERATING REVENUES:</b>					
State Funds:					
Unrestricted	7,191,002	6,824,296	7,271,484	366,706	(447,188)
Restricted	1,353,528	1,137,300	1,196,361	216,228	(59,061)
Total State Funds	8,544,530	7,961,596	8,467,845	582,934	(506,249)
Local Property Taxes:					
Maintenance and Operations	5,820,040	5,290,232	5,247,847	529,808	42,385
Capital Grants and Gifts	229,654	1,922,053	170,674	(1,692,399)	1,751,379
Investment income and others:					
Investment Income	224,323	63,260	47,097	161,063	16,163
Other- Debt Cost and Interest on Debt	(410,089)	(324,327)	(371,436)	(85,762)	47,109
Total Investment and Others	(185,766)	(261,067)	(324,339)	75,301	63,272
<b>TOTAL NONOPERATING REVENUES</b>	<b>14,408,458</b>	<b>14,912,814</b>	<b>13,562,027</b>	<b>(504,356)</b>	<b>1,350,787</b>
<b>TOTAL REVENUES</b>	<b>\$ 29,857,590</b>	<b>\$ 28,936,707</b>	<b>\$ 28,396,994</b>	<b>\$ 920,883</b>	<b>\$ 539,713</b>

For fiscal year 2018, total revenues increased by \$920,883 or 3.1% over fiscal year 2017. Total operating revenues increased \$1.4 million or 10% in fiscal year 2018 over fiscal year 2017 namely due to tuition and fees, net of discount, but primarily in the other and local sales and services, which include collection of sales taxes in Sumner County. Tuition and fees increased by \$188,159 or 4.3% due to an increase in the general fee rate of \$6 per credit hour representing a 6.1% in tuition and general fee base bill although students' full-time equivalents (FTE) remained relative the same as fiscal year 2017. Non-operating revenues decreased overall by \$504,356 or -88% namely due to the decrease in capital grants and gifts. However, local property taxes increased by \$529,808 or 10% primarily due mainly to the addition of the Capital Outlay Mill levy of \$325,404 added to property taxes, and increased valuation of taxpayers' properties; although, the maintenance and operating mill rate remained unchanged. The Board of Trustees approved a 1.25 mill for capital outlay expenditures in fiscal year 2018 to be collected in that fiscal year. State funds increased by \$582,934 or 7.3% primarily due to the additional funding for the high school concurrent enrollment for tiered technical courses. Additionally, investment income increase by \$161,063

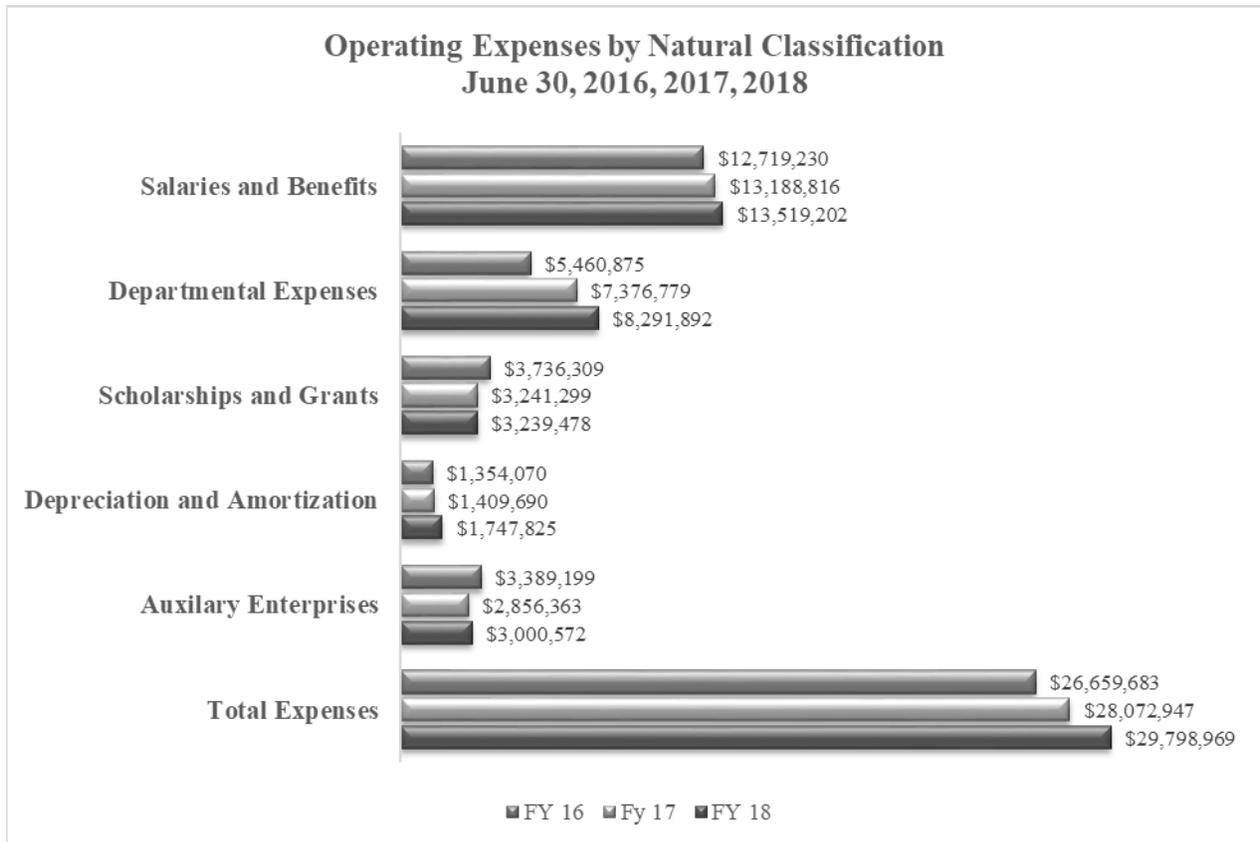
**COWLEY COUNTY COMMUNITY COLLEGE  
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or 254.6% primarily due to investing the bond proceeds of \$8.7 million for the Wellington construction project and sales taxes revenues, and higher interest rates on all investments.

For fiscal year 2017, total revenues increased \$539,713 or 1.9% over fiscal year 2016. Operating revenues decreased \$811,074 or 5.4% in fiscal year 2017 compared to fiscal year 2016 namely due to decreases in all components: tuition and fees (\$219,738), grants and contracts (\$402,467), and auxiliary services (\$188,869), resulting from slight decreases in student full-time equivalents (FTE). Non-operating revenues including state appropriations, Ad Valorem taxes (local property taxes), capital grants and gifts, and investment income increased overall by \$1.3 million or 10% namely due to the capital gifts from land donation of \$1.7 million, and \$447,188 or 6% decrease in state appropriation. Local property taxes had a slight increase of \$42,385; and investment income increased by \$16,163, and offset by decrease in other state funds, and increases in debt issues cost and interest on capital asset-related debt expenses of \$47,109.

**Expenses**

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



**COWLEY COUNTY COMMUNITY COLLEGE  
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**Expenses**

	Operating Expenses by Natural Classification						Change	
	2018	% of	2017	% of	2016	% of	2017 to 2018	2016 to 2017
		Total		Total		Total		
Salaries and Benefits	\$ 13,519,202	45.37%	\$ 13,188,816	46.98%	\$ 12,719,230	47.71%	\$ 330,386	\$ 469,586
Departmental Expenses	8,291,892	27.83%	7,376,779	26.28%	5,460,875	20.48%	915,113	1,915,904
Scholarships and Grants	3,239,478	10.87%	3,241,299	11.55%	3,736,309	14.01%	(1,821)	(495,010)
Depreciation and Amort.	1,747,825	5.87%	1,409,690	5.02%	1,354,070	5.08%	338,135	55,620
Auxiliary Enterprises	3,000,572	10.07%	2,856,363	10.17%	3,389,199	12.71%	144,209	(532,836)
<b>Total Expenses</b>	<b>\$ 29,798,969</b>	<b>100.00%</b>	<b>\$ 28,072,947</b>	<b>100.00%</b>	<b>\$ 26,659,683</b>	<b>100.00%</b>	<b>\$ 1,726,022</b>	<b>\$ 1,413,264</b>

	Operating Expenses by Functional Classification						Change	
	2018	% of	2017	% of	2016	% of	2017 to 2018	2016 to 2017
		Total		Total		Total		
Instruction	\$ 8,406,739	28.21%	\$ 7,417,395	26.42%	\$ 6,761,151	25.36%	\$ 989,344	\$ 656,244
Academic Support	928,140	3.11%	749,541	2.67%	691,565	2.59%	178,599	57,976
Student Services	4,982,704	16.72%	4,489,301	15.99%	4,108,330	15.41%	493,403	380,971
Institutional Support	3,416,509	11.47%	3,665,563	13.06%	3,016,418	11.31%	(249,054)	649,145
KPERS Contribution	1,353,528	4.54%	1,137,300	4.05%	1,196,361	4.49%	216,228	(59,061)
Plant Operations and Maint.	2,723,474	9.14%	3,106,495	11.07%	2,406,280	9.03%	(383,021)	700,215
Depreciation	1,747,825	5.87%	1,409,690	5.02%	1,354,070	5.08%	338,135	55,620
Scholarships/Grants	3,239,478	10.87%	3,241,299	11.55%	3,736,309	14.01%	(1,821)	(495,010)
Auxiliary Enterprises	3,000,572	10.07%	2,856,363	10.17%	3,389,199	12.71%	144,209	(532,836)
<b>Total Expenses</b>	<b>\$ 29,798,969</b>	<b>100.00%</b>	<b>\$ 28,072,947</b>	<b>100.00%</b>	<b>\$ 26,659,683</b>	<b>100.00%</b>	<b>\$ 1,726,022</b>	<b>\$ 1,413,264</b>

Operating expenses for fiscal year 2018 increased by \$1.7 million or 6.1%. The increases primarily came in salaries and benefits of approximately \$330,386 or 2.5% due to the cost of living raise (adjustment) of 4% given to all full-time employees and regular part-time employees of approximately \$276,100, and residual comes from other increases in employee's headcount to staff, and accrual of employees' vacation and sick expenses. Additional increases in operating expenses are in departmental expenses accounting for approximately \$915,113 in addition costs in KPERS contribution, approximately \$216,228; employee development, travel and mileage, instructional materials and supplies, contracts and maintenance agreements, approximately \$698,108; marketing and enrollment/admission materials and recruitment including athletics of approximately \$216,852; restoration of athletic track and down payment on new coach bus, approximately \$216,000; and furniture, fixture, and equipment for various campuses including the new Sumner Campus accounting for approximately \$200,000 offset by a decrease in institutional support costs of \$249,054 and plant operation and maintenance of \$383,021. Other increases in operating expenses include depreciation on the new HVAC system and campus-wide signage as improvements to campuses' infrastructure. i.e., building and grounds, and other large amount equipment purchases; and auxiliary expenses.

Operating expenses increased in fiscal year 2017 by \$1.4 million or 5.3%. The increases in spending include the cost of living raise of 2.5% given to all full-time employees and regular part-time employees accounting for approximately \$220,000, and slight increase in employees' headcount and the resulting increase in accrual of employees' vacation and sick expenses accounting for approximately \$203,586 including the college's portion of social security benefits. The residual increases in spending of \$1.1 million comes from increases in spending in other goods and services in all departments including instructional materials, annual contracts and maintenance agreements, outsourcing of IT services to assist in the migration from the

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old SIS to new SIS (\$165,000) and primarily end-of-year projects in Plant Operations and Maintenance – renovations, deferred maintenance, and upgrading facilities (\$700,000) carried over from fiscal year 2016. Scholarships and Grants, and Auxiliary Enterprises had decreases in costs.

**Statement of Cash Flows**

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

**Future Outlook**

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

Fiscal year 2017-2018 was the third and last year of the 2015-2018 Strategic Plan. The College is in the process of completing the 2018-2021 Strategic Plan. Like the 2015-2018 Strategic Plan noted, the college will continue to advance the mission and vision of the college in supporting students attaining academic and life skills, and looking at the global learning outcomes for all degree and certificate seeking students: communication skills, computational skills, critical thinking/problem solving skills, and citizenship skills. The College will continue to obtain partnerships with Kansas' four-year public higher education institutions to ensure students' cost of attendance is affordable, and all courses taken at Cowley College are transferable to the states' four-year institutions.

Additionally, the College will fully develop the facilities' master plan for its numerous campuses and centers; Arkansas City, Mulvane, Winfield, Wichita and Wellington. The College is in the final stage of Phase I construction for the Wellington Project - Sumer Campus, and opened the Technology and Innovation Building in Fall 2018 with the Short Education Building opening planned for Summer 2019. With the Short Family's donation of the 18 acres of land for Phase I construction, the College has not yet exercised its option to purchase up to ten additional acres within the 10-year period at a price of \$1.00 per square foot. Once the facilities' master plan is completed, the College will be in a better position to determine when to exercise the purchase option for the additional land for the Sumner Campus. With the opening of the Technology and Innovation Building, enrollment is growing for students studying agriculture, information technology, non-destructive testing (NDT), mechatronics, and welding in addition to workforce continuing education courses for business and industry entities in that location. With the opening of the Short Education Building in Summer 2019, general education courses will be added to the curricula offerings on that campus, which will also increase enrollment exponentially.

In addition to developing the 2018-2021 Strategic Plan and facilities' master plan, management is working with the Board of Trustees in developing the first financial plan for the institution. The Board approved the College's Financial Stability Policy, which ensures the college is financially stable, and ability to meet the its financial obligations. The next step in financial planning is identifying the best tools to measure the

COWLEY COUNTY COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

financial performance and health of the college. Cowley County Community College's outlook for the foreseeable future is very positive.

**Contacting the College's Financial Management**

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

Respectfully submitted,

Gloria J. Walker, Ed.D., MBA, CPA  
Vice President of Finance and  
Administration  
Cowley County Community College  
November 9, 2018

## BASIC FINANCIAL STATEMENTS

**Cowley County Community College**  
**Statements of Net Position**  
**June 30, 2018**

	Cowley County Community College	Component Unit CC Foundation
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 11,760,031	\$ 539,848
Restricted cash and cash equivalents	3,682,393	-
Investments	-	2,287,806
Receivables - federal and state grants and contracts	142,241	-
Receivables - students	919,664	-
Receivables - CCF	-	-
Receivables - property tax	291,230	-
Receivables - contributions	70,000	-
Receivables - sales tax	165,456	-
Receivables - other	2,023	-
Prepaid expenses	265,008	-
Inventories	503,296	45,000
Due from college	-	6,522
Total current assets	17,801,342	2,879,176
Noncurrent Assets		
Investments	-	3,665,659
Receivables - students	2,728,654	-
Receivables - other	-	135,000
Capital assets, net of accumulated depreciation	27,565,900	-
Beneficial interest in trusts	-	473,515
Total noncurrent assets	30,294,554	4,274,174
<b>TOTAL ASSETS</b>	<b>48,095,896</b>	<b>7,153,350</b>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	112,227	-
Net difference between projected and actual earnings on pension plan investment	5,932	-
Changes in assumptions	126,645	-
Changes in proportionate share of contributions	182,871	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	427,675	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 48,523,571</b>	<b>\$ 7,153,350</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 617,293	\$ 143
Accrued interest payable	62,285	-
Compensated absences payable	385,055	-
Capital lease obligations	354,471	-
Certificates of participation	1,333,642	-
Total current liabilities	2,752,746	143
Noncurrent Liabilities		
Compensated absences payable	35,341	-
Other postemployment benefits obligation	2,382,832	-
Net pension liability	276,620	-
Capital lease obligations	633,653	-
Certificates of participation	11,166,108	-
Total noncurrent liabilities	14,494,554	-
<b>TOTAL LIABILITIES</b>	<b>17,247,300</b>	<b>143</b>
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience	13,757	-
Changes in assumptions	366	-
Changes in proportionate share of contributions	3,519	-
TOTAL DEFERRED INFLOWS OF RESOURCES	17,642	-
<b>NET POSITION</b>		
Net investment in capital assets	14,332,836	-
Restricted for:		
Nonexpendable - endowments	-	3,600,947
Expendable:		
Capital outlay and construction	3,736,215	-
Restricted funds	95,100	3,552,260
Debt retirement	62,285	-
Unrestricted	13,032,193	-
<b>TOTAL NET POSITION</b>	<b>31,258,629</b>	<b>7,153,207</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 48,523,571</b>	<b>\$ 7,153,350</b>

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

**Cowley County Community College**

**Statements of Revenues, Expenses, and Changes in Net Position  
For the Year End June 30, 2018**

	<u>Cowley County Community College</u>	<u>Component Unit CC Foundation</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 7,132,510	\$ -
Less allowances for institutional scholarships	(663,140)	-
Less allowances for federal grants	<u>(1,935,567)</u>	<u>-</u>
Net student source revenue	4,533,803	-
Federal sources	5,066,919	-
State sources	162,624	-
Auxiliary enterprises:		
Residential life	2,376,866	-
Campus store (net of sales discounts)	1,169,176	-
Other auxiliary enterprises	79,856	-
Sales and services	1,508,273	-
Other operating revenues	<u>551,615</u>	<u>116,333</u>
Total operating revenues	<u>15,449,132</u>	<u>116,333</u>
<b>OPERATING EXPENSES</b>		
Educational and General		
Instruction	8,406,739	-
Academic support	928,140	-
Student services	4,982,704	-
Institutional support	3,416,509	547,982
KPERs contribution paid directly by the State of Kansas	1,353,528	-
Operations and maintenance of plant	2,723,474	-
Depreciation and amortization	1,747,825	-
Scholarships and grants	3,239,478	-
Auxiliary Enterprises		
Residential life	2,053,827	-
Campus store	837,419	-
Other auxiliary enterprises	<u>109,326</u>	<u>-</u>
Total operating expenses	<u>29,798,969</u>	<u>547,982</u>
Operating income (loss)	<u>(14,349,837)</u>	<u>(431,649)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	7,191,002	-
State contribution directly to the KPERs retirement system	1,353,528	-
Local sources	5,820,040	-
Private grants and gifts	67,030	1,097,314
Investment income	224,323	426,549
Debt issue costs	(32,709)	-
Interest on capital asset-related debt	<u>(377,380)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>14,245,834</u>	<u>1,523,863</u>
Income (loss) before other revenues	(104,003)	1,092,214
Capital grants and gifts	<u>162,624</u>	<u>-</u>
Net increase (decrease) in net position	58,621	1,092,214
<b>NET POSITION</b>		
Net position - beginning of year	29,744,985	6,060,993
Prior period adjustment	<u>1,455,023</u>	<u>-</u>
Net position - end of year	<u>\$ 31,258,629</u>	<u>\$ 7,153,207</u>

**Cowley County Community College**

**Statement of Cash Flows  
For the Year End June 30, 2018**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 4,444,590
Grants and contracts	876,869
Sales and services of auxiliary enterprises	3,625,898
Other receipts	1,825,480
Payments to employees for salaries and benefits	(13,519,202)
Payments to suppliers	(12,794,920)
Loans issued to students	4,264,520
Net cash provided (used) by operating activities	<u>(11,276,765)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	7,191,002
County and local appropriations	5,820,040
Private gifts and grants	-
Net cash flows provided (used) by noncapital financing activities	<u>13,011,042</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(6,896,663)
Proceeds from debt	988,124
Principal paid on debt	(1,575,000)
Interest paid on debt	(390,445)
Capital gifts and grants	162,624
Debt issue costs	(32,709)
Net cash provided (used) by capital and related financing activities	<u>(7,744,069)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>224,323</u>
Net cash provided (used) by investing activities	<u>224,323</u>
Net increase (decrease) in cash and cash equivalents	(5,785,469)
Cash and cash equivalents - beginning of year	<u>21,227,893</u>
Cash and cash equivalents - end of year	<u><u>\$ 15,442,424</u></u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (14,349,837)
Depreciation and amortization expense	1,747,825
Changes in operating assets and liabilities:	
Receivables, net	(527,264)
Prepaid expenses	9,406
Inventories	(53,065)
Accounts payable and accrued expenses	282,553
Accrued employee benefits	200,226
Deposits held in custody for others	(1,339,534)
KPERs liability net of deferred inflows/outflows	(55,626)
Prior period adjustment	1,455,023
Employee benefits paid directly by State of Kansas	1,353,528
Net cash provided (used) in operating activities	<u><u>\$ (11,276,765)</u></u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>	
Land donation	<u>\$ 67,030</u>

# Cowley County Community College

## Notes to Financial Statements June 30, 2018

### 1. Summary of Significant Accounting Policies

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

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

#### *(a) Reporting Entity*

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

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

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

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

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

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

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

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

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

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

#### *Deposits and Investments*

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

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

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

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

#### *Accounts Receivable*

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

#### *Inventories*

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

#### *Capital Assets*

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

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

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

#### Capital Assets (Continued)

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

Estimated useful lives used for calculating depreciation are as follows:

Buildings and improvements - 20 to 30 years

Equipment and furniture - 5 to 15 years

#### Federal Financial Assistance Programs

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

#### Compensated Absences Payable

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

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

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

#### Noncurrent Liabilities

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

#### Pensions

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

#### Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has two items that qualify for reporting in this category. The first is the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or original debt. The second is the deferred outflows related to other postemployment benefits and pensions as actuarially determined and explained in Note 7, 8 and 9, respectively.

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

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

#### *Deferred Outflow/Inflows of Resources*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The College has one item that qualifies for reporting in this category. It is the deferred inflows relating to other postemployment benefits and pensions as actuarially determined and explained in Note 7, 8 and 9, respectively.

#### *Net Position*

The College's net positions are classified as follows:

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

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

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

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

#### *Net position flow assumption*

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

#### *Classification of Revenues*

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

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

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

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

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

#### Scholarship Allowances

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

#### Use of Estimates

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

#### Property Tax Information

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until January of the current fiscal year, such procedure being in conformity with governing Kansas statutes. Current year property taxes receivable are recognized net of an allowance for delinquent taxes. A sixty-day period is used for revenue recognition.

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

## 2. Stewardship, Compliance, and Accountability

### (a) *Budgetary Information*

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

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

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

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

### (a) Budgetary Information (Continued)

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

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

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

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

Kansas municipalities are subject to the cash-basis law as stated in KSA 10-1113. Certain sub-funds of the Restricted Funds have negative unencumbered cash balances at June 30, 2018, which is allowable under KSA 12-1663. The funds will be reimbursed in the following fiscal year from federal grants, state grants and other contracts for expenditures incurred by the College. This combined receivable has been recognized for GAAP purposes on these financial statements.

## 3. Deposits and Investments

As of June 30, 2018, the College had cash and cash equivalents as listed below:

Deposits in financial banking institutions	\$ 4,445,537
Certificates of deposit	<u>7,314,493</u>
Total cash and cash equivalents	<u>11,760,031</u>
Deposits in financial banking institutions – bond proceeds	<u>3,682,393</u>
Total restricted cash and cash equivalents	<u>3,682,393</u>
Combined cash and cash equivalents	<u>\$ 15,442,424</u>

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

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

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

### 3. Deposits and Investments (Continued)

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

*Custodial credit risk* – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. KSA 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2018, the College was not exposed to custodial credit risk with its deposits or investments.

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

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

### 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	(Decrease) Adjustments	Ending Balance
Non-depreciable capital assets				
Land	\$ 4,378,529	\$ 67,030	\$ -	\$ 4,445,559
Construction in progress	-	5,211,275	-	5,211,275
Total non-depreciable capital assets	<u>4,378,529</u>	<u>5,278,305</u>	<u>-</u>	<u>9,656,834</u>
Depreciable capital assets				
Improvements	42,469,170	26,593	-	42,495,763
Equipment	4,884,339	596,555	(134,667)	5,346,227
Leased equipment	-	1,062,240	-	1,062,240
Total depreciable capital assets	<u>47,353,509</u>	<u>1,685,388</u>	<u>(134,667)</u>	<u>48,904,230</u>
Less accumulated depreciation				
Improvements	(24,983,130)	(1,218,722)	-	(26,201,852)
Equipment	(4,387,047)	(186,852)	134,667	(4,439,232)
Leased equipment	-	(354,080)	-	(354,080)
Total accumulated depreciation	<u>(29,370,177)</u>	<u>(1,759,654)</u>	<u>134,667</u>	<u>(30,995,164)</u>
Total depreciable capital assets (net)	<u>17,983,332</u>	<u>(74,266)</u>	<u>-</u>	<u>17,909,066</u>
Total capital assets, net	<u>\$ 22,361,861</u>	<u>\$ 5,204,039</u>	<u>\$ -</u>	<u>\$ 27,565,900</u>

Depreciation and amortization expense for the year ended June 30, 2018, is \$1,759,654.

## 5. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Certificates of participation					
Refunding certificate - indoor sports	\$ 1,425,000	\$ -	\$ 220,000	\$ 1,205,000	\$ 225,000
Refunding certificate - student services	325,000	-	325,000	-	-
Certificate of Participation - Series 2015	3,420,000	-	265,000	3,155,000	275,000
Certificate of Participation - Series 2017	8,710,000	-	765,000	7,945,000	810,000
Premium on certificates	218,391	-	23,641	194,750	23,642
Capital lease - computers	-	613,697	48,800	564,897	199,373
Capital lease - signage	-	259,393	20,334	239,059	83,608
Capital lease - HVAC	-	189,150	4,982	184,168	71,490
Compensated absences	368,565	51,831	-	420,396	385,055
Post-employment healthcare	2,234,437	148,395	-	2,382,832	-
Net pension liability	253,817	22,803	-	276,620	-
Total long-term liabilities	<u>\$ 16,955,210</u>	<u>\$ 1,285,269</u>	<u>\$ 1,672,757</u>	<u>\$ 16,567,722</u>	<u>\$ 2,073,168</u>

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

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

The College issued the Certificates of Participation Series 2015. The original issue amount was \$3,620,000, due in annual principal installments ranging from \$265,000 to \$360,000 through year 2028. Interest rates vary from 2.50% to 3.45%.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2019	\$ 275,000	\$ 85,628	\$ 360,628
6/30/2020	285,000	78,628	363,628
6/30/2021	295,000	71,377	366,377
6/30/2022	300,000	63,940	363,940
6/30/2023	310,000	56,315	366,315
6/30/24 - 6/30/28	<u>1,690,000</u>	<u>141,055</u>	<u>1,831,055</u>
Total	<u>\$ 3,155,000</u>	<u>\$ 496,943</u>	<u>\$ 3,651,943</u>

### (b) Indoor Sports Facility

The College issued the Student Union Indoor Sports Facility, Certificates of Participation Series A, 2011. The original issue amount was \$2,660,000, due in annual principal installments ranging from \$220,000 to \$255,000 through year 2023. Interest rates vary from 2.60% 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>
6/30/2019	\$ 225,000	\$ 39,653	\$ 264,653
6/30/2020	235,000	33,127	268,127
6/30/2021	240,000	25,725	265,725
6/30/2022	250,000	17,805	267,805
6/30/2023	<u>255,000</u>	<u>9,180</u>	<u>264,180</u>
Total	<u>\$ 1,205,000</u>	<u>\$ 125,490</u>	<u>\$ 1,330,490</u>

## 5. Long-Term Liabilities (Continued)

### (c) Certificates of Participation Series 2017

The College issued the Certificates of Participation Series 2017. The original issue amount was \$8,710,000, due in annual principal installments ranging from \$765,000 to \$970,000 through year 2028. Interest rates vary from 2.00% to 3.00%.

The remaining debt service requirement for the Certificates of Participation - Series 2017 is as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2019	\$ 810,000	187,150	\$ 997,150
6/30/2020	830,000	170,950	1,000,950
6/30/2021	845,000	154,350	999,350
6/30/2022	860,000	137,450	997,450
6/30/2023	880,000	120,250	1,000,250
6/30/24 - 6/30/28	<u>3,720,000</u>	<u>273,800</u>	<u>3,993,800</u>
Total	<u>\$ 7,945,000</u>	<u>\$ 1,043,950</u>	<u>\$ 8,988,950</u>

### (d) Capital Lease Obligations

The College has entered into a lease agreement with University Lease for financing the acquisition of computers. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The computers totaled \$613,697 and is included in the capital assets of the College. The amortization of the computers has been included in the College's depreciation expense.

The College has entered into a lease agreement with University Lease for financing the acquisition of College campus signs. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The signage totaled \$259,393 and is included in the capital assets of the College. The amortization of this signage has been included in the College's depreciation expense.

The College has entered into a lease agreement with University Lease for financing the acquisition an HVAC system. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date. The HVAC system totaled \$189,150 and is included in the capital assets of the College. The amortization of this HVAC system has been included in the College's depreciation expense.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2019	\$ 354,471	30,851	\$ 385,322
6/30/2020	357,145	17,112	374,257
6/30/2021	<u>276,508</u>	<u>4,203</u>	<u>280,711</u>
Total	<u>\$ 988,124</u>	<u>\$ 52,166</u>	<u>\$ 1,040,290</u>

## 6. Operating Lease Obligations

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

## 6. Operating Lease Obligations (Continued)

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, 2018, were \$24,900.

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, 2018, were \$90,000.

The operating lease of 410 E. Main, Mulvane, KS is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew for an additional three years. Expenses for year ending June 30, 2018, were \$66,000.

The renewed 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, 2018, were \$94,500.

The operating lease of 410 E. Main, Mulvane, KS - Parking is used for parking for church-related functions, provided that said church functions are not held during regularly scheduled class periods. The operating lease has an option to renew for an additional three years negotiated at the time of the extension. Expenses for year ending June 30, 2018, were \$3,600.

The operating lease of Fugate, Wichita, KS is used for the purpose of operation of a satellite college, and the provision of related services. The operating lease has an option to renew for an additional three year term. Expenses for year ending June 30, 2018, were \$66,000.

The future minimum lease payments are as follows:

	Bloomenshine Center	Fugate	Total Operating Expense
Year ending June 30,			
2019	\$ 126,000	\$ 66,000	\$ 192,000
2020	126,000	66,000	192,000
	<u>\$ 252,000</u>	<u>\$ 132,000</u>	<u>\$ 384,000</u>

## 7. Other Postemployment Healthcare Benefits (OPEB)

### Plan Description

The College sponsors Medical and Dental insurance to qualifying retirees and their dependents. Coverage is provided through a fully-insured program that operates as a single-employer defined benefit plan. Retirees and their spouses may continue coverage with the College until retiree Medicare eligibility (i.e. age 65). In addition, spouses may continue coverage under Cobra provisions, not to exceed the spouse age 65, when the retiree dies or reaches age 65. The College pays up to the single premium for retirees when upon retirement the minimum of age 60 and 10 years of service is achieved. Otherwise, retirees pay group plan rates to maintain coverage. Dependents must pay group plan premiums to maintain coverage in all cases.

All retiree coverage is provided through the group insurance program of the College and delivered through a fully insured arrangement. Along with a dental plan, three medical plan options (High, Low and HDHP) are available to qualifying retirees. Coverage is available for retirees and spouses until the retiree qualifies for Medicare (i.e. age 65).

Spouses may continue coverage under Cobra, upon covered retiree death or attainment of Medicare eligibility age, for up to 36 months not to exceed the spouse's own age 65. Benefits renew annually on September 1. A retiree is not allowed future coverage after once declining coverage.

Retirees and beneficiaries receiving benefits	20
Active plan members	<u>191</u>
Total	<u>211</u>

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

### 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.

*Employer Contribution* - An employer may make contributions through an irrevocable transfer of assets to a qualifying trust, direct payment of benefits or a combination of these. Without a trust and self-funded, the contribution equals retiree claims plus admin costs, less any retiree contribution premiums. Without a trust and not self-funded, the contribution equals age-adjusted premium costs, less any retiree contribution premiums.

### Annual OPEB Cost and Net OPEB Obligation

The College's annual OPEB cost (expense) consists of the service cost plus interest on total OPEB liability and changes in assumptions and inputs. The service cost is the portion of the Actuarial Present Value of OPEB benefits that is allocated to the current year by the Actuarial Cost method. 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 total OPEB obligation to the Plan.

	<u>June 30, 2018</u>
Net OPEB liability - beginning of year	<u>\$ 2,234,437</u>
Service cost	151,837
Interest cost	77,648
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions and inputs	123,910
Employer contributions (benefit payments)	<u>(205,000)</u>
Net changes	<u>148,395</u>
Net OPEB liability - end of year	<u><u>\$ 2,382,832</u></u>

The College saw no benefit changes to the disability's percentage of replacement income due to the changes from GASB 45 to GASB 75.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50% in 2018 to 4.00% in 2019.

The projected AAL as of July 1, 2017 based on the prior GASB 45 valuation parameters is \$2.2 million. The beginning of year measurement of the AAL under GASB 75 is also about \$2.2 million. Changes for the FY 2018 beginning of year measurement GASB 75 valuation relative to the July 1, 2014 GASB 45 valuation include the following:

- The College pays up to the single premium rate for employees retiring at the minimum of age 60 with 10 years of service. It has been clarified that employees retiring at less than age 60 may elect coverage but would be required to pay the full group plan rate. The assumed enrollment rate for those retiring at less than age 60 is 50%. This considers enrollment of other plans that charge group rates.
- The retirement and turnover assumptions were updated based on the latest available statistics from the KPERS pension valuation.
- For future retiring employees, 90% are assumed to elect the High plan option and 10% are assumed to elect the Low plan option. Previously the assumption was 75% - High and 25% - Low.
- The assumed mortality was changed to the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2017 Full Generational Improvement.
- The discount rate was changed from 3.50% (GASB 45) to 3.40% (beginning-of-year) in accordance with GASB 75.

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

### Annual OPEB Cost and Net OPEB Obligation (Continued)

- The per capita costs, trend rates and retiree premium contribution rates are updated as part of the actuarial evaluation.
- The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal – Level Percent of Pay. The assumed salary scale is 2% per year.

### Total OPEB Liability

The College's total OPEB liability of \$2,382,832 reported as of June 30, 2018, was measured as of June 30, 2017 (the measurement date), and was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions:

Salary increases; including wage increases	2.0%
Discount rate	3.3%

### OPEB Expense

For the year ended June 30, 2018, the College recognized OPEB expense of \$239,811, which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

### Valuation Procedures and Discount Rate

GASB 75 standards require a single discount rate be determined. To the extent Plan (i.e. Trust) assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent a Plan is not projected to be sufficient make future benefit payments the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to the College's program.

In order to determine the municipal bond rate the actuaries took the average of the published yields from the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes. The selected average rates are 3.4% and 3.3% as of the beginning and end of year measurement dates, respectively. These were used as the discount rates to determine present value costs.

Mortality rates used for the death benefits were based on the Society of Actuaries RPH-2014 adjusted to 2006 Total Dataset Headcount-weighted Mortality with Scale MP-2017 Full Generational Improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2018.

In the January 1, 2017, actuarial valuation, the Entry Age Normal - Level Percent of pay Actuarial Cost method was applied. The actuarial assumptions included a 3.40% investment rate of return, which is a blended rate of the expected long-term investment returns on Plan assets and on the College's pooled funds and investments. The valuation assumed annual healthcare cost trend rate of 7.00% in the first year and then 6.50% in year two, decreasing by 0.50% until year 3 and then decreasing by 0.25% until year nine when it reaches an ultimate rate of 4.50%. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results.

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

### Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Rate

	<u>1% Decrease</u>	<u>Current Trend Assumption</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,142,742	\$ 2,382,832	\$ 2,668,377
Increase / (Decrease) from Baseline	(240,090)		285,545

### Sensitivity of Total OPEB Liability to changes in the Discount Rate

	<u>1% Decrease</u>	<u>Current Single Discount Rate</u>	<u>1% Increase</u>
	2.30%	Assumption 3.30%	4.30%
Total OPEB Liability	\$ 2,574,071	\$ 2,382,832	\$ 2,209,458
Increase / (Decrease) from Baseline	191,239		(173,374)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018 the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience (1)	\$ -	\$ -
Changes in assumptions (2)	113,584	-
Benefit payments subsequent to the measurement date (3)	-	-
Total	<u>\$ 113,584</u>	<u>\$ -</u>

(1) None. Projected to measurement date assuming no gains or losses.

(2) The discount rate was changed from 3.40% to 3.30% and actual 2018 retiree premiums were valued

(3) Expected Employer Contributions between Measurement date and the Reporting date - Does not apply.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an expense/(income) item in OPEB expense as follows:

<u>Year Ending:</u>	<u>Amount</u>
6/30/2019	\$ 10,326
6/30/2020	10,326
6/30/2021	10,326
6/30/2022	10,326
6/30/2023	10,326
Thereafter	<u>61,954</u>
Total	<u>\$ 113,584</u>

## 8. Other Post Employment Benefit Plan - KPERS Death and Disabilities

The College participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

## 8. Other Post Employment Benefit Plan - KPERS Death and Disabilities (Continued)

### Contributions

Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the fiscal year ended June 30, 2018, totaled \$23,438.

### Special Funding Situation

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation. Accordingly, the State is required to recognize the total OPEB liability, deferred outflows of resources, deferred inflows of resources and expense for the OPEB plan attributable to the College. The College records revenue and OPEB expense in an amount equal to the expense recognized by the State on behalf of the College.

### Benefits

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60% of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

### Covered Employees

The College has the following employees covered by the Plan as of June 30, 2018:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>203</u>
Total	<u><u>205</u></u>

### Total OPEB Liability

At June 30, 2018, the total OPEB liability recognized by the State of Kansas that was attributable to the College was \$141,682.

## 8. Other Post Employment Benefit Plan - KPERS Death and Disabilities (Continued)

### Actuarial Assumptions

The financial information for fiscal year 2017-18 is based upon actuarial valuation performed as of July 1, 2017 using the participant census as of July 1, 2017. The prior valuation under GASB 45 was performed as of July 1, 2014 using the census as of July 1, 2014.

The measurement date as selected by the College under GASB 75 Standards is June 30th. The results of the valuation were projected to the end of year measurement date using standard actuarial techniques.

Price inflation	2.75%
Salary increases, including wage increases	3.50-10.00%
Discount rate (based on the 20 year municipal bond rate with an average rating of AA/Aa or better, obtained from the index.)	3.58%

Mortality rates used for the death benefits were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using Scale AA. Mortality rates used for the disability benefits were based on the RP-2000 Disabled Life Table with generational mortality improvement using Scale AA.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study conducted for three years ending June 30, 2016.

### Revenue and OPEB Expense Recorded by the College

For the year ended June 30, 2018, the College recognized revenue and OPEB expense in an equal amount of \$23,438.

## 9. Defined Benefit Pension Plan

### Plan Description

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

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

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

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

The employer contributions for non-public school district schools, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, vocational-technical schools and community junior colleges, are considered to be in a special funding situation as defined by GASB Statement No. 68. The State is treated as a nonemployer contributing entity in the System. Since these employers do not contribute directly to the System for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements for active employees. The notes to the College's financial statements must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school district employer. In addition, each non-public school district employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective pension expense associated with their employer.

## 9. Defined Benefit Pension Plan (Continued)

### Plan Description (Continued)

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per KSA. 74-4937, "working after retirement" employees. The resulting proportional share of these agencies "working after retirement" contributions and resulting net pension liability are attributable to the employer.

### Benefits Provided

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

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

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

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

### Contributions

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2017.

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

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

## 9. Defined Benefit Pension Plan (Continued)

### Contributions (Continued)

The College's contractually required contributions rate for the year ended June 30, 2018, was 16.03% of the annual college payroll of which 1.6989% of payroll was required from the College and 98.3011% of payroll was required from the State. The College's contributions to the pension plan were \$20,411 for the year ended June 30, 2018.

Legislature in the 2015 session authorized issuance of \$1.0 billion in net bond proceeds to improve the funding of the State/School group. The bonds were issued in August 2015, and deposited in the trust fund on August 20, 2015.

### Employer Allocations

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

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

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

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the net pension liability	\$ 276,620
State's proportionate share of the net pension liability associated with the College	<u>16,006,227</u>
	<u>\$ 16,282,847</u>

The net pension liability was measured as of December 31, 2016, which was rolled forward to June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At June 30, 2018, the combined College and state's proportion was 0.2464%, which was an decrease of 0.0088% from its proportion measured as of June 30, 2017.

For the actuarial report as of June 30, 2017, there were changes in assumptions and benefits as described in the notes to the required supplemental information.

## 9. Defined Benefit Pension Plan (Continued)

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

There were no changes between the measurement date of December 31, 2016, rolled forward to June 30, 2017, and the College's reporting date of June 30, 2018.

For the year ended June 30, 2018, the College recognized pension expense of \$1,330,090 and revenue of \$1,330,090 for support provided by the state. For the portion related to the "working after retirement" the College recognized pension expense of \$207,710, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. At the measurement date of June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions for the College from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,757
Changes of assumptions	13,061	366
Net difference between projected and actual earnings on pension plan investments	5,932	-
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>182,871</u>	<u>3,519</u>
Total	<u>\$ 201,864</u>	<u>\$ 17,642</u>

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

<u>Year Ending:</u>	<u>Amount</u>
6/30/2018	\$ 49,295
6/30/2019	57,708
6/30/2020	53,153
6/30/2021	21,522
6/30/2022	2,544
Thereafter	-
	<u>\$ 184,222</u>

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.75 percent
- Wage Inflation 3.5 percent
- Salary increases, including wage increases 3.5 to 12.0 percent, including price inflation
- Investment rate of return 7.75 percent

## 9. Defined Benefit Pension Plan (Continued)

### Actuarial Assumptions (Continued)

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the most recent experience study, dated November 18, 2016, as provided by KPERs' investment consultant, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	47.00%	6.80%
Fixed Income	13.00%	1.25%
Yield Driven	8.00%	6.55%
Real Return	11.00%	1.71%
Real Estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-Term Investments	<u>2.00%</u>	-0.25%
Total	<u>100.00%</u>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below.

In KPERs, the State/School and Local groups do not necessarily contribute the full actuarially determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2017 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 S Sub. For Sub. HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first year payment of \$6.4 million was received in July 2017 and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20 year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan.

## 9. Defined Benefit Pension Plan (Continued)

### Discount Rate (Continued)

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

### Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The table below presents the net pension liability of the Pension Plan as of June 30, 2017, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

1% Decrease (6.75%)	Discount rate (7.75%)	1% Increase (8.75%)
\$368,796	\$276,620	\$198,841

## 10. 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.

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

The Cowley College Foundation paid \$184,918 in student scholarships during the current fiscal year.

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

## 12. 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.

## 13. Implementation of New Standard & Restatement of Beginning Net Postion

GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The College implemented this standard for the year ended June 30, 2018. The statement required a retroactive implementation for the financial statements for the OPEB liability, but not for deferred inflows, outflows, or the Management's Discussion & Analysis. The effect to the beginning net position was \$712,685.

Net position June 30, 2017	\$ 30,457,670
Restatement due to GASB 75	<u>(712,685)</u>
Net postion restated at June 30, 2017	<u>\$ 29,744,985</u>

## 14. Prior Period Adjustment

The college has a prior period adjustment to accrue property taxes to keep in compliance with GASB 33. The net effect to income was \$219,753.

The college has a prior period adjustment due to a change in software in prior year. The adjustment was needed to reconcile current year student receivables to agree to the subsidiary ledger and the general ledger. The net effect to income was \$(57,034).

The college has a prior period adjustment due to a change in treatment of fees. With the evaluation of a new chart of accounts when changing software, there was a transfer between Agency Fund type accounts to General Operating Fund type accounts due to a change in treatment of fees. These student fees were previously consider agency type fees, and through policy changes, were moved to general operating fees. It is not true income to the college in the current year, as these fees were received and accumulated in prior years. The net effect to income for this change was \$1,292,304.

	<u>Amount</u>
Tax Accounts Receivable	\$ 219,753
Student Accounts Receivable	(57,034)
Agency	<u>1,292,304</u>
Total	<u>\$ 1,455,023</u>

## 15. 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**  
**Schedule of Changes in the Net OPEB Liability - Healthcare**  
**For the Year ended June 30, 2018**

	Last 10 Fiscal Years*									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total OPEB Liability - Beginning of year	\$ <u>2,234,437</u>	For 2008 to 2016, this data is not yet available.								
Service Cost	151,837	For 2008 to 2016, this data is not yet available.								
Interest Cost	77,648	For 2008 to 2016, this data is not yet available.								
Changes in Benefit Terms	-	For 2008 to 2016, this data is not yet available.								
Differences between actual and expected experience	-	For 2008 to 2016, this data is not yet available.								
Changes in assumptions and inputs	123,910	For 2008 to 2016, this data is not yet available.								
Employer contributions	<u>(205,000)</u>	For 2008 to 2016, this data is not yet available.								
Net Changes	<u>148,395</u>	For 2008 to 2016, this data is not yet available.								
Total OPEB Liability - End of year	<u>\$ 2,382,832</u>	For 2008 to 2016, this data is not yet available.								

Note: For June 30, 2018, GASB 75 was implemented. The information for years 2008-2016 is not available under the measurement requirements of GASB 75.

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

**Cowley County Community College**

**Schedule of the College's Proportionate Share of the Net OPEB Liability - Healthcare  
For the Year ended June 30, 2018**

	Last 10 Fiscal Years*									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability	\$ 2,382,832	For 2008 to 2016, this data is not yet available.								
Fiduciary net position	-	For 2008 to 2016, this data is not yet available.								
Net OPEB liability	<u>\$ 2,382,832</u>	For 2008 to 2016, this data is not yet available.								
Fiduciary net position as a percentage of total OPEB liability	0.00%	For 2008 to 2016, this data is not yet available.								
Covered-employee payroll	\$ 10,863,517	For 2008 to 2016, this data is not yet available.								
Net OPEB liability as a percentage of covered-employee payroll	24.30%	For 2008 to 2016, this data is not yet available.								

Note: For June 30, 2018, GASB 75 was implemented. The information for years 2008-2016 is not available under the measurement requirements of GASB 75.

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

**Cowley County Community College**

**Schedule of the College's Proportionate Share of the Net OPEB Liability - KPERS Death and Disability  
For the Year ended June 30, 2018**

	Last 10 Fiscal Years*									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability	\$ 141,682	For 2008 to 2016, this data is not yet available.								
Fiduciary net position	-	For 2008 to 2016, this data is not yet available.								
Net OPEB liability	<u>\$ 141,682</u>	For 2008 to 2016, this data is not yet available.								
Nonemployer contributing entities' total proportionate share of collective net OPEB liability	\$ 141,682	For 2008 to 2016, this data is not yet available.								
Employer's proportionate share of the collective net OPEB liability	\$ -	For 2008 to 2016, this data is not yet available.								
Covered-employee payroll	\$ 10,420,801									
Employer's proportionate share of collective net OPEB liability as a percentage of covered-employee payroll	1.36%									
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	For 2008 to 2016, this data is not yet available.								

Note: For June 30, 2018, GASB 75 was implemented. The information for years 2008-2016 is not available under the measurement requirements of GASB 75.

**Cowley County Community College**

**Schedule of the College's OPEB Contributions - KPERS Death & Disability  
For the Year ended June 30, 2018**

Kansas Public Employees Retirement System

Last 10 Fiscal Years\*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required OPEB contributions	\$ 1,657	For 2008 to 2016, this data is not yet available.								
OPEB contributions in relation to statutorily required contributions**	1,657	For 2008 to 2016, this data is not yet available.								
Contribution deficiency (excess)	\$ -	For 2008 to 2016, this data is not yet available.								
College's covered-employee payroll	\$ 10,420,801	For 2008 to 2016, this data is not yet available.								
OPEB contributions as a percentage of covered payroll	0.02%	For 2008 to 2016, this data is not yet available.								

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

\*\* Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from statutorily required contributions.

**Cowley County Community College**

**Schedule Of The College's Proportionate Share Of The Net Pension Liability  
Year Ended June 30, 2018**

	Kansas Public Employees Retirement System									
	Last 10 Fiscal Years*									
	2,017	2016	2015	2014	2013	2012	2011	2010	2009	2007
College's proportion of the net pension liability (asset)	0.003%	0.003%	0.001%	0.000%	0.000%	0.000%				
College's proportionate share of the net pension liability (asset)	\$ 276,620	\$ 253,817	\$ 68,940	\$ -	\$ -					
State's proportionate share of the net pension liability (asset)	0.175%	0.184%	0.195%	0.194%	0.190%					
State's proportionate share of the net pension liability (asset)	\$ 16,006,227	\$ 16,922,056	\$ 17,487,197	\$ 16,126,705	\$ 18,308,158					
Total collective net pension liability (asset)	\$ 16,282,847	\$ 17,175,873	\$ 17,556,137	\$ 16,126,705	\$ 18,308,158					
College's covered payroll	\$ 10,863,517	\$ 10,728,540	\$ 11,321,427	\$ 11,713,003	\$ 11,465,206					
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	149.89%	160.10%	155.07%	137.68%	159.68%					
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%	59.94%					

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

**Cowley County Community College**

**Schedule of College Contributions  
For the Year ended June 30, 2018**

Kansas Public Employees Retirement System

Last 10 Fiscal Years\*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 8,124	\$ 7,857	\$ 12,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	(8,124)	(7,857)	(12,829)	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 10,863,517	\$ 10,728,540	\$ 11,321,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	0.07%	0.07%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

## Cowley County Community College

### Notes to Required Supplementary Information For the Year Ended June 30, 2018

#### Other Post Employment Benefits - Healthcare

##### Changes in benefit terms:

The College saw no benefit changes to the disabilitant's percentage of replacement income due to the changes from GASB 45 to GASB 75.

##### Changes in assumptions:

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50% in 2018 to 4.0% in 2019.

Changes for the FY 2018 beginning of year measurement GASB 75 valuation relative to the January, 1 2017 GASB 45 valuation include the following:

- The assumed mortality was changed to the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2017 Full Generational Improvement.
- The discount rate was changed from 3.50% (GASB 45) to 3.40% (beginning-of-year) in accordance with GASB 75.
- The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal – Level Percent of Pay. The assumed salary scale is 2% per year. This change increased the amount of the present value allocated to past service (i.e. actuarial accrued liability) by 14%.

#### Other Post Employment Benefits - KPERS Death and Disabilities

##### Changes in benefit terms:

This is the first year of implementation under GASB 75. There are no changes in benefits.

##### Changes in assumptions:

This is the first year of implementation under GASB 75. There are no changes in assumptions.

#### Defined Benefit Pension Plan

##### Changes in benefit terms:

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

##### Changes in assumptions:

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.50 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

## SUPPLEMENTARY INFORMATION

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
General Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
	<u>Cash Receipts</u>			
Student sources	\$ 6,915,995	\$ 6,915,995	\$ 6,037,072	\$ (878,923)
State sources	4,234,256	4,234,256	4,234,256	-
Local sources	5,558,922	5,558,922	5,229,995	(328,927)
Other sources	100,000	100,000	437,107	337,107
 Total Cash Receipts	 \$ 16,809,173	 \$ 16,809,173	 15,938,430	 \$ (870,743)
 <u>Expenditures and Transfers Subject to Budget</u>				
Instruction	\$ 6,094,438	\$ 6,094,438	4,084,514	\$ (2,009,924)
Academic support	912,793	912,793	827,277	(85,516)
Student services	4,079,003	4,079,003	3,933,151	(145,852)
Institutional support	4,993,357	4,993,357	3,570,489	(1,422,868)
Operation and maintenance	3,878,689	3,878,689	3,256,741	(621,948)
Nonmandatory transfers in (out)	1,119,972	1,119,972	-	(1,119,972)
 Total Expenditures and Transfers Subject to Budget	 \$ 21,078,252	 \$ 21,078,252	 17,153,395	 \$ (3,924,857)
 Receipts Over (Under) Expenditures			 (1,214,965)	
 Unencumbered Cash, July 1			 10,283,049	
 Prior period adjustment			 162,719	
 Unencumbered Cash, June 30			 \$ 9,230,803	
 Unencumbered Cash, June 30			 \$ 9,230,803	
Receivables			4,257,293	
Accrued sick leave			(83,341)	
Accrued vacation			(337,055)	
Accrued net pension liability			(92,398)	
Accrued other post employment benefits			(2,269,248)	
 GAAP fund balance			 \$ 10,706,054	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Postsecondary Technical Education Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 902,881	\$ 902,881	\$ 1,109,330	\$ 206,449
Federal sources	124,647	124,647	74,186	(50,461)
State sources	2,584,336	2,584,336	3,212,056	627,720
Total Cash Receipts	\$ 3,611,864	\$ 3,611,864	4,395,572	\$ 783,708
<u>Expenditures and Transfers Subject to Budget</u>				
Instruction	\$ 3,183,965	\$ 3,183,965	3,082,102	\$ (101,863)
Academic support	72,082	72,082	100,863	28,781
Student services	246,195	246,195	371,126	124,931
Institutional support	249,731	249,731	186,910	(62,821)
Operation and maintenance	347,962	347,962	604,612	256,650
Total Expenditures and Transfers Subject to Budget	\$ 4,099,935	\$ 4,099,935	4,379,198	\$ 279,263
Receipts Over (Under) Expenditures			16,374	
Unencumbered Cash, July 1			7,890	
Unencumbered Cash, June 30			\$ 24,264	
Unencumbered Cash, June 30			\$ 24,264	
Receivables			-	
GAAP fund balance			\$ 24,264	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Education Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Federal sources	\$ 59,850	\$ 59,850	\$ 60,010	\$ 160
State sources	70,000	70,000	69,938	(62)
Local sources	123,000	123,000	-	(123,000)
Other sources	-	-	182,500	182,500
	-	-	182,500	182,500
 Total Cash Receipts	<u>\$ 252,850</u>	<u>\$ 252,850</u>	312,448	<u>\$ 59,598</u>
 <u>Expenditures Subject to Budget</u>				
Instruction	<u>\$ 250,197</u>	<u>\$ 250,197</u>	<u>280,441</u>	<u>\$ 30,244</u>
 Receipts Over (Under) Expenditures			32,007	
 Unencumbered Cash, July 1			19,650	
 Unencumbered Cash, June 30			<u>\$ 51,657</u>	
 Unencumbered Cash, June 30			\$ 51,657	
Receivables			-	
Deferred revenue			-	
GAAP fund balance			<u>\$ 51,657</u>	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Supplementary Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over (Under)
	Original	Final	Basis	
<u>Cash Receipts</u>				
Student sources	\$ -	\$ -	\$ -	\$ -
Other sources	-	-	-	-
	-	-	-	-
 Total Cash Receipts	\$ -	\$ -	-	\$ -
 <u>Expenditures Subject to Budget</u>				
Instruction	-	-	-	-
	-	-	-	-
 Receipts Over (Under) Expenditures			-	
 Unencumbered Cash, July 1			24,096	
 Unencumbered Cash, June 30			\$ 24,096	
 Unencumbered Cash, June 30			\$ 24,096	
Receivables			-	
 GAAP fund balance			\$ 24,096	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Motorcycle Driver Safety Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 19,950	\$ 19,950	\$ -	\$ (19,950)
Sales	-	-	963	963
Other sources	-	-	4,097	4,097
	\$ 19,950	\$ 19,950	5,060	\$ (14,890)
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 15,000	\$ 15,000	-	\$ (15,000)
Cost of goods sold	-	-	1,205	1,205
	\$ 15,000	\$ 15,000	1,205	\$ (13,795)
Receipts Over (Under) Expenditures			3,855	
Unencumbered Cash, July 1			26,882	
Unencumbered Cash, June 30			\$ 30,737	
Unencumbered Cash, June 30			\$ 30,737	
Receivables			-	
GAAP fund balance			\$ 30,737	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Bookstore Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Sales	\$ 3,470,000	\$ 3,470,000	\$ 1,169,176	\$ (2,300,824)
Transfer from other funds	-	-	100,000	100,000
Total Cash Receipts	\$ 3,470,000	\$ 3,470,000	1,269,176	\$ (2,200,824)
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 605,000	\$ 605,000	\$ 196,587	\$ (408,413)
General operating expenses	61,000	61,000	24,497	(36,503)
Supplies	-	-	130,270	130,270
Cost of goods sold	2,600,000	2,600,000	897,614	(1,702,386)
Equipment	-	-	379	379
Total Expenditures Subject to Budget	\$ 3,266,000	\$ 3,266,000	1,249,347	\$ (2,016,653)
Receipts Over (Under) Expenditures			19,829	
Unencumbered Cash, July 1			5,276	
Unencumbered Cash, June 30			\$ 25,105	
Unencumbered Cash, June 30			\$ 25,105	
Inventory			503,296	
GAAP fund balance			\$ 528,401	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Housing Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	With Final Budget Over (Under)
<u>Cash Receipts</u>				
Student sources	\$ 2,336,525	\$ 2,336,525	\$ 83,125	\$ (2,253,400)
Sales	935	935	2,225,750	2,224,815
Other income	1,500	1,500	67,990	66,490
Total Cash Receipts	<u>\$ 2,338,960</u>	<u>\$ 2,338,960</u>	<u>2,376,865</u>	<u>\$ 37,905</u>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 240,232	\$ 240,232	241,498	\$ 1,266
General operating expenses	5,000	5,000	63,520	58,520
Supplies	-	-	285,666	285,666
Cost of goods sold	-	-	908,722	908,722
Utilities	563,800	563,800	195,560	(368,240)
Equipment	60,000	60,000	-	(60,000)
Debt service	360,378	360,378	358,861	(1,517)
Other expense	1,732,889	1,732,889	-	(1,732,889)
Transfer to other funds	-	-	150,000	(150,000)
Total Expenditures Subject to Budget	<u>\$ 2,962,299</u>	<u>\$ 2,962,299</u>	<u>2,203,827</u>	<u>\$ (1,058,472)</u>
Receipts Over (Under) Expenditures			173,038	
Unencumbered Cash, July 1			1,702,627	
Unencumbered Cash, June 30			<u>\$ 1,875,665</u>	
Unencumbered Cash, June 30			\$ 1,875,665	
Receivables			-	
GAAP fund balance			<u>\$ 1,875,665</u>	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Cosmetology Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Sales	\$ 12,000	\$ 12,000	\$ 14,103	\$ 2,103
<u>Expenditures Subject to Budget</u>				
General operating expenses	\$ -	\$ -	201	\$ 201
Cost of goods sold	8,900	8,900	9,267	367
Total Expenditures Subject to Budget	\$ 8,900	\$ 8,900	9,468	\$ 568
Receipts Over (Under) Expenditures			4,635	
Unencumbered Cash, July 1			299	
Unencumbered Cash, June 30			\$ 4,934	
Unencumbered Cash, June 30			\$ 4,934	
Receivables			-	
GAAP fund balance			\$ 4,934	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Wellness Center Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 36,000	\$ 36,000	\$ -	\$ (36,000)
Sales	18,000	18,000	35,521	17,521
Transfer from other funds	-	-	50,000	50,000
	-	-	50,000	50,000
<b>Total Cash Receipts</b>	<b>\$ 54,000</b>	<b>\$ 54,000</b>	<b>85,521</b>	<b>\$ 31,521</b>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 48,650	\$ 48,650	69,687	\$ 21,037
General operating expenses	-	-	228	228
Supplies	-	-	7,094	7,094
Equipment	2,500	2,500	-	(2,500)
	2,500	2,500	-	(2,500)
<b>Total Expenditures Subject to Budget</b>	<b>\$ 51,150</b>	<b>\$ 51,150</b>	<b>77,009</b>	<b>\$ 25,859</b>
Receipts Over (Under) Expenditures			8,512	
Unencumbered Cash, July 1			883	
Unencumbered Cash, June 30			<u>\$ 9,395</u>	
Unencumbered Cash, June 30 Receivables			\$ 9,395	-
			-	
GAAP fund balance			<u>\$ 9,395</u>	

**Cowley County Community College**

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Deli Fund  
Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Sales	\$ 63,500	\$ 63,500	\$ 44,334	\$ (19,166)
<u>Expenditures Subject to Budget</u>				
General operating expenses	\$ 7,220	\$ 7,220	1,882	\$ (5,338)
Supplies	50,000	50,000	30,435	(19,565)
Utilities	5,000	5,000	-	(5,000)
Equipment	5,000	5,000	-	(5,000)
Total Expenditures Subject to Budget	\$ 67,220	\$ 67,220	32,317	\$ (34,903)
Receipts Over (Under) Expenditures			12,017	
Unencumbered Cash, July 1			37,475	
Unencumbered Cash, June 30			\$ 49,492	
Unencumbered Cash, June 30 Inventory			\$ 49,492	
GAAP fund balance			\$ 49,492	

SINGLE AUDIT SECTION

**Cowley County Community College**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Identifying Number</b>	<b>Disbursements/ Expenditures</b>
<u>Department of Education</u>			
Direct Programs:			
Student Financial Aid (SFA) Cluster			
Federal Work-Study Program	84.033	P033A161504	\$ 108,011
Supplemental Education Opportunity Grant	84.007	P007A161504	67,636
Federal Direct Student Loan	84.268	P268K171454	4,264,520
PELL Grant	84.063	P063P161454	<u>4,255,742</u>
Total Student Financial Aid (SFA) Cluster			<u>8,695,909</u>
TRIO Student Support Services 16-17	84.042A	P042A160110-16	2,993
TRIO Student Support Services 17-18	84.042A	P042A160110-17	297,636
TRIO Upper Bound Program 16-17	84.047A	P047A121104-16	110,264
TRIO Upper Bound Program 17-18	84.047A	P047A171288-17A	<u>187,151</u>
Total TRIO Cluster			<u>598,044</u>
Passed Through Kansas Board of Regents:			
Adult Education - Basic Grants to States	84.002		<u>60,010</u>
TOTAL DEPARTMENT OF EDUCATION			<u>9,353,963</u>
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,353,963</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Cowley County Community College of Arkansas City, Kansas, under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Account Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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

Board of Trustees  
Cowley County Community College  
Arkansas City, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate discretely presented component unit of Cowley County Community College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cowley County Community College's basic financial statements, and have issued our report thereon dated November 9, 2018.

**Internal Control Over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

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

## **Cowley County Community College's Response to Findings**

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

## **Purpose of this Report**

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

*Swindoll, Janzen, Hawk & Loyd, LLC*

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

November 9, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

Board of Trustees  
Cowley County Community College  
Arkansas City, Kansas

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

We have audited Cowley County Community College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

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## Report on Internal Control Over Compliance

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

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

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

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

*Swindoll, Janzen, Hawk & Loyd, LLC*

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

November 9, 2018

**Cowley County Community College**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

**SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

There were no reportable findings for the year ended June 30, 2018.

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

Student Financial Aid Programs

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

There were no reportable findings for the year ended June 30, 2018.



Cowley County Community College

Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2018

FINDINGS--FINANCIAL STATEMENTS AUDIT

2017-001 SIGNIFICANT DEFICIENCY- BANK RECONCILIATION

**Condition:** While performing procedures on cash accounts, we noted that the bank account did not reconcile.

**Recommendation:** We recommend utilizing the new bank reconciliation module in the new software in order to eliminate any other differences.

**Current Status:** The recommended procedures were implemented. The College did not have similar findings for 2018.

2017-002 SIGNIFICANT DEFICIENCY- ACCOUNTS RECEIVABLE RECONCILIATION

**Condition:** While performing procedures on cash and receipts, we noted that the student accounts receivable subsidiary ledger did not agree to the general ledger.

**Recommendation:** We recommend that the subsidiary ledger relating to student accounts receivable be formally reconciled monthly to the general ledger. This reconciliation should be documented. It should also be reviewed by a supervisor and the review should be documented by having the supervisor sign off on it.

**Current Status:** The recommended procedures were implemented. The College did not have similar findings for 2018.

2017-003 SIGNIFICANT DEFICIENCY- CAPITAL ASSETS

**Condition:** There was a noncash land donation that was not recorded.

**Recommendation:** We recommend that a policy is put into place on how to accept and record noncash donations of property and equipment.

**Current Status:** The recommended procedures were implemented. The College did not have similar findings for 2018.

FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

Student Financial Aid Programs

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

There were no reportable findings for the year ended June 30, 2017.