COLBY COMMUNITY COLLEGE

Financial Statements With Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017

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ADAMS
BROWN
BERAN
& BALL chartered

Phone (785) 462-7501 ■ Fax (785) 462-3172 ■ www.abbb.com
505 North Franklin Ave. ■ Suite D ■ P.O. Box 10
Colby, Kansas 67701-2342

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Colby Community College
Colby, Kansas

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Colby Community College**, as of and for the years ended June 30, 2018 and 2017, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Colby Community College Endowment Foundation (Foundation) for the fiscal year ended June 30, 2017, which is the discretely presented component unit of the College. The financial statements were audited by another auditor whose report was dated December 14, 2017 and has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, issued by the State of Kansas, and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Colby Community College Endowment Foundation were not audited in accordance with Government Auditing Standards or the *Kansas Municipal Audit and Accounting Guide*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of **Colby Community College**, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 **Colby Community College's** basic financial statements. The other schedules listed in the table of contents as supplementary information 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.

These schedules 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 17, 2018, on our consideration of **Colby Community 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 solely 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 the effectiveness of **Colby Community College's** 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 **Colby Community College's** internal control over financial reporting and compliance.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 17, 2018

The discussion and analysis of Colby Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2018, 2017 and 2016. Management has prepared the financial statements along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses and change in net position, and statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities. The College's foundation has also been discretely presented within these financial statements in accordance with Governmental Accounting Standards Board Statement No. 39; Determining Whether Certain Organizations are Component Units, as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus.

The annual financial report includes the independent auditor's report, management's discussion and analysis, basic financial statements, notes to the financial statements, and supplemental information.

Activities of the College are reported as either operating or non-operating in accordance with Governmental Accounting Standards Board Statement No. 35. Charges for services are recorded as operating revenues. Essentially all other types of revenue, including state appropriations, property tax levies, and Pell federal grant revenue, are non-operating. The College's reliance on state funding, local property taxes, and the Federal Pell Grant assistance to students results in reporting an operating deficit.

Increases or decreases in net position provide one indication of the financial health of an organization. To assess the overall health of the College, many other non-financial factors need to also be considered, such as trends in enrollment, condition of facilities, success of graduates, and the strength of the faculty and staff.

Financial Highlights

The statement of net position and the statement of revenues, expenses, and change in net position report information on the College as a whole. These statements report the College's financial position as of June 30, 2018 and 2017 and the change in net position for the years then ended. The College's financial position remained strong at June 30, 2018, with assets and deferred outflows of $24,253,322 and liabilities and deferred inflows of $12,092,728. Net position, which represents the residual interest in the College's total assets and deferred outflows of resources after total liabilities and deferred inflows of resources are deducted, increased by $1,705,960, or 16.3%.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenues and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into the categories of operating and non-operating.

	2018	2017	2016
Assets			
Current Assets	$ 11,445,657	$ 9,260,510	$ 7,967,904
Noncurrent Assets	12,448,802	12,726,244	13,011,032
Total Assets	23,894,459	21,986,754	20,978,936
Deferred Outflows of Resources	358,863	365,078	16,730
Liabilities			
Current Liabilities	1,395,013	1,354,451	1,354,168
Noncurrent Liabilities	10,459,572	10,424,974	9,633,088
Total Liabilities	11,854,585	11,779,425	10,987,256
Deferred Inflows of Resources	238,143	117,773	37,114
Net Position			
Unrestricted	7,671,850	6,049,993	5,515,869
Restricted - Expendable	378,359	530,884	1,027,329
Invested in Capital Assets	4,110,385	3,873,757	3,428,098
Total Net Position	$ 12,160,594	$ 10,454,634	$ 9,971,296

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2018 were the result of the following:

- Current assets increased by $2.19 million or 24%. This was due to a continued increase in cash and cash equivalents including a slight increase in tuition, continued efforts in accounts receivable collections, and tightening up the College's policy regarding due dates for tuition and future enrollment.
- Noncurrent assets decreased by approximately $277,000 or 2%. This was due to the closing of the Perkins program. The College adjusted its noncurrent position $270,000 in FY17 to $10,500 in FY18.
- Current liabilities were relatively unchanged.
- Noncurrent liabilities were relatively unchanged.
- Total net position increased by approximately $1.706 million or 16%. This was due to an increase in revenue related to an increase in net tuition and fees, property tax and Pell grant revenues.

Operating Revenue

Operating revenue includes charges for all exchange transactions such as tuition and fees, room and board, and the sale of books and supplies. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract from services.

Operating Revenue for the Years Ended June 30

Operating Revenue	2018	2017	2016
Net Tuition & Fees	$ 4,067,040	$ 3,129,165	$ 3,117,366
Federal Grants and Contracts	576,410	528,822	648,379
Federal Direct Loans	2,230,702	2,142,855	2,348,487
State Grants and Contracts	101,510	100,378	78,822
Other Grants and Contracts	164,226	250,531	234,233
Auxiliary Income	1,823,714	1,923,923	1,871,685
Other Income	513,152	773,348	455,396
Total Operating Revenue	$ 9,476,754	$ 8,849,022	$ 8,754,368

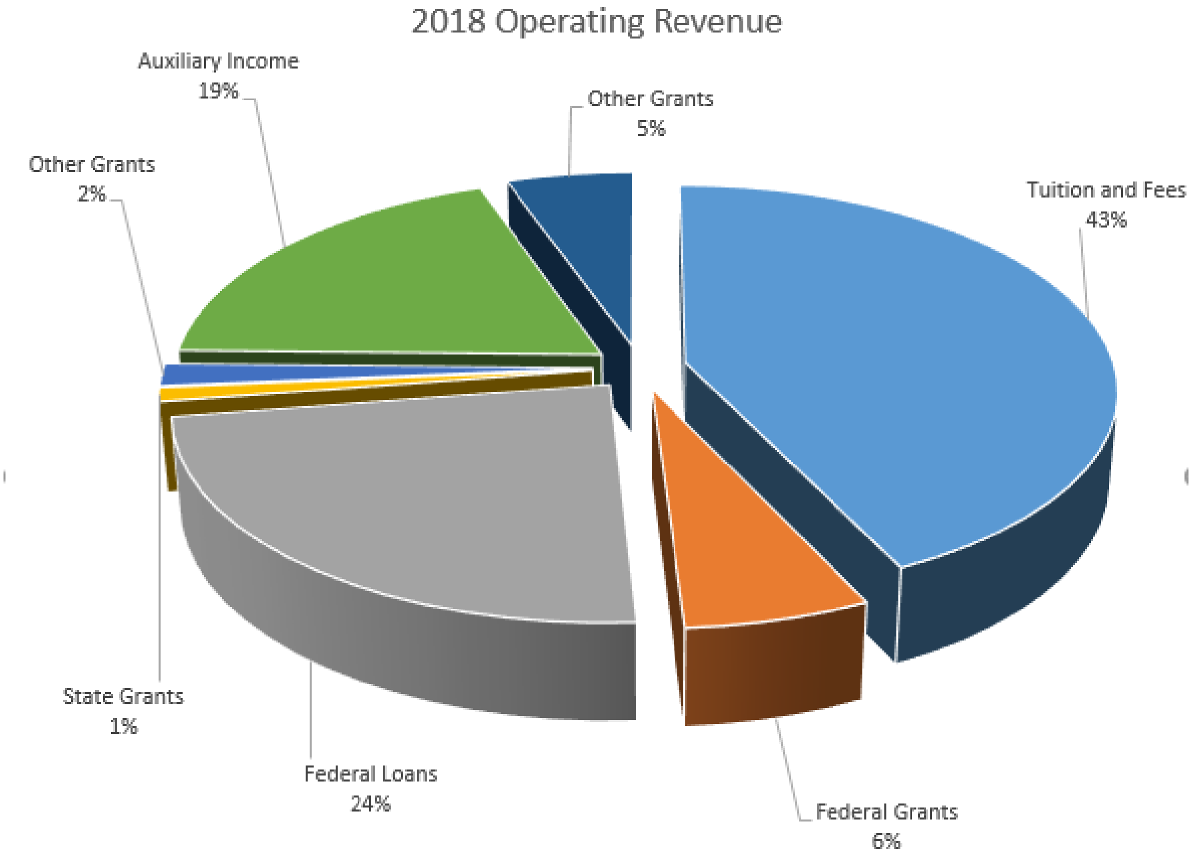
Operating revenue changes for fiscal year 2018 were the result of the following:

- Net tuition and fees increased by $938,000 due to increase in tuition rates and enrollment.
- Auxiliary revenue decreased by $100,000. This was due to room and board revenue and the sale of books and supplies.
- Other income decreased by $260,000. This was due to a number of activities that did not occur throughout the year including insurance proceeds received in FY17 due to a major weather event and other miscellaneous income differences.
- Federal, state grants and other grants and loans increased by $50,262. This was due to an increase in enrollment.

Operating revenue changes for fiscal year 2017 were the result of the following:

- Net tuition and fees remained relatively unchanged and resulted in a net increase of $11,800.
- Auxiliary revenue increased by $52,238. This was due to room and board revenue and the sale of books and supplies.
- Other income increased by $317,952. This was due to a number of activities that occurred throughout the year including insurance loss proceeds, miscellaneous income and an increase in the number of cattle sold at the College farm.
- Federal, state grants and other grants and loans decreased by $287,335. This was due to a decline in enrollment. Furthermore, lost aid must be returned to the federal government within established time lines. Any write-offs related to financial aid lost by students not maintaining their eligibility requirements through the semester resulted in a loss of tuition and fee revenue. Additionally, bookstore recovery from the student is also at the expense of the College. Although the College is tightening up its collection policies, this continues to be a major draw on College resources.

The following is a graphic illustration of operating revenue by source for fiscal year 2018.



Operating Expenses

Operating expenses are all the costs necessary to provide services and conduct the programs of the College.

Operating Expenses for the Years Ended June 30			
Operating Expenses	2018	2017	2016
Educational Services			
Academics, Instructional and Support	$ 5,114,900	$ 4,947,392	$ 4,985,046
Student Support Services	1,007,430	1,076,108	1,078,566
Federal Direct Loans	2,230,702	2,142,855	2,348,487
Federal Work Study	4,211		
Pell Grant & SEOG	1,646,932	1,445,255	1,587,936
Academic Support	294,179	373,287	328,307
Athletics	1,282,112	1,145,760	823,796
Auxiliary Enterprises	1,059,977	1,139,016	1,024,302

Community and Service Development	137,947	124,190	108,338
Facilities	1,168,766	118,730	3,279
General & Administrative	1,950,477	2,472,455	1,896,090
Institutional Support	2,010,669	1,588,877	1,976,538
Depreciation & Amortization	546,361	536,528	545,553
Total Operating Expenses	$ 18,454,663	$ 17,110,453	$ 16,706,238

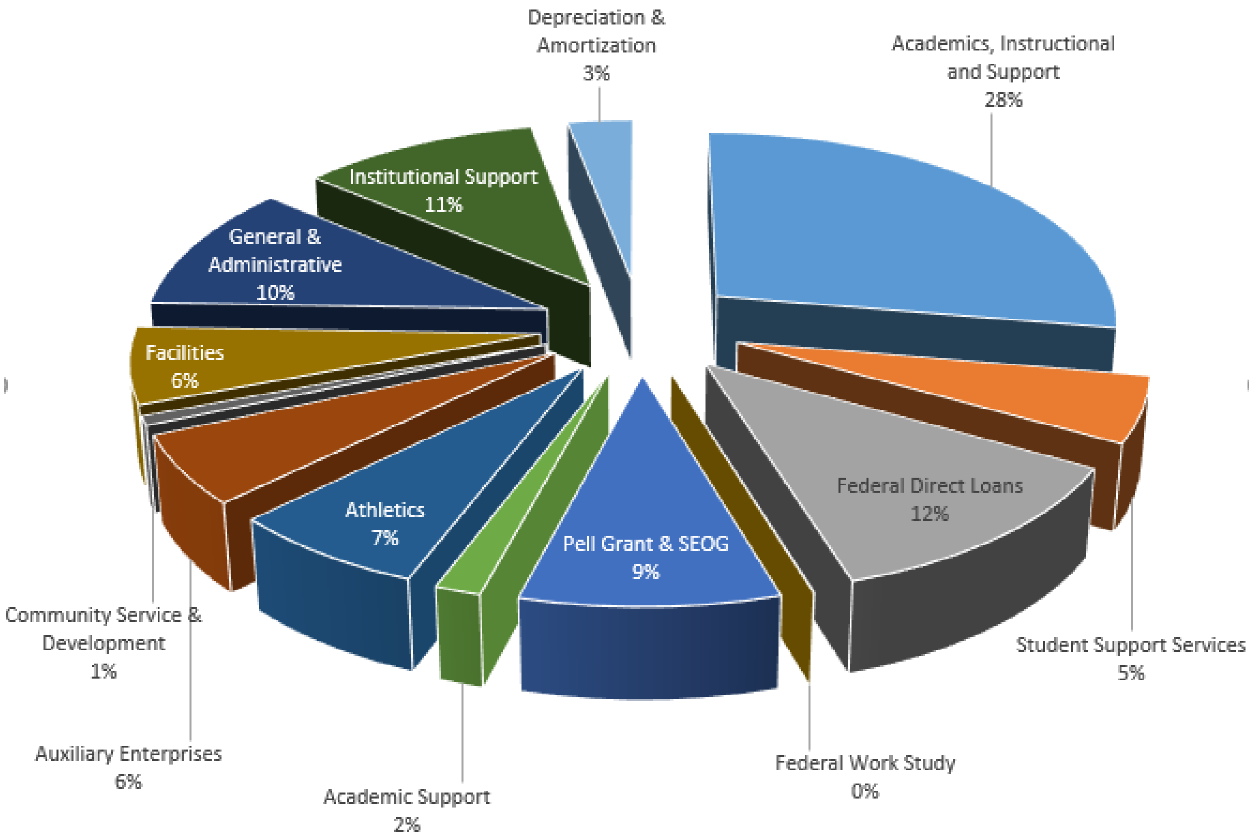
Operating expense changes for fiscal year 2018 were the result of the following:

- Federal direct loans, Pell grant, and SEOG expenses decreased by $348,313 due to a decrease in enrollment and a corresponding increase in grant recipients and awards.
- Academics, Instructional and Support increased by $167,508 as the College continued to convert traditional classrooms into smart classrooms with the addition of technology.
- Athletics increased by $136,352 due to the cost of travel, uniforms and additional supplies necessary for each respective team.
- Student Support Services, Academic Support, and Auxiliary Enterprises decreased by $68,678, $79,108, and $79,039, respectively, due to reclassifying accounts.
- Community Service & Development increased slightly by $13,757.
- Facilities, General & Administrative, and Institutional Support increased over $900,000 as the institution invested $414,460 in additional vehicles including two additional buses for a total of $300,280, five additional vehicles for $104,580 and a John Deere Utility vehicle for $20,600. In addition to the vehicles, the College replaced sidewalks, roofs and remodeled Living Center East for a total of $250,000. The College invested in equipment for the classrooms exceeding $161,000. Finally, the College upgraded the IT area and Online Classroom technology with $71,000 in enhancements.

Operating expense changes for fiscal year 2017 were the result of the following:

- Federal direct loans, Pell grant, and SEOG expenses decreased by 348,313 due to a decrease in enrollment and a corresponding reduction in grant recipients and awards.
- Academic support increased due to the approved faculty pay schedule.
- Athletics increased by $321,964 due to charging travel expenses directly to their respective area in order to track the cost of travel accurately. In addition to moving travel expenses, all Foundation related expenditures are processed through the College to ensure that monies are spent in accordance with the policies of the College. These expenditures are then reimbursed back to the College from the Foundation.
- Auxiliary enterprises increased by $114,714 due to the increase in number of students residing in the dorms and purchasing meal plans. Rodeo expenditures, although reimbursed, were also processed through the auxiliary account.
- General and administrative expenses increased by $576,365 due to campus repairs/improvements, including the Fire Side Lounge remodel, roof replacements, classroom remodels, new sidewalks, update and refresh of Rotary and Kiwanis room, Student Union remodel, and Fit Lab remodel.

The following is a graphic illustration of operating expenses by source for fiscal year 2018.



Non-operating Revenue (Expenses)

Non-operating revenue represents all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and gifts and grants, including Pell federal grants to students.

Non-operating revenue (expenses) were comprised of the following:

Non-operating Expenses for the Years Ended June 30				
Non-operating Expenses		2018	2017	2016
State Appropriations	$	2,502,597	2,493,932	2,547,786
County Property Taxes		6,514,295	6,019,255	5,737,364
Pell Grants & SEOG		1,650,977	1,430,385	1,587,936
Investment Income & Gain (Loss from Sale of Assets)		33,772	31,273	6,106
Contributions		243,614	232,048	336,442
Interest on Capital Asset Debt		(261,386)	(125,315)	(461,604)
Cost of Issuance		-	(301,971)	-
Other Income		-	-	4,570
Total Non-Operating Revenues (Expenses)	$	10,683,869	9,779,607	9,758,600

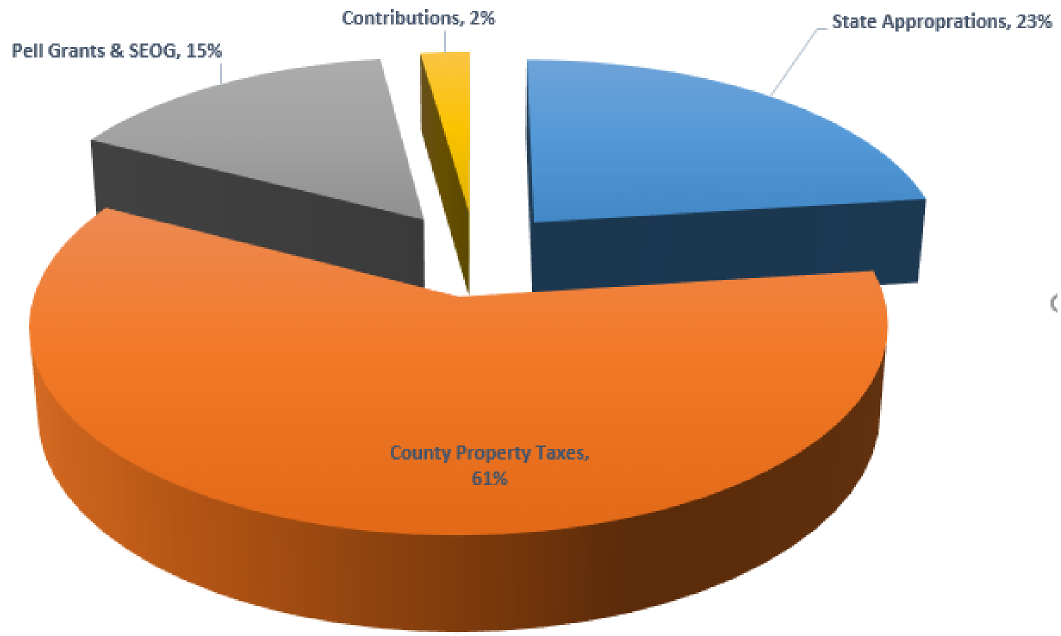
Non-operating revenue (expense) changes for fiscal year 2018 were the result of the following factors:

- State appropriations, investment income, gain and loss from sales, and contributions remained relatively unchanged.
- County property taxes increased by $495,000 due to an increase in assessed valuation.
- Pell grant and Federal Supplemental Educational Opportunity Grant (SEOG) increased by $220,600 due to an increase in enrollment.
- Interest on capital assets increased by $136,000, whereas cost of issuance decreased by $302,000.

Non-operating revenue (expense) changes for fiscal year 2017 were the result of the following factors:

- State appropriations decreased by $53,854. Comparing this year with 2011-12 -- a year when higher education received federal stimulus money -- 42 of 49 states posted five-year increases. Those increases ranged from 2.1 percent in Arizona to 51.4 percent in New Hampshire. Seven states experienced decreases ranging from 1.8 percent in both Arkansas and Kansas to 17.8 percent in Oklahoma. (Retrieved from: https://www.insidehighered.com/news/2017/02/06/states-report-34-percent-increase-higher-education-appropriations).
- County property taxes increased by $281,891 due to an increase in assessed valuation.
- Pell grant and the Federal Supplemental Educational Opportunity Grant (SEOG) decreased by $157,551 due to the decrease in enrollment.
- Investment income and gains/losses from sales increased by $25,167. This is a result of increasing the College's reserves and gaining interest on certificates of deposit.
- Contributions decreased by $104,394. This is due to donations received in 2016 for dorm renovations.
- Interest on capital asset debt decreased by $336,289 due to the refinancing of the Revenue Bonds – Series 2007 and Certificate of Participation Bonds – series 2011.
- Cost of issuance increased by $301,971 because of the above referenced bonds.

The following is a graphic illustration of non-operating revenues by source for fiscal year 2018.



Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also may help users assess the following:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing.

Cash flows for the year consist of the following:

	2018	2017	2016
Cash (Used in) Provided by			
Operating Activities	(7,541,253)	(7,337,698)	(6,482,401)
Investing Activities	71,413	27,609	11,758
Noncapital Financing Activities	10,915,483	10,270,028	10,703,253
Capital and Related Financing Activities	(1,083,342)	(1,643,599)	(1,387,000)
Net Increase (Decrease) in Cash and Cash Equivalents	2,362,301	1,316,340	2,845,610
Cash and Cash Equivalents - Beginning of Year	8,457,125	7,140,785	4,295,175
Cash and Cash Equivalents - End of year	$ 10,819,426	$ 8,457,125	$ 7,140,785

Net cash used for operating activities in 2018 totaled $7.5 million. This was financed by $10.9 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled $1.1 million. The net result of all cash flows is an increase of $2.4 million for 2018.

Net cash used for operating activities in 2017 totaled $7.3 million. This was financed by $8.5 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled $1.6 million. This includes purchasing capital assets for $614,902, proceeds from bond issuance of $9.2 million, principal and interest paid on long-term debt in the amount of $9.6 million, cost of bond issuance in the amount of $301,971, bond original issue discount and deferred loss on refunding in the amount of $364,974, and proceeds from sale of assets of $21,400. The net result of all cash flows was an increase in cash of $1.3 million for 2017.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the College had approximately $12.4 million invested in capital assets, net of accumulated depreciation of $9 million. Depreciation charges totaled $546,361.

Additional information about the College's capital assets can be found in Note 9.

Debt

In 2017, the College refinanced series 2007 - Revenue bonds and series 2011 – Certificate of Participation (COP) bonds into one series 2016 – COP bonds with a lower interest rate saving the College approximately $2 million over the life of the bonds. In 2018, the College made annual debt service payments on this debt. Additional information about the College's debt administration can be found in Note 25.

Economic Factors That Will Affect the Future

Colby Community College receives funding from three major sources – property taxes, tuition and fees, and state appropriations.

Property taxes provide the largest proportion of revenues for operations.

Fiscal Year	Property Taxes	% Change by Year
2018	$ 6,514,295	8.22%
2017	$ 6,019,255	4.91%
2016	$ 5,737,364	7.42%
2015	$ 5,341,278	3.49%
2014	$ 5,161,031	26.23%

Property taxes have increased over the past five years as taxable values on properties have increased. The College is projecting a decline in future projections of property taxes due to corn commodities and the future impact on the community. However, anticipated land valuations are projected to remain strong, and should help offset the loss of revenue in corn commodities.

Although the State of Kansas economic condition has improved, recent revenue estimates are not as optimistic as previously stated. Starting in FY 2016, revenues from the State for KPERS contributions were included in the state appropriations figure. Thus appearing that the state provided additional funding for operations.

State Appropriations

Fiscal Year	Operations	% Change by Year
2018	$ 2,502,597	0.35%
2017	$ 2,493,932	-2.11%
2016	$ 2,547,786	15.94%
2015	$ 2,197,519	7.28%
2014	$ 2,048,490	-5.05%

With limited growth in revenue, tuition and fees have been increased to maintain programs and services.

Tuition and Fees

Fiscal Year	Instate Tuition	% Change by Year
2018	$ 72	2.86%
2017	$ 70	0.00%
2016	$ 70	7.69%
2015	$ 65	8.33%
2014	$ 60	5.26%

Since 2014, instate tuition rates have increased $12 per credit hour, or 20%. Although tuition increases implemented since 2014 have exceed inflation, tuition charged to Colby Community College students was still below the national average.

Institutional efforts to reduce operating costs through attrition and cost cutting initiatives have been made and are an ongoing priority. Through these efforts, it has been possible to maintain affordable tuition for our community while providing outstanding educational programs and services in an inviting learning environment with qualified instructional and support faculty and staff.

Additional information concerning the financial statements or the financial status of the College can be obtained by contacting the College business office at 1255 S. Range, Colby, Kansas, 67701.

Ms. Carolyn Kasdorf
Vice President of Business Affairs and
Chief Financial Officer
Colby Community College

COLBY COMMUNITY COLLEGE
Statements of Net Position
June 30, 2018 and 2017

	College		Foundation	
	2018	2017	**2018**	2017
ASSETS				
Current Assets				
Cash - Unrestricted	$ **10,819,426**	8,457,125	**1,190,925**	1,017,276
Bookstore Receivables	**105**	286	**-**	-
Taxes Receivable, Net of Allowance	**72,000**	76,000	**-**	-
Accounts Receivable, Students, Net of Allowance for Doubtful Accounts of $170,559 and $229,651, Respectively	**246,572**	199,556	**-**	-
Federal Grants Receivable	**36,861**	169,941	**-**	-
Other Receivables	**25,318**	106,459	**-**	20,000
Unconditional Promises to Give	**-**	-	**26,554**	1,554
Accrued Interest Income	**-**	-	**17,136**	17,952
Inventory	**191,320**	175,143	**-**	-
Prepaid Insurance and Other Expenses	**54,055**	76,000	**297**	310
Total Current Assets	**11,445,657**	9,260,510	**1,234,912**	1,057,092
Noncurrent Assets				
Cash - Restricted	**19,696**	25,814	**-**	-
Contributions Receivable	**-**	-	**-**	24,272
Unconditional Promises to Give	**-**	-	**24,021**	24,829
Investments	**-**	-	**5,324,124**	5,196,629
TCCF Magnet Money Investment - Designated Until Funds are Matched	**-**	-	**17,815**	16,972
Land and Personal Property Held for Investment	**-**	-	**225,870**	455,870
Mineral Interest	**-**	-	**48,951**	19,851
Loans to Students, Net of Allowance for	**-**	-	**-**	-
Uncollectible Loans of $0 and $103,002, Respectively	**10,516**	270,058	**-**	-
Capital Assets, Not Depreciated	**328,000**	328,000	**-**	-
Capital Assets, Net of Accumulated Depreciation of $8,745,763 and $8,472,317, Respectively	**12,085,642**	11,849,241	-	-
Construction in Process	**4,948**	253,131	-	-
Total Noncurrent Assets	**12,448,802**	12,726,244	**5,640,781**	5,738,423
Total Assets	**23,894,459**	21,986,754	**6,875,693**	6,795,515
Deferred Outflows of Resources				
Deferred Outflows - Pension	**44,347**	55,029	-	-
Deferred Outflows - OPEB	**19,231**	-	-	-
Deferred Refunding, Net of Accumulated Amortization of $14,764	**295,285**	310,049	**-**	-
Total Deferred Outflows of Resources	**358,863**	365,078	**-**	-
Total Assets and Deferred Outflows of Resources	**24,253,322**	22,351,832	**6,875,693**	6,795,515

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

COLBY COMMUNITY COLLEGE
Statements of Net Position
June 30, 2018 and 2017

	College		Foundation	
	2018	2017	**2018**	2017
LIABILITIES				
Current Liabilities				
Current Obligations - Certificate of Participation	$ **285,000**	265,000	**-**	-
Accounts Payable	**224,087**	213,007	**14,383**	7,267
Accrued Payroll and Benefits	**400,020**	380,672	**-**	-
Compensated Absences	**272,600**	232,858	**-**	-
Unearned Revenue	**76,967**	174,058	**-**	-
Dorm Deposits	**33,075**	23,425	**-**	-
Early Retirement Liability, Current Portion	**22,332**	24,800	**-**	-
Accrued Interest Payable	**39,305**	40,631	**-**	-
Deposits and Other Payables	**41,627**	-	**-**	-
Total Current Liabilities	**1,395,013**	1,354,451	**14,383**	7,267
Noncurrent Liabilities				
Noncurrent Obligations - Certificate of Participation Bonds	**8,355,000**	8,640,000	**-**	-
Bond Discount, Net of Accumulated Amortization of $1,826	**(36,510)**	(38,336)	**-**	-
Total OPEB Liability	**1,896,087**	1,560,292	**-**	-
Net Pension Liability	**231,536**	245,323	**-**	-
Early Retirement Liability, Noncurrent Portion	**13,459**	17,695	**-**	-
Total Noncurrent Liabilities	**10,459,572**	10,424,974	**-**	-
Total Liabilities	**11,854,585**	11,779,425	**14,383**	7,267
Deferred Inflows of Resources				
Deferred Inflows - Pension	**24,608**	15,227	**-**	-
Deferred Inflows - OPEB	**213,535**	102,546	**-**	-
Total Deferred Inflows of Resources	**238,143**	117,773	**-**	-
Total Liabilities and Deferred Inflows of Resources	**12,092,728**	11,897,198	**14,383**	7,267
NET POSITION				
Invested in Capital Assets, Net of Related Debt	**4,110,385**	3,873,757	**-**	-
Restricted - Expendable				
Perkins Loan and Grant Funds	**378,359**	530,884	**-**	-
Other	**-**	-	**1,885,126**	1,787,137
Restricted - Nonexpendable	**-**	-	**4,304,788**	4,255,168
Unrestricted	**7,671,850**	6,049,993	**671,396**	745,943
Total Net Position	**12,160,594**	10,454,634	**6,861,310**	6,788,248
Total Liabilities and Net Position	**24,253,322**	22,351,832	**6,875,693**	6,795,515

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

COLBY COMMUNITY COLLEGE
Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2018 and 2017

	College		Foundation	
	2018	2017	**2018**	2017
Operating Revenues				
Tuition and Fees	$ **5,021,113**	4,401,355	**-**	-
Less: Student Aid/Discount	**(948,324)**	(1,007,829)	**-**	-
Less: Bad Debt Expense	**(5,749)**	(264,361)	**-**	-
Net Tuition and Fees	**4,067,040**	3,129,165	**-**	-
Federal Grants and Contracts	**576,410**	528,822	**-**	-
Federal Direct Loans	**2,230,702**	2,142,855	**-**	-
State Grants and Contracts	**101,510**	100,378	**-**	-
Other Grants and Contracts	**164,226**	250,531	**7,400**	30,000
Auxiliary Income	**1,823,714**	1,923,923	**-**	-
Other Income	**513,152**	773,348	**4,670**	60
Contributions and Other Fundraisers	**-**	-	**464,963**	472,328
Total Operating Revenues	**9,476,754**	8,849,022	**477,033**	502,388
Operating Expenses				
Educational Services				
Academics, Instructional and Support	**5,114,900**	4,947,392	**-**	-
Community Service	**70,894**	62,033	**-**	-
Student Support Services	**1,007,430**	1,076,108	**377,131**	437,469
Federal Direct Loans	**2,230,702**	2,142,855	**-**	-
Federal Work Study	**4,211**	-	**-**	-
Pell Grant Expense	**1,603,811**	1,393,874	**-**	-
SEOG Expense	**43,121**	51,381	**-**	-
Support Services				
Academic Support	**294,179**	373,287	**-**	-
Athletics	**1,282,112**	1,145,760	**-**	-
Auxiliary Enterprises	**1,059,977**	1,139,016	**-**	-
Development	**67,053**	62,157	**-**	-
Facilities	**1,168,766**	118,730	**-**	-
General and Administrative	**1,950,477**	2,472,455	**276,951**	262,561
Institutional Support	**2,010,669**	1,588,877	**-**	-
Depreciation and Amortization	**546,361**	536,528	**-**	-
Total Operating Expenses	**18,454,663**	17,110,453	**654,082**	700,030
Net Operating Loss	**(8,977,909)**	(8,261,431)	**(177,049)**	(197,642)
Nonoperating Revenues (Expenses)				
State Appropriations	**2,502,597**	2,493,932	**-**	-
County Property Taxes	**6,514,295**	6,019,255	**-**	-
Pell Grants	**1,603,811**	1,393,874	**-**	-
SEOG Grants	**47,166**	36,511	**-**	-
Investment Income	**71,413**	27,609	**126,755**	187,447
Unrealized Appreciation on Investments	**-**	-	**120,053**	118,232
Gain (Loss) From Sale of Assets	**(37,641)**	3,664	**-**	-
Contributions	**243,614**	232,048	**-**	-
Interest on Capital Asset Debt	**(261,386)**	(125,315)	**-**	-
Cost of Issuance	**-**	(301,971)	**-**	-
Other Income	**-**	-	**3,303**	8,722
Net Nonoperating Revenues (Expenses)	**10,683,869**	9,779,607	**250,111**	314,401
Change in Net Position	**1,705,960**	1,518,176	**73,062**	116,759
Net Position - Beginning of Year As Previously Stated	**10,454,634**	9,971,296	**6,788,248**	6,525,764
Prior Period Restatement	**-**	(1,034,838)	**-**	145,725
Net Position - Beginning of Year As Restated	**10,454,634**	8,936,458	**6,788,248**	6,671,489
Net Position - End of Year	$ **12,160,594**	10,454,634	**6,861,310**	6,788,248

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

COLBY COMMUNITY COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Student Tuition and Fees, Net of Discount	$ **4,182,475**	3,363,929
Grants and Contracts	**959,049**	858,022
Direct Loan Revenue	**2,230,702**	2,211,123
Auxiliary Enterprise Revenue	**1,833,545**	1,972,867
Payments to Employees and for Employee Benefits	**(7,436,827)**	(7,033,966)
Payments to Suppliers	**(6,613,811)**	(6,109,911)
Auxiliary Enterprise Expense	**(1,059,977)**	(1,139,016)
Direct Loan Payments	**(2,230,702)**	(2,142,855)
Other Receipts	**594,293**	682,109
Net Cash Used by Operating Activities	**(7,541,253)**	(7,337,698)
Cash Flows From Investing Activities		
Interest on Investments	**71,413**	27,609
Cash Flows From Noncapital Financing Activities		
State Appropriations	**2,502,597**	2,493,932
County Property Taxes	**6,518,295**	6,029,255
Pell and SEOG Grants	**1,650,977**	1,514,793
Contributions	**243,614**	232,048
Net Cash Provided by Noncapital Financing Activities	**10,915,483**	10,270,028
Cash Flows From Capital and Related Financing Activities		
Purchase of Capital Assets	**(578,520)**	(614,902)
Proceeds From Bond Issuance	**-**	9,215,000
Principal Paid on Long-Term Debt	**(265,000)**	(9,401,390)
Interest Paid on Long-Term Debt	**(246,122)**	(196,762)
Cost of Bond Issuance	**-**	(301,971)
Bond Original Issue Discount and Deferred Loss on Refunding	**-**	(364,974)
Proceeds From Sale of Assets	**6,300**	21,400
Net Cash Used by Capital and Related Financing Activities	**(1,083,342)**	(1,643,599)
Net Increase in Cash	**2,362,301**	1,316,340
Cash - Beginning of Year	**8,457,125**	7,140,785
Cash - End of Year	$ **10,819,426**	8,457,125
Cash Per Balance Sheet		
Cash - Unrestricted	$ **10,819,426**	8,457,125

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

COLBY COMMUNITY COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities

	2018	2017
Net Operating Loss	$ **(8,977,909)**	(8,261,431)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Depreciation and Amortization	**546,361**	536,528
Changes in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	**(47,016)**	164,511
Federal Grants Receivable	**133,080**	64,633
Other Receivables	**81,322**	(90,854)
Inventory	**(16,177)**	36,440
Prepaid Insurance and Other Expenses	**21,945**	(26,442)
Loans to Students	**259,542**	24,221
Increase (Decrease) in		
Accounts Payable	**17,198**	(53,022)
Accrued Payroll and Benefits	**486,215**	129,554
Other Liabilities	**51,277**	109,712
Deferred Revenue	**(97,091)**	28,452
Net Cash Used by Operating Activities	$ **(7,541,253)**	(7,337,698)

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

COLBY COMMUNITY COLLEGE

Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Colby Community College is located in northwest Kansas in Thomas County. The College was organized and established in 1964 under the provisions of then Section 72-6901 *et. seq.* of Kansas Statutes Annotated (now K.S.A. 71-201 *et seq.*). The College is a public two-year community college offering a comprehensive curriculum with liberal arts and sciences, as well as vocational and technical programs for credit and noncredit students from Thomas County and surrounding communities.

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The College's reports are based on applicable Governmental Accounting Standards Board (GASB) pronouncements and its accounting policies conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities.

Use of Estimates

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

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Financial Reporting Entity

The College is governed by an elected six-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present **Colby Community College** (the primary government) and its component unit. The component unit is included in the College's reporting entity because of the significance of its operational or financial relationship with the College.

Colby Community College Endowment Foundation is a discretely presented component unit of the College and is included in the component unit column in the College's basic financial statements. It is reported in a separate column to emphasize that it is a not-for-profit entity legally separate from the College. Foundation board members are appointed by the existing Foundation board members. The discretely presented component unit has a June 30 year end.

Colby Community College Endowment Foundation is a not-for-profit corporation organized under the laws of the State of Kansas to raise funds to support the educational undertakings of **Colby Community College**, and to receive and hold in trust any property, real or personal, given, devised, bequeathed, given in trust or in any other way made to the corporation for the use or benefit of any student or employee as designated by the donor, grantor, or testator, or in the case of an unrestricted gift, then to such uses as may be agreed on by the Board of Trustees. Scholarships totaling $91,370 and $101,125 and expenditure reimbursement of $293,770 and $283,349 were provided to the College during the 2018 and 2017 years, respectively.

Colby Community College Endowment Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. The Foundation reports its financial results under Financial Accounting Standard Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The component unit's financial data has, however, been aggregated into like categories for presentation purposes.

Separately issued audited financial statements for the Foundation may be obtained from the College's administrative office.

Measurement Focus and Basis of Accounting

For financial statement reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first and then unrestricted resources as needed.

Property Taxes

Property taxes are levied each calendar year on all taxable real property located in the taxing district. Property taxes are recorded on an accrual basis of accounting. The College's property taxes are assessed on a calendar year basis, are levied, and become a lien on the property on November 1st of each year. The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20th and the second half is due May 10th. The College draws available funds from the County Treasurer's office at designated times throughout the year.

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. A percent of property taxes levied in November 2017 are normally distributed after June 30, 2018 and are presented as accounts receivable. As of June 30, 2018 and 2017, the County Treasurer had distributed to the College approximately 96% of ad valorem taxes levied in the prior year. The receivable for taxes in process was $72,000 and $76,000 at June 30, 2018 and 2017, respectively.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole. Delinquent tax payments are recognized as revenue in the year received.

Revenue Classification

The College has classified its revenues as either operating or nonoperating 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, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state aid, property taxes and investment income.

Cash
For purposes of the statements of cash flows, the College considers all unrestricted, highly liquid deposits with original maturities of three months or less as cash. The Foundation's cash balances consist of cash held in checking accounts, money markets accounts, and certificates of deposit at various financial institutions. Cash contributions that are restricted by the donor for long-term purposes are not included in the definition of cash even though the funds are invested in short-term liquid investments. The Foundation routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations.

Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments (including property taxes) or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon a level that in management's judgment is adequate to absorb the losses inherent to student services. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

Unconditional Promises to Give
Unconditional promises to give are recorded when commitments are received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Generally accepted accounting principles require that unconditional promises to give that are due beyond the next year be discounted using risk free interest rates. Unconditional promises to give are not included as support until the conditions are substantially met.

Inventory and Prepaid Items
Inventory consists of items held for resale by the bookstore and is stated at the lower of cost or net realizable value. The College also holds farm inventory items which are held for resale by the farm program and are valued at net realizable value. The value is recorded as expense as the inventories are depleted. The College records certain payments to vendors that reflect costs applicable to future accounting periods as prepaid items in its financial statements.

Investments
The Foundation has a policy of pooling assets for investment purposes unless the governing instruments prohibit such pooling. Investments are reported at fair value as of June 30, 2018 and 2017. A portion of the investment return is allocated to the funds in accordance with the Foundation's accounting policy. Investment income and gains and losses restricted by a donor are reported as increases or decreases in unrestricted net assets if the restrictions are met either by the passage of time or by use in the reporting period in which the income and gains are recognized.

Contributions are generally available for unrestricted use in the year of the gift unless specifically restricted by the donor. Pledges are recorded as receivables in the year made. Amounts received or pledged that are designated for use or payment in future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support which increases the balances in those net asset classes. When a payment is received, a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges that are made and received in the same period are reported as an increase in the appropriate net asset class.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Colby Community College Endowment Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Donor Restricted Gifts

Unconditional promises to give cash and other assets to Colby Community College Endowment Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

During the year ended June 30, 2018 and 2017, the value of contributed services and assets meeting the requirements for recognition in the financial statements was $113,176 and $139,644, respectively. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation. In-kind revenues are included in Contributions and Other Fundraisers and Auction Fundraisers on the Statement of Activities.

Capital Assets

Capital assets include property, plant, equipment and infrastructure, such as streets, sidewalks, parking lots, water system and sewer system. Capital assets are defined by the College as assets with an initial unit cost of $5,000 or more. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction in progress at June 30, 2018 and 2017 represents the building of a softball clubhouse, remodeling of the student dorms and the down payment on two new buses.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Land Improvements	20
Machinery and Equipment	7-15
Vehicles	8
Computer Hardware/Software	5

The Foundation follows the practice of capitalizing all expenditures for property and equipment over $500. The fair value of donated fixed assets is similarly capitalized. Depreciation expense is determined using the straight-line method over the estimated useful life of each asset.

Deferred Inflows of Resources/Deferred Outflows of Resources
In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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 three items that qualify for reporting in this category, deferred charge on refunding, collective deferred outflows for pensions and deferred outflows for OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note 20 and 22, respectively, for more information on the deferred outflows for pensions and deferred outflows for OPEB.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 two items that qualify for reporting in this category. The College reports collective deferred inflows for pensions and deferred inflows for OPEB, which are described further in Notes 20 and 22, respectively.

On-Behalf Payments for Employee Benefits
The College recognizes revenues and expenses for the contributions made by the State of Kansas to the Kansas Public Employees Retirement System (KPERS and KPERS Death and Disability OPEB Plan) on behalf of the College's employees.

Net Position
The College's net position is classified as follows:

a. *Invested in capital assets, net of related debt*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

c. *Restricted net position – nonexpendable*: Nonexpendable restricted net position consists 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 inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

d. *Unrestricted net position*: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, 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 lawful purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Encumbrances
Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Federal Financial Assistance Programs
The College participates in federally funded PELL Grants, SEOG Grants, Federal Work-Study, Federal Direct Loans, and Perkins Loan 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.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses, and change in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the 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.

Income Taxes

The Foundation is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC), as an organization described in IRC Section 501(c)(3). Further, the Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Foundation qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation did not have any material unrelated business income tax liability for the years ended June 30, 2018 and 2017.

Generally accepted accounting principles prescribe the accounting for uncertainty in income taxes and a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There was no effect on the financial statements as a result of adopting this interpretation as the Foundation believes it does not have any material uncertain tax positions reflected in its financial statements. Tax years that remain subject to examination in the Foundation's major jurisdictions are for the years ended June 30, 2018, 2017 and 2016.

NOTE 2 – BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

a. Preparation of the budget for the succeeding calendar year on or before August 1st.

b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.

d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 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 the year ended June 30, 2018.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

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 Board.

Budgetary Compliance – Regulatory Basis
By statute, the College prepares its annual budget on the regulatory basis of accounting. A reconciliation of these regulatory basis statements to the GAAP statements is presented in the notes to supplementary information.

NOTE 3 – CASH

Colby Community College follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized in the individual fund financial statements.

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

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

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

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

The College's carrying amount of deposits was $10,839,122 and $8,482,939 and the bank balance was $11,077,069 and $8,815,516 at June 30, 2018 and 2017, respectively. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, $1,500,000 and $1,762,091 was covered by federal depository insurance and $9,517,825 and $7,053,425 was collateralized with securities held by pledging financial institutions' agents in the College's name at June 30, 2018 and 2017, respectively. The remaining $59,244 was not legally secured at June 30, 2018. All deposits were legally secured at June 30, 2017.

The total carrying amount of the Foundation's deposits was $1,190,925 and $1,017,276 at June 30, 2018 and 2017, respectively. The bank balance at year end consisted of checking accounts, certificates of deposit, money market accounts, and money market accounts in mutual funds in the amount of $1,213,848 and

$1,071,504 at June 30, 2018 and 2017. Of the Foundation's cash balance at June 30, 2018 and 2017, $942,980 and $721,408 was covered by federal depository insurance and $203,015 and $206,785 was covered by Securities Investor Protection Corporation at June 30, 2018 and the remaining balance of $67,853 and $89,083 was unsecured. Further, they believe that their exposure to such credit risk is sufficiently infrequent to consider additional protection.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The College had no investments at June 30, 2018 and 2017.

NOTE 4 – INVESTMENTS AND INVESTMENT RETURN

The Foundation's investment policy is established to direct the investment of funds in a manner that maximizes potential return based on current market conditions without assuming undue risk. The policy calls for a diversification of fixed income investments to provide predictable and dependable returns and equity investments to provide the opportunity for growth and appreciation of principal.

The Foundation presents its investments at their fair value as of June 30, 2018 with the unrealized gains and losses included in the change in net assets. Fair value is determined using quoted prices in active markets for identical assets.

The Foundation has not evaluated its investments for impairment. The following is a detailed listing of the Foundation's investments at June 30, 2018:

Description of Asset		Cost Basis	Fair Value	Unrealized Gain (Loss)
Stocks				
Edward Jones	$	58,787	196,288	137,501
First National Bank & Trust		632,677	980,001	347,324
Investment Professionals, Inc.		36,737	24,333	(12,404)
Southern Company		17,787	34,475	16,688
Total Stocks		745,988	1,235,097	489,109
Mutual Funds				
Edward Jones		530,336	544,590	14,254
First National Bank & Trust		58,961	75,417	16,456
Investment Professionals, Inc.		31,839	36,555	4,716
Sunflower Bank		962,949	1,054,213	91,264
Total Mutual Funds		1,584,085	1,710,775	126,690
Total Stocks and Mutual Funds		2,330,073	2,945,872	615,799
Bonds				
Edward Jones		378,964	447,258	68,294
Farm Bureau NQ Annuity		51,199	53,377	2,178
First National Bank & Trust		862,919	877,030	14,111
Investment Professionals, Inc.		1,304	1,344	40
Sunflower - Agency		1,025,733	999,243	(26,490)
Total Bonds		2,320,119	2,378,252	58,133

Total Investments	$	4,650,192	5,324,124	673,932

Investment return has been allocated between unrestricted and temporarily restricted based on donors' explicit stipulation, and where appropriate, board directive.

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividends	$	25,944	156,433	-	182,377
Royalty Income		-	3,164	7,287	10,451
Capital Gain Distributions		2,327	14,028	-	16,355
Realized Loss		(8,785)	(52,969)	-	(61,754)
Administrative Fees		(2,941)	(17,733)	-	(20,674)
Unrealized Gain		16,689	103,364	-	120,053
Net Investment Return	$	33,234	206,287	7,287	246,808

Following is a detailed listing of the Foundation's investments at June 30, 2017:

Description of Asset		Cost Basis	Fair Value	Unrealized Gain (Loss)
Stocks				
Edward Jones	$	77,009	174,930	97,921
Investment Professionals, Inc.		37,949	26,776	(11,173)
First National Bank and Trust		605,037	851,020	245,983
Southern Company		17,787	35,643	17,856
Total Stocks		737,782	1,088,369	350,587
Mutual Funds				
Edward Jones		503,520	527,626	24,106
First National Bank and Trust		58,961	74,604	15,643
Investment Professionals, Inc.		30,221	35,570	5,349
Sunflower Bank		1,911,441	1,962,340	50,899
Total Mutual Funds		2,504,143	2,600,140	95,997
Total Stocks and Mutual Funds		3,241,925	3,688,509	446,584
Bonds				
Edward Jones		379,004	475,660	96,656
Farm Bureau NQ Annuity		52,528	52,528	-
First National Bank and Trust		905,740	945,268	39,528
Investment Professionals, Inc.		34,350	34,664	314
Total Bonds		1,371,622	1,508,120	136,498
Total Investments	$	4,613,547	5,196,629	583,082

Investment return has been allocated between unrestricted and temporarily restricted based on donors' explicit stipulation, and where appropriate, board directive.

Description		Unrestricted	Temporarily Restricted	Total
Interest and Dividends	$	24,294	157,831	182,125
Royalty Income		4,781	159	4,940
Capital Gain Distributions		1,934	12,005	13,939
Realized Gain		848	5,606	6,454
Administrative Fees		(2,758)	(17,253)	(20,011)
Net Investment Return	$	29,099	158,348	187,447

Fair Value Measurements
Accounting guidance establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis.

Mutual funds, stocks, bonds and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded. The value of TCCF Magnet Money is based on the percentage determined by dividing the current principal of the Foundation's fund by the value of the total assets of the Community Foundation.

The current fair value of the land held for investment was determined by the investment company's internal appraisal that is completed on an annual basis. Every three years, the investment company receives an appraisal on the land by an independent outside third party. The fair value of the land at June 30, 2018 and 2017 was determined by the investment company.

The fair value of the mineral rights owned by the Foundation is estimated by calculating five times the average annual cash flow. The convention is to simply multiply the average of the 12-month cash flow generated by the property or collection of properties by 5. In order for the Foundation to determine the estimated fair value of these assets, the Foundation would incur excessive costs which could affect the Foundation's programs and activities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2018.

			Fair Value Measurements at June 30, 2018		
		Fair Value	Level 1	Level 2	Level 3
Investments					
Stocks	$	1,235,097	1,235,097	-	-
Mutual Funds		1,710,775	1,710,775	-	-
Bonds and Fixed Income Sec.		2,378,252	2,378,252	-	-
Total Investments	$	5,324,124	5,324,124	-	-
Other Investments					
TCCF Magnet Money	$	17,815	-	-	17,815
Land Held for Investment		225,870	-	-	225,870
Mineral Interest		48,951	-	-	48,951
Total Other Investments	$	292,636	-	-	292,636

The following summarizes the Foundation's activities related to those items measured at fair value using level three inputs for the year ended June 30, 2018.

		Other Investments
Fair Value – July 1, 2017	$	492,693
Proceeds From Sale of Land and Personal Property Held for Investment		(155,501)
Loss on Sale of Land and Personal Property Held for Investment		(74,499)
Change in Value of Other Investments		29,943
Fair Value – June 30, 2018	$	292,636

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2017.

			Fair Value Measurement at June 30, 2017		
		Fair Value	Level 1	Level 2	Level 3
Investments					
Stocks	$	1,088,369	1,088,369	-	-
Mutual Funds		2,600,140	2,600,140	-	-
Bonds and Fixed Income Sec.		1,508,120	1,508,120	-	-
Total Investments	$	5,196,629	5,196,629	-	-
Other Investments					
TCCF Magnet Money	$	16,972	-	-	16,972
Land Held for Investment		451,498	-	-	451,498
Personal Property Held for Investment		4,372	-	-	4,372
Mineral Interest		19,851	-	-	19,851

Total Other Investments	$	492,693	-	-	492,693

The following summarizes the Foundation's activities related to those items measured at fair value using level three inputs for the year ended June 30, 2017:

		Other Investments
Fair Value – July 1, 2016	$	523,216
Change in Value of Other Investments		(30,523)
Fair Value – June 30, 2017	$	492,693

There were no transfers between levels one and two and there were no transfers in or out of level three during the year.

NOTE 5 – TCCF MAGNET MONEY INVESTMENT

On June 14, 2010, the Foundation entered into an agreement with Thomas County Community Foundation, Inc. to establish an agency fund with a magnet money option in the amount of $10,000. The magnet money option allows the Foundation to place its endowment funds with the Community Foundation for management and investment. As the original investment is matched by outside donations, the Foundation may withdraw the original investment as long as that particular agency endowed fund keeps a minimum balance of $10,000 in principal. The Community Foundation does maintain variance power; however, the Colby Community College Endowment Foundation's Trustees retain the power to withdraw this money. The Community Foundation has the power to retain, invest and reinvest the funds for investment purposes.

NOTE 6 – LAND HELD FOR INVESTMENT

On December 29, 2009, a parcel of land was donated to the Foundation with an estimated fair value of $107,200 at the date of donation. The land was received as a permanently restricted contribution. The current fair value was determined by the investment company's internal appraisal that is completed annually. Every three years, the investment company receives an appraisal on the land by an independent outside third party. The land is classified as land held for investment at June 30, 2018 and 2017 and had a fair value of $225,870.

On June 3, 2016, a parcel of land with two buildings and three combines were donated to the Foundation with an appraised value of $244,650. The property is a tract of approximately 3.55 acres with two buildings located in the SW/4 of Section 33-7-33 located east of Colby on Highway 24 in Thomas County, Kansas. During the year ended June 30, 2018, the Foundation sold the land, buildings and equipment.

NOTE 7 – OTHER RECEIVABLES

At June 30, 2018 and 2017, **Colby Community College** had other receivables as follows:

		2018	2017
Insurance Proceeds Receivable	$	**-**	52,450
Student Payment Plans Receivable		**21,332**	27,500
VA Payments Receivable		**3,151**	5,736
Credit Card Receivable		**835**	9,163
KBOR Receivable		**-**	11,610
Total Other Receivables	$	**25,318**	106,459

NOTE 8 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are due beyond the next year are discounted using a risk free interest rate of 3.0%. Unconditional promises to give consisted of the following at June 30:

		2018 Temporarily Restricted	2017 Unrestricted
Unconditional Promises to Give	$	**55,595**	77,150
Less Present Value		**(5,020)**	(6,495)
	$	**50,575**	70,655
Amount expected			
Within one year	$	**26,554**	21,554
One to five years		**7,115**	32,768
Over five years		**16,906**	16,333
Total	$	**50,575**	70,655

NOTE 9 – CAPITAL ASSETS

The following is a summary of changes in the various capital asset categories for the year ended June 30, 2018.

		Beginning Balance	Increases	Decreases	Ending Balance
Land	$	40,000	-	-	40,000
Land Improvements		288,000	-	-	288,000
Buildings		17,504,068	250,162	-	17,754,230
Equipment		1,248,322	161,049	(145,453)	1,263,918
Vehicles		514,443	414,460	(217,245)	711,658
Computer Hardware/Software		1,054,725	71,025	(24,152)	1,101,598
Total		20,649,558	896,696	(386,850)	21,159,404
Accumulated Depreciation		(8,472,317)	(546,361)	272,916	(8,745,762)
Construction in Progress		253,131	4,948	(253,131)	4,948
Capital Assets, Net	$	12,430,372	355,283	(367,065)	12,418,590

The following is a summary of changes in the various capital asset categories for the year ended June 30, 2017.

		Beginning Balance	Increases	Decreases	Ending Balance
Land	$	40,000	-	-	40,000
Land Improvements		288,000	-	-	288,000
Buildings		17,085,281	418,787	-	17,504,068
Equipment		1,195,990	65,832	(13,500)	1,248,322
Vehicles		538,913	34,369	(58,839)	514,443
Computer Hardware/Software		1,031,400	23,325	-	1,054,725
Total		20,179,584	542,313	(72,339)	20,649,558
Accumulated Depreciation		(7,990,391)	(536,528)	54,602	(8,472,317)
Construction in Progress		180,541	253,131	(180,541)	253,131
Capital Assets, Net	$	12,369,734	258,916	(198,278)	12,430,372

NOTE 10 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30:

		2018	2017
Scholarships and Program Enhancements	$	**1,789,410**	1,743,632
Unconditional Promises to Give		**50,575**	-
Dorm Renovations		**35,108**	33,803
Purchase Bus		**4,328**	4,185
Campaign for Change		**5,705**	5,517
Total	$	**1,885,126**	1,787,137

Net assets released from donor restrictions by incurring expenses satisfying the restrictions were:

		2018	2017
Scholarships and Program Enhancements	$	**347,853**	111,061

Permanently restricted net assets have been restricted by the donors for the following purposes:

		2018	2017
Scholarships and Program Enhancements	$	**4,304,788**	4,255,168

NOTE 11 – ENDOWMENT

The endowment includes donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). Contributions to the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income from permanently restricted funds is utilized for scholarships and other supporting programs of the college.

The Foundation's governing body has interpreted the State of Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. Duration and preservation of the fund
b. Purposes of the Foundation and the fund
c. General economic conditions
d. Possible effect of inflation and deflation
e. Expected total return from investment income and appreciation or depreciation of investments
f. Other resources of the Foundation
g. Investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the Foundation's overall investment policies, endowment assets are invested in a manner that is intended to produce the best possible return on its investments and that such return is the sum of the yield (defined as interest, dividends, etc.) and gain (defined as appreciation) commensurate with the degree of risk the Foundation is willing to assume in obtaining such return. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has an informal policy (the spending policy) of appropriating for expenditure each year only the portion of its endowment fund's value in excess of the permanently restricted amount that is approved by the Trustees as necessary for operations. If the Trustees do not deem the funds to be necessary for operations they accumulate as a temporary restricted portion of the investment account until approved for expenditure.

The composition of net assets by type of endowment fund at June 30, 2018 was as follows:

		Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$	1,013,182	4,304,788	5,317,970

The composition of endowment net assets and the changes in endowment net assets were as follows:

		Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets,				
June 30, 2017	$	916,643	4,255,168	5,171,811
Investment Return				
Investment Income		184,824	7,287	192,111
Contributions and Other Fundraisers		2,734	17,055	19,789

Appropriation of Endowment Assets				
for Expenditure		(103,017)	-	(103,017)
Transfers		11,998	25,278	37,276
Endowment Net Assets, June 30, 2018	$	1,013,182	4,304,788	5,317,970

The composition of net assets by type of endowment fund at June 30, 2017 was as follows:

		Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$	916,643	4,255,168	5,171,811

The composition of endowment net assets and the changes in endowment net assets were as follows:

		Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2016	$	774,624	4,249,153	5,023,777
Investment Return				
Investment Income		231,230	-	231,230
Contributions and Other Fundraisers		41,219	6,015	47,234
Appropriation of Endowment Assets				
for Expenditure		(130,430)	-	(130,430)
Endowment Net Assets, June 30, 2017	$	916,643	4,255,168	5,171,811

NOTE 12 – RELATED PARTY TRANSACTIONS

The Foundation has money invested with one financial institution that employs a member of the Foundation's board. The book value of funds invested with the bank was $150,000 at June 30, 2018 and 2017.

NOTE 13 – FUNDRAISING

Colby Community College Endowment Foundation incurred $135,204 and $113,590 in fundraising expenses during the years ended June 30, 2018 and 2017, respectively. The fundraising expenses were incurred in connection with the annual Foundation dinner and auction and college organizations' fundraisers and auction.

NOTE 14 – UNEARNED REVENUE

Unearned revenue consisted of the following at June 30:

		2018	2017
Prepaid tuition and fees	$	**-**	45,069
Prepaid scholarships		**64,131**	22,989
Greenbush revenue		**12,836**	16,000
Dane G. Hansen Grant		**-**	90,000
Total Unearned Revenue	$	**76,967**	174,058

NOTE 15 – LITIGATION

The College is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material financial impact on the affected funds of the College.

NOTE 16 – RISK MANAGEMENT

Colby Community 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. The College has been unable to obtain workmen's compensation insurance at a cost it considered to be economically justifiable. For this reason, the College joined together with other colleges in the State to participate in KASB, a public entity risk pool currently operating as a common risk management and insurance program for 109 participating members.

Colby Community College pays an annual premium to Kansas Association of School Boards Risk Management Services for its workers' compensation insurance coverage. The agreement to participate provides that the Kansas Association of School Boards Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $600,000, up to $1,000,000, for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by Kansas Association of School Boards Risk Management Services' management.

The College carries commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, crime, umbrella, athletic, cyber, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17 – RISKS AND UNCERTAINTIES

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

The Foundation has tried to minimize the risk associated with these investment securities by having a finance committee review the investment activity throughout the year and by having regular meetings with the investment company representatives.

NOTE 18 – GRANTS AND SHARED REVENUES

Colby Community College participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the College, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

The College receives a significant portion of its revenues from grants for student financial aid, all of which are subject to audit by federal and state governments. The ultimate determination of amounts awarded under these programs generally is based upon eligibility of students based upon their financial need. Until such audits have been completed, there exists a contingency to refund any amount awarded to a student that was not eligible for student financial assistance. Management is of the opinion that no material liability will result from such audits.

NOTE 19 – LEASES

Operating Leases

On July 1, 2014, **Colby Community College** entered into a lease agreement with Jetz Service Co., Inc. to lease laundry equipment. The agreement calls for nine monthly payments of $1,126 for 4 years. Payments totaling $10,132 were made in 2018.

On July 15, 2016, the College entered into a lease agreement with Mail Finance, Inc. to lease a postage meter. The agreement calls for monthly payments of $400 for 5 years. Payments totaling $4,800 were made in 2018.

On October 27, 2014, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $1,018 for 5 years. Payments totaling $12,221 were made in 2018.

On October 27, 2014, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $249 for 5 years. Payments totaling $2,982 were made in 2018.

On September 17, 2015, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $56 for 5 years. Payments totaling $672 were made in 2018.

On October 7, 2015, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $56 for 5 years. Payments totaling $672 were made in 2018.

On September 21, 2017, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $155 for 5 years. Payments totaling $1,554 were made in 2018.

On September 21, 2017, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $20 for 5 years. Payments totaling $205 were made in 2018.

On September 21, 2017, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $155 for 5 years. Payments totaling $1,554 were made in 2018.

On September 21, 2017, the College entered into a lease agreement with Essdack to lease a copier. The agreement calls for monthly payments of $20 for 5 years. Payments totaling $205 were made in 2018.

Future scheduled payments to maturity are as follows:

Year		Essdack	Mail Finance
2019	$	20,767	4,800
2020		10,632	4,800
2021		4,612	4,800
2022		4,220	-
2023		1,054	-

Capital Lease

The College has a lease purchase agreement for improvements to the two-story building consisting of eight four-room student housing units, which is part of the Living Center North residence complex. The College leases the property from the trustee and is required to make lease payments, and will obtain title to the property upon full payment of the obligation. The effective interest rate is 4.75 percent per annum. The lease includes an original term of 5 years commencing June 1, 2014. The lease contains a purchase option wherein the College may prepay all or any part of the rent payments prior to the end of the lease. The purchase option price is the amount necessary to pay the currently due basic rental payment and any additional rent due at maturity. The College paid the lease off in full on January 24, 2017.

Capital lease obligation of the College at June 30, 2017 was comprised of the following:

	Outstanding July 1, 2016	Additions	Reductions	Outstanding June 30, 2017	Current Portion	Interest Paid
Capital Lease						
Student Housing Improvements	$ 176,819	-	(176,819)	-	-	5,578

NOTE 20 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Substantially all public employees in Kansas are covered by the Pension Plan. Those employees participating in the Pension Plan for the College are included in the State/School employees group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits

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

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

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

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 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Special Funding Situation

The employer contributions for community colleges, as defined in K.S.A.74-4931(2) and (3), are funded by the State of Kansas on behalf of the employer. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The State is treated as a nonemployer contributing entity in the System. Since the College does 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 College also makes contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, “working after retirement” employees. The resulting proportional share of these agencies “working after retirement” contributions and resulting net position liability are attributable to the College. These amounts are reflected separately and recorded in the financial statements.

Contributions

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

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

The actuarially determined employer contribution rate and the statutory contribution rate was 10.77% and 10.81%, respectively, for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate and the statutory contribution rate was 9.62% and 12.01%, respectively, for the fiscal year ended June 30, 2018. In the 2015 session, the legislature 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.

The College is required to make all contributions on behalf of KPERS retirees working after retirement. The employer contribution rate was 10.81% for the years ended June 30, 2018 and 2017.

Contributions to the pension plan for the College were $16,463 and $16,740 for the fiscal years ended June 30, 2018 and 2017, respectively.

Employer and Nonemployer Allocations

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

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

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

The allocation percentages for the College's share of the collective pension amounts as of June 30, 2017 and 2016 were based on the ratio of each employer's contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended June 30, 2018 and 2017, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

Net Pension Liability

Net pension liability activity for the years ended June 30 was as follows:

		2018		2017
State Share of Net Pension Liability	$	7,116,213	$	7,106,904
College Share of Net Pension Liability		231,536		245,323
Measurement Date		June 30, 2017		June 30, 2016
Valuation Date		December 31, 2016		December 31, 2015
College's Proportion		0.00345%		0.00365%
Change in Proportion		-0.0002%		0.0006%

Actuarial Assumptions

The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Price inflation	2.75 percent
Wage inflation	3.50 percent
Salary increases, including wage increases	3.50 to 12.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	7.75 percent

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, 2016 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 of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	2.00	(0.25)
Total	100.00%	

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 assumed that contributions from plan members will be made at the contractually required rate. The school employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
For the year ended June 30, 2018, the following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the College's proportionate share of 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%)
$308,689	$231,536	$166,433

For the year ended June 30, 2017, the following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
$318,992	$245,323	$182,739

Pension Expense
For the years ended June 30, 2018 and 2017, the College recognized pension expense and revenue of $525,074 and $494,174, respectively, for support provided by the State in the form of non-employer contributions to KPERS on the College's behalf. The College recognized pension expense of $23,133 and $24,327 for June 30, 2018 and 2017, respectively, 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 for employer contributions to KPERS for working after retirement employees.

Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 10,932	11,515	-	11,581
Net differences between projected and actual earnings on investments	4,966	-	22,158	-
Changes in assumptions	-	307	-	444
Changes in proportion	11,986	12,786	16,131	3,202
Contributions subsequent to measurement date	16,463	-	16,740	-
Total	$ 44,347	24,608	55,029	15,227

The $16,463 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2019	$ (1,276)
2020	5,679
2021	3,441
2022	(4,253)
2023	(315)
Thereafter	-

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

NOTE 21 – OTHER POST EMPLOYMENT BENEFITS – KPERS DEATH AND DISABILITY

Plan Description
Colby Community College participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefits 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. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

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 Provided

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%) 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 premium provision.

Long-term Disability Benefit

The monthly benefit is 60% of the member's monthly compensation, with a minimum of $100 and 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, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 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 term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group Life Waiver of Premium Benefit

Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the member's annual rate of compensation at the time of disability or the greater of the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on 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 life insurance plan.

Members Covered by Benefit Terms

At June 30, 2018, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	116

Total OPEB Liability

At June 30, 2018, the State support provided to the College reduced the College's total OPEB liability to zero. The State reported a liability of $41,735 measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017.

For the year ended June 30, 2018, the College recognized OPEB expense and revenue of $10,973 for support provided by the State in the form of non-employer contributions on the College's behalf.

Actuarial Assumptions and Other Inputs
The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10%, including price inflation
Discount rate	3.58%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2017.

The actuarial assumptions used in the June 30, 2017 valuation were based on actuarial experience study for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2016 KPERS pension valuation.

Changes of Assumptions
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.

NOTE 22 – OTHER POST EMPLOYMENT BENEFITS – HEALTH INSURANCE

General Information About the Plan

Plan Description
The health insurance benefit plan is a single-employer defined benefit healthcare plan administrated by **Colby Community College**. K.S.A. 12-5040 established the authority that post-employment healthcare benefits be extended to retired employees who have met the age and/or eligibility requirement and can amend benefit provisions by state legislature. The retiree receives the current non-certified employee health insurance benefits until he or she qualifies for Medicare benefits whichever first occurs. The retiree may purchase additional coverage for family members who qualify for such benefits under the provisions of the current non-certified employee health insurance benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a stand-alone financial report.

Benefits Provided
As provided and required by K.S.A. 12-5040, the College allows retirees and their spouses to participate in the group health insurance plan. Kansas statutes, which can be amended by State legislature, established that participating retirees may remain in the College's health insurance plan by paying the full amount of the applicable premium. Conceptually, the College is subsidizing the retirees because each participant is charged a level of premium regardless of age. The State program is self-funded for medical, prescription and dental. No stop-loss coverage applies. There are two pre-Medicare Medical/Rx plans (Plans A and C) along with nine Medicare Advantage plans available. The Medicare Advantage plans are not valued since the retiree contribution premiums are assumed equal to the expected retiree cost. The monthly premium rates are as follows:

Monthly Rates for State of Kansas Non State Employees **

Employee Category	Plan A	Plan C	Plan Q	Plan N	Plan J	Delta	Surency Vision		Monthly July 1 2017	Monthly Jan 1 2018
	Aetna/BCBS	Aetna/BCBS	Aetna/BCBS	Aetna/BCBS	Aetna/BCBS	Dental	Basic	Enhanced	Employer	Employer
Full Time										
Employee Only	79.56	68.44	54.17	48.12	108.31	12.60	3.96	7.79	671.16	671.16
Employee + Spouse	454.08	248.80	191.15	171.71	310.28	29.82	7.75	15.37	1,175.81	1,175.81
Employee + Children	248.27	132.27	100.72	91.12	188.28	26.40	7.00	13.86	1,175.81	1,175.81
Employee + Family	810.63	428.46	361.76	306.14	531.83	43.55	10.81	21.49	1,175.81	1,175.81
Part Time										
Employee Only	239.71	106.47	80.97	71.93	135.11	22.23	3.96	7.79	523.52	523.52
Employee + Spouse	707.02	323.22	244.49	219.63	363.62	43.84	7.75	15.37	919.17	919.17
Employee + Children	405.33	181.66	136.81	123.78	224.37	39.51	7.00	13.86	919.17	919.17
Employee + Family	1129.07	515.30	436.24	369.18	606.32	61.23	10.81	21.49	919.17	919.17

** Base rate

Note: Employer rate includes both the medical and dental contributions. The HSA contribution is included in the Employer rate.

Employees Covered by Benefit Terms

At July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Active employees	113

Total OPEB Liability

The College's total OPEB liability of $1,896,087 and $1,560,292 was measured as of June 30, 2018 and 2017, respectively. The liability was determined by an actuarial valuation date as of July 1, 2016, which was rolled forward to June 30, 2017 and 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Average Salary Scale	2.0% per year
Discount Rate	3.3% per annum (measurement date) 3.4% per annum (one year prior to measurement date)
Healthcare Cost Trend Rates	6.50% for 2017-18, decreasing .5% or .25% per year to an ultimate rate of 5% for 2022-23 and later years

The discount rate was based on the S&P Municipal Bond 20 Year High Grade and the Fidelity GO AA – 20 year published yields.

Mortality rates 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 June 30, 2018 and 2017 valuation were based upon an actuarial valuation performed as of July 1, 2016 using the participant census as of July 1, 2016.

Changes in the Total OPEB Liability

The following table shows the changes in the College's total OPEB liability for the year.

		2018	2017
Total OPEB Liability – Beginning of Year	$	1,560,292	1,544,007
A. Service Cost		158,097	173,767
B. Interest Cost		56,521	45,138
C. Changes in Benefit Terms		340,191	-
D. Differences Between Actual and Expected Experience		(18,849)	-
E. Changes in Assumptions *		(88,165)	(110,620)
F. Employer Contributions (Benefit Payments)		(112,000)	92,000
Net Changes (A+B+C+D+E-F)		335,795	16,285
Total OPEB Liability – End of Year	$	1,896,087	1,560,292

* Changes in assumptions reflect a change in the discount rate from 3.4% in 2017 to 3.3% in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following represents the total OPEB liability of the College as of June 30,2018, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one percentage lower (2.3%) or one percentage higher (4.3%) than the current discount rate.

	1% Decrease (2.3%)	Discount Rate (3.3%)	1% Increase (4.3%)
Total OPEB Liability	$ 2,114,944	$ 1,896,087	$ 1,700,115

The following represents the total OPEB liability of the College as of June 30, 2017, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is one percentage lower (2.4%) or one percentage higher (4.4%) than the current discount rate.

	1% Decrease (2.4%)	Discount Rate (3.4%)	1% Increase (4.4%)
Total OPEB Liability	$ 1,721,036	$ 1,560,292	$ 1,417,046

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6% decreasing to 4%) or one percentage point higher (8% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (6.0% decreasing to 4.0%)	Health Cost Trend Rates (7.0% decreasing to 5.0%)	1% Increase (8.0% decreasing to 6.0%)
Total OPEB Liability – June 30,2018	$ 1,603,389	$ 1,896,087	$ 2,258,802
Total OPEB Liability – June 30,2017	1,358,207	1,560,292	1,808,003

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the years ended June 30, 2018 and 2017, respectively, the College recognized OPEB expense of $539,553 and $210,832, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of June 30:

		2018		2017	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience (1)	$	-	17,584	-	-
Changes in Assumptions (2)		19,231	195,951	-	102,546
Total	$	19,231	213,535	-	102,546

(1) June 30, 2018 – The actual 2018 retiree direct bill and active employee premium rates were factored into the valuation.
June 30, 2017 – N/A since implementation year
(2) Consist of changes in retirement, turnover, mortality and discount rate assumptions.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year		Amount
2019	$	(15,256)
2020		(15,256)
2021		(15,256)
2022		(15,256)
2023		(15,256)
Thereafter		(118,024)

NOTE 23 – TERMINATION BENEFITS

The College provides an early retirement program for certain eligible employees if the employee:

a. is currently an employee of the College;
b. is not less than age 59 and meets the KPERS provision for early retirement;
c. has 15 years of employment at the College immediately prior to the request for early retirement; and
d. a majority of the 15 years of service shall have been full-time service.

The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. Per GASB Statement No. 47, the College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Those eligible under this program may receive benefits for up to five years. Payments to retired employees under this plan were $24,800 and $41,192 for the years ended June 30, 2018 and 2017, respectively. Future payments are estimated based on the expected future benefit payment as of June 30, 2018. Future scheduled payments are as follows:

Year		Amount
2019	$	22,332
2020		11,052
2021		2,407

NOTE 24 – COMPENSATED ABSENCES

The College provides paid vacation to all non-faculty full-time employees based on years of employment. The published Policy Manual revised 4/22/14 states employees may accrue up to a cumulative maximum of 40 days at the conclusion of a fiscal year. A new employee may not be eligible to utilize annual leave until he/she has completed 90 days of service with the College. Upon resignation or retirement, one week of annual leave (exclusive of a minimum two week notice) may be requested immediately prior to an employee's date of separation. If an employee does not provide a two week notice (10 business days in which the employee is present), annual leave will not be granted. Rather, earned leave will be paid upon separation. Faculty may receive up to 6 days of annual leave per academic year, though it is not paid upon termination, so no liability is recorded for faculty at year end. The estimated liability for accrued vacation at June 30, 2018 and 2017 was $218,457 and $182,100, respectively, and is reflected in the financial statements.

The College's policy regarding sick leave states each full-time administrator, administrative support and non-certified employee shall accrue one sick day per month of employment, up to a cumulative maximum of 90 days. New employees will not be eligible to utilize sick leave until he/she has completed 90 days of service with the College. Upon retirement or accepted resignation of employment at the College, administrators, administrative support and non-certified employees will not be paid for sick leave upon resignation, termination or retirement, and therefore, no amount is recorded as a liability at year end. Sick leave may not be used during an employee's final week of employment with the college, with the exception of long-term or catastrophic illness. For faculty, sick leave may accrue up to a cumulative maximum of 90 days. Faculty with 10 years of service will be paid 15% of accumulated sick days upon retirement or fulfillment of the terms of the contract year. The estimated liability for sick leave at June 30, 2018 and 2017 was $54,143 and $50,758, respectively, and is reflected in the financial statements.

NOTE 25 – LONG-TERM DEBT

Revenue Bonds – Series 2007

The College issued revenue bonds to finance construction of a new dormitory.

Purpose	Interest Rates		Amount
Business-type activities	4.5-5.375%	$	5,200,000

Certificate of Participation Bonds – Series 2011

The College issued certificate of participation bonds to finance energy conservation improvements in certain buildings on campus.

Purpose	Interest Rates		Amount
Business-type activities	1.9-5.15%	$	4,659,000

Refunding Certificate of Participation Bonds – Series 2016

The College issued certificate of participation bonds to refinance the Revenue Bonds – Series 2007 and the Certificate of Participation Bonds – Series 2011 for energy conservation improvements in certain buildings on campus and construction of a new dormitory.

Purpose	Interest Rates		Amount
Business-type activities	2.00-3.00%	$	9,215,000

Long-term debt activity for the year ended June 30, 2018 was as follows:

		Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018	Current Portion	Interest Paid
Certificate of Participation Series 2016	$	8,905,000	-	265,000	8,640,000	285,000	245,613

Long-term debt activity for the year ended June 30, 2017 was as follows:

	Outstanding July 1, 2016	Additions	Reductions	Outstanding June 30, 2017	Current Portion	Interest Paid
Revenue Bond						
Series 2007	$ 4,435,000	-	4,435,000	-	-	-
Certificate of Participation						
Series 2011	4,480,000	-	4,480,000	-	-	-
Series 2016	-	9,215,000	310,000	8,905,000	265,000	191,184
Total Long-Term Liabilities	$ 8,915,000	9,215,000	9,225,000	8,905,000	265,000	191,184

The annual requirements to retire the certificates of participation as of June 30, 2018 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2019	285,000	237,663	522,663
2020	300,000	229,113	529,113
2021	315,000	220,113	535,113
2022	330,000	210,663	540,663
2023	345,000	200,763	545,763
2024-2028	1,990,000	873,206	2,863,206
2029-2033	2,455,000	609,319	3,064,319
2034-2038	2,620,000	216,600	2,836,600
Totals	$ 8,640,000	$ 2,797,440	$ 11,437,440

NOTE 26 – JOINTLY GOVERNED ORGANIZATIONS

Western Kansas Community College Virtual Education Consortium is a jointly governed organization in which the College participates and is not included in the combined financial statements of the College's basic financial statements. The Consortium is a special purpose governmental unit organized under the Inter-local Agreement Act authorized by K.S.A. 12-2901 and approved by the office of the Attorney General on October 29, 2002 and the Board of Regents on November 14, 2002. The organization is jointly governed between six community colleges in Western Kansas: Barton, Colby, Dodge City, Garden City, Pratt and Seward County. The Consortium is governed by a separate executive board comprised of the related college presidents. The initial investment made by each college was completely repaid to the respective colleges in the form of dividends in January 2007. The Consortium continues to operate and produce quality virtual education to students primarily using tuition and fees generated.

NOTE 27 – TAX ABATEMENTS

The College participates in the Neighborhood Revitalization Rebate program through the County by providing tax abatements to promote revitalization and development of participating cities within Thomas County by stimulating new construction and the rehabilitation, conservation or redevelopment of the area in order to protect the public health, safety or welfare of the residents. Abatements are obtained through application by the property owner, including proof that the improvements or construction have been made, and equal 100 percent in the first year of the additional property tax resulting from the increase in assessed value as a result of the improvements or construction. The abatement is on a sliding scale from 100% to 10% over a 10 year process. The amount of the abatement is refunded to the taxpayer after they have paid their taxes timely. For the year ended June 30, the College's property tax revenues were reduced as follows:

	2018	2017
Neighborhood Revitalization Rebate Program	$ 131,769	$135,186

NOTE 28 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Colby Community College's deposits with statutorily authorized financial institutions were not adequately secured at June 30, 2018, which is a violation of K.S.A. 9-1402.

NOTE 29 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 17, 2018, which is the date the financial statements were available to be issued on **Colby Community College**.

The Foundation has evaluated subsequent events through October 18, 2018, which is the date the financial statements were available to be issued.

ADAMS BROWN BERAN & BALL chartered

Phone (785) 462-7501 ■ Fax (785) 462-3172 ■ www.abbb.com
505 North Franklin Ave. ■ Suite D ■ P.O. Box 10
Colby, Kansas 67701-2342

Certified Public Accountants

INDEPENDENT AUDITORS' 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*

To the Board of Trustees
Colby Community College
Colby, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business–type activities and the discretely presented component unit of **Colby Community College**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise **Colby Community College's** basic financial statements, and have issued our report thereon dated December 17, 2018. The financial statements of Colby Community College Endowment Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Colby Community College Endowment Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Colby 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Colby Community College's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Colby 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Colby 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*.

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.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 17, 2018

ADAMS BROWN BERAN & BALL chartered

Phone (785) 462-7501 ■ Fax (785) 462-3172 ■ www.abbb.com
505 North Franklin Ave. ■ Suite D ■ P.O. Box 10
Colby, Kansas 67701-2342

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Colby Community College
Colby, Kansas

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Colby Community 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 for Federal Awards* (Uniform Guidance). Those standards and the 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 **Colby Community 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 qualified opinion on compliance on the major federal program. However, our audit does not provide a legal determination of **Colby Community College's** compliance.

Basis for Qualified Opinion on the Student Financial Assistance Program Cluster – Title IV

As described in the accompanying schedule of findings and questioned costs, **Colby Community College** did not comply with requirements regarding CFDA No. 84.268 – Federal Direct Student Loans (FDL) as described in finding number 2018-001 for activities allowed or unallowed. Compliance with such requirements is necessary, in our opinion, for **Colby Community College** to comply with the requirements applicable to that program.

Qualified Opinion on the Student Financial Assistance Program Cluster – Title IV

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, **Colby Community College** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG), 84.033 Federal Work-Study Program (FWS). 84.038 Federal Perkins Loan Program (FPL), 84.063 Federal Pell Grant Program (Pell), and 84.268 Federal Direct Student Loans (FDL) for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control Over Compliance

Management of **Colby Community 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 **Colby Community 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 **Colby Community College's** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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

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

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 17, 2018

COLBY COMMUNITY COLLEGE

Required Supplementary Information

Schedule of Changes in the College's Total Other
Post-Employment Benefits and Related Ratios

Total OPEB Liability

		2018	2017
Service Cost	$	158,097	173,767
Interest Cost		56,521	45,138
Changes in Benefit Terms		340,191	-
Differences Between Actual and Expected Experience		(18,849)	-
Changes in Assumptions and Other Inputs		(88,165)	(110,620)
Employer Contributions (Benefit Payments)		(112,000)	(92,000)
Net Changes in Total OPEB Liability		335,795	16,285
Total OPEB Liability – Beginning of Year		1,560,292	1,544,007
Total OPEB Liability – End of Year	$	1,896,087	1,560,292
Covered-Employee Payroll	$	4,071,555	3,991,721
Total OPEB Liability as a Percentage of Covered-Employee Payroll		46.6%	39.1%

Notes to Schedule

Changes of Assumptions and Other Inputs
Changes in assumptions and other inputs reflect a change in the discount rate from 2.7% in 2016, 3.4% in 2017 and 3.3% in 2018.

GASB 75 requires presentation of ten years. Until a full 10-year trend is compiled, the College will present information for those years for which information is available.

Schedule of Changes in the College's
Death & Disability Total OPEB Liability and Related Ratios
Last Fiscal Year*

		2018
Measurement Date		June 30, 2017
Total OPEB Liability		
Service Cost	$	9,935
Interest Cost		1,199
Effect of Assumption Changes or Inputs		(1,556)
Benefit Payments		-
Net Change in Total OPEB Liability		9,578
Total OPEB Liability – Beginning of Year		32,157
Total OPEB Liability – End of Year	$	41,735
State's Proportionate Share of the Total OPEB Liability	$	41,735
College's Proportionate Share of the Total OPEB Liability	$	-
Covered-Employee Payroll	$	4,409,474
College's Proportionate Share of the Total OPEB Liability as a Percentage of Covered-Employee Payroll		0.00%

Notes to Schedule

Changes of Assumptions and Other Inputs
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.

* GASB 75 requires presentation of ten years. As of June 30, 2018, only one year of information is available.

COLBY COMMUNITY COLLEGE
Required Supplementary Information
June 30, 2018

Schedule of the College's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System (KPERS)*

Fiscal year end		**June 30, 2018**	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date		**June 30, 2017**	June 30, 2016	June 30, 2015	June 30, 2014
College's proportion of the collective net pension liability		**0.00345%**	0.00365%	0.00359%	0.00333%
College's proportionate share of the collective net pension liability	$	**231,536**	245,323	248,456	212,570
State's proportionate share of the collective net pension liability associated with the College		**7,116,213**	7,106,904	7,442,126	7,033,386
Total	$	**7,347,749**	7,352,227	7,690,582	7,245,956
College's covered-employee payroll	$	**4,720,258**	4,558,127	4,710,281	4,854,173
College's proportionate share of the collective net pension liability as a percentage of its payroll covered-employee		**4.91%**	5.38%	5.27%	4.38%
Plan's fiduciary net position	$	**18,633,840,421**	17,192,432,371	16,635,520,735	16,535,796,558
Plan fiduciary net position as a percentage of the total pension liability		**67.12%**	65.10%	64.95%	66.60%

*GASB 68 requires presentation of ten years. As of June 30, 2018, only four years of information is available.

Note: Information on this schedule is as of the measurement date.

Schedule of the State Contributions Attributable to the College
Kansas Public Employees Retirement System (KPERS)
Last Five Fiscal Years*

	2018	2017	2016	2015	2014
Contractually required contribution	$ **16,463**	16,740	16,730	15,587	15,001
Contributions in relation to the contractually required contribution	**(16,463)**	(16,740)	(16,730)	(15,587)	(15,001)
Contribution deficiency (excess)	$ **-**	-	-	-	-
College's covered-employee payroll	$ **4,529,530**	4,720,258	4,558,127	4,710,281	4,854,173
Contributions as a percentage of covered-employee payroll	**0.38%**	0.36%	0.37%	0.33%	0.31%

*GASB 68 requires presentation of ten years. As of June 30, 2018, only five years of information is available.

COLBY COMMUNITY COLLEGE

Supplementary Information

COLBY COMMUNITY COLLEGE
Combining Schedule of Revenues, Expenditures,
Encumbrances and Changes in Fund Balance - Actual and Budget
Current Funds - Unrestricted (Regulatory Basis)
For the Year Ended June 30, 2018

	General			Adult Basic Education			Adult Supplementary Education			Total (Memorandum Only)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenues												
Student Tuition and Fees	$ 4,139,592	3,814,587	325,005	-	-	-	-	-	-	4,139,592	3,814,587	325,005
Less: Student Aid/Discounts	(954,073)	-	(954,073)	-	-	-	-	-	-	(954,073)	-	(954,073)
Net Student Tuition and Fees	3,185,519	3,814,587	(629,068)	-	-	-	-	-	-	3,185,519	3,814,587	(629,068)
Local Property Taxes	6,518,295	6,922,267	(403,972)	-		-	-	-	-	6,518,295	6,922,267	(403,972)
State Appropriations	1,966,550	2,001,683	(35,133)	69,938	70,000	(62)	-	-	-	2,036,488	2,071,683	(35,195)
Federal Appropriations	-	-	-	92,400	92,400	-	-	-	-	92,400	92,400	-
Donations	17,300		17,300	-	-	-	-	-	-	17,300	-	17,300
Investment	49,207	20,000	29,207	154	-	154	-	-	-	49,361	20,000	29,361
Loss From Asset Sales	(107,636)	-	(107,636)	-	-	-	-	-	-	(107,636)	-	(107,636)
Other	196,234	-	196,234	26,849	46,200	(19,351)	-	160	(160)	223,083	46,360	176,723
Total Revenues	11,825,469	12,758,537	(933,068)	189,341	208,600	(19,259)	-	160	(160)	12,014,810	12,967,297	(952,487)
Expenditures and Encumbrances												
Educational Services												
Academics, Instructional and Support	4,262,771		4,262,771	234,758		234,758	-		-	4,497,529		4,497,529
Student Support Services	737,904		737,904	-		-	-		-	737,904		737,904
Support Services										-		
Academic Support	290,695		290,695	-		-	-		-	290,695		290,695
Athletics	1,136,149		1,136,149	-		-	-		-	1,136,149		1,136,149
Development	66,545		66,545	-		-	-		-	66,545		66,545
Facilities	1,293,410		1,293,410	-		-	-		-	1,293,410		1,293,410
General and Administrative	490,833		490,833	-		-	-		-	490,833		490,833
Institutional Support	1,604,854		1,604,854	-		-	-		-	1,604,854		1,604,854
Total Expenditures and Encumbrances	9,883,161	12,764,587	2,881,426	234,758	208,600	(26,158)	-	2,000	2,000	10,117,919	12,975,187	2,857,268
(a) Adjustment for Qualifying Budget Credits	-	-	-	-	26,220	26,220	-	-	-	-	26,220	26,220
Total Expenditures and Encumbrances	9,883,161	12,764,587	2,881,426	234,758	234,820	62	- -	2,000	2,000	10,117,919	13,001,407	2,883,488
Revenues Over (Under) Expenditures and Encumbrances	1,942,308	(6,050)	1,948,358	(45,417)	(26,220)	(19,197)	-	(1,840)	1,840	1,896,891	(34,110)	1,931,001
Other Financing Sources												
Transfers In	1,528,314	-	1,528,314	107,068	-	107,068	-	-	-	1,635,382	-	1,635,382
Transfers Out	(3,515,068)	(277,374)	(3,237,694)	-	-	-	-	-	-	(3,515,068)	(277,374)	(3,237,694)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Encumbrances	(44,446)	(283,424)	238,978	61,651	(26,220)	87,871	-	(1,840)	1,840	17,205	(311,484)	328,689
Fund Balance, Beginning of Year	4,510,168	3,521,431	988,737	(323)	-	(323)	-	1,840	(1,840)	4,509,845	3,523,271	986,574
Fund Balance, End of Year	$ 4,465,722	3,238,007	1,227,715	61,328	(26,220)	87,548	-	-	-	4,527,050	3,211,787	1,315,263

(a) Adjustment for Qualifying Budget Credits
Local Match on Grant Over Amount Budgeted $ 26,220

COLBY COMMUNITY COLLEGE
Combining Schedule of Revenues, Expenditures,
Encumbrances and Changes in Fund Balance - Actual and Budget
Current Funds - Unrestricted (Regulatory Basis)
For the Year Ended June 30, 2018

	Student Union - Dormitory	Athletics	Auxiliary Total (Memorandum Only)		
	Actual	Actual	Actual	Budget	Variance Favorable (Unfavorable)
Revenues					
Investment	$ 1,182	38	1,220	-	1,220
Other	1,827,590	-	1,827,590	2,242,212	(414,622)
Total Revenues	1,828,772	38	1,828,810	2,242,212	(413,402)
Expenditures and Encumbrances					
Educational Services					
Student Support Services	14,576	-	14,576		14,576
Athletics	56,167	-	56,167		56,167
Auxiliary Enterprises	1,060,566	-	1,060,566		1,060,566
Total Expenditures and Encumbrances	1,131,309	-	1,131,309	1,903,500	772,191
Revenues Over (Under) Expenditures and Encumbrances	697,463	38	697,501	338,712	358,789
Other Financing Sources					
Transfers In	-	15,659	15,659	-	15,659
Transfers Out	(598,522)	-	(598,522)	(338,712)	(259,810)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Encumbrances	98,941	15,697	114,638	-	114,638
Fund Balance, Beginning of Year - As Previously Stated	1,081,298	8,559	1,089,857	2,161,612	(1,071,755)
Fund Balance, End of Year	$ 1,180,239	24,256	1,204,495	2,161,612	(957,117)

COLBY COMMUNITY COLLEGE
Notes to Supplementary Information
For the Year Ended June 30, 2018

Reconciliation of Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on a regulatory basis to GAAP basis.

		General	Adult Basic Education	Adult Supplementary Education	Student Union Dormitory	Athletics	**Total Budgetary Funds**	Non-budgetary Funds	**Total All Funds**
Revenues									
Actual amounts (regulatory basis) revenues									
from combining schedule	$	11,825,469	189,341	-	1,828,772	38	**13,843,620**	6,574,960	**20,418,580**
Tax in process 6/30/17		(76,000)	-	-	-	-	**(76,000)**	-	**(76,000)**
Tax in process 6/30/18		72,000	-	-	-	-	**72,000**	-	**72,000**
Unearned Revenue Adjustment		45,070	-	-	-	-	**45,070**	-	**45,070**
Total revenues as reported on the Statement of Revenues, Expenses and Change in Net Position		11,866,539	189,341	-	1,828,772	38	13,884,690	6,574,960	20,459,650
Expenditures									
Actual amounts (regulatory basis) expenditures									
from combining schedule		9,883,161	234,758	-	1,131,309	-	**11,249,228**	6,583,857	**17,833,085**
Adjustments:									
Inventory Adjustment		(15,820)	-	-	(358)	-	**(16,178)**	-	**(16,178)**
Accrued Bond Interest		-	-	-	-	-	**-**	(1,327)	**(1,327)**
Change in Prepaid Expenses		8,947	-	-	-	-	**8,947**	-	**8,947**
Capital Assets		(263,501)	-	-		-	**(263,501)**	263,501	**-**
Change in OPEB Obligation		427,553	-	-	-	-	**427,553**		**427,553**
Change in Net Pension Obligation		6,276	-	-	-	-	**6,276**	-	**6,276**
Change in Early Retirement Obligation		(6,704)	-	-	-	-	**(6,704)**	-	**(6,704)**
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the items are received for GAAP reporting -									
Less 2018 Encumbrances		(103,691)	-	-	(588)	-	**(104,279)**	(16,171)	**(120,450)**
Plus 2017 Encumbrances		129,682	-	-	-	-	**129,682**	492,806	**622,488**
Total expenditures as reported on the Statement of Revenue, Expenses and Change in Net Position		10,065,903	234,758	-	1,130,363	-	**11,431,024**	7,322,666	**18,753,690**
Revenues Over (Under) Expenditures		1,800,636	(45,417)	-	698,409	38	**2,453,666**	(747,706)	**1,705,960**
Other Financing Sources (Uses)									
Transfers In		1,528,314	107,068	-	-	15,659	**1,651,041**	(1,651,041)	**-**
Transfers Out		(3,515,068)	-	-	(598,522)	-	**(4,113,590)**	4,113,590	**-**
Net Increase (Decrease) in Net Position, as reported on the Statement of Revenues, Expenses and Change in Net Position		(186,118)	61,651	-	99,887	15,697	**(8,883)**	1,714,843	**1,705,960**
Net Position, Beginning of Year		2,874,031	11,046	-	1,175,354	8,559	**4,068,990**	6,385,644	**10,454,634**
Net Position, End of Year	$	2,687,913	72,697	-	1,275,241	24,256	**4,060,107**	8,100,487	**12,160,594**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified

Internal control over financial reporting:

● Material weakness identified?		Yes	X	No
● Significant deficiency identified?		Yes	X	No
● Noncompliance material to financial statements noted?		Yes	X	No

FEDERAL AWARDS

Internal control over major programs:

● Material weakness identified?	X	Yes		No
● Significant deficiencies identified?		Yes	X	No

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?		Yes	X	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Program Cluster - Title IV
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.033	Federal Work-Study Program (FWS)
84.038	Federal Perkins Loan Program (FPL)
84.063	Federal Pell Grant Program (PELL)
84.268	Federal Direct Student Loans (FDL)

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No material findings or questioned costs are required to be disclosed under Government Auditing Standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Weakness in Internal Control and Compliance

2018-001

Information on the Federal Program
US Department of Education Student Financial Assistance Program Cluster - Title IV – Federal Direct Student Loans – CFDA No. 84.268

Criteria or Specific requirement
The College must disburse the credit balance in a student's account resulting from federal funds to the student within 14 days of when the credit was originated. Title IV funds are also to be used for the designated award period, unless a signed waiver is obtained from the student. These funds cannot be applied to a prior award period and should be refunded to the student.

Condition
The College failed to return credit balances within the required 14 day period due to a lack of internal controls existing between the identification of the credit balances and the actual payment of the credit balances.

Context
During our audit procedures we examined 68 student accounts. Of the 68 accounts examined, 64 of them had credit balances of which 2 of the credit balances totaling $3,460 were not refunded within the required 14 days. $500 was refunded to one student 52 days past the 14 day deadline and $2,960 was refunded to the second student 162 days past the deadline.

Effect
Two students did not receive the credit balance in their account within the 14 days of its initial existence.

Recommendation
The College should review its processes in place for identifying when a credit balance is created and implement additional controls to ensure that all are refunded within the required 14 day window.

Views of responsible officials and planned corrective actions
See corrective action plan.

SECTION II – FINANCIAL STATEMENT FINDINGS

No material findings or questioned costs for the year ended June 30, 2017 are required to be disclosed under Government Auditing Standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs for the year ended June 30, 2017 are required to be disclosed under the Uniform Guidance.

COLBY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Program Cluster - Title IV			
Federal Perkins Loan Program	84.038	N/A	$ -
Federal Pell Grant Program	84.063	N/A	1,603,811
Federal Supplemental Educational Opportunity Grants	84.007	N/A	47,166
Federal Work-Study Program	84.033	N/A	74,481
Federal Direct Student Loans	84.268	N/A	2,230,702
Total Student Financial Assistance Program Cluster - Title IV			3,956,160
TRIO Student Support Services	84.042	N/A	224,299
Passed Through Kansas Board of Regents			
Adult Education - Basic Grants to States	84.002	N/A	92,400
Career and Technical Education - Basic Grants to States	84.048	3051-3004,3005, 3006, 3052	159,722
Total Passed Through Kansas Board of Regents			252,122
Total U.S. Department of Education			4,432,581
Corporation for National and Community Service			
Passed Through Western Kansas Community Services Consortium:			
Retired and Senior Volunteer Program	94.002	18SRWKS001	42,099
Total Expenditures of Federal Awards			$ **4,474,680**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Colby Community College** and is presented on the accrual basis of accounting; therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 – INDIRECT COST RATE

The College has elected not to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

NOTE 3 – FEDERAL LOAN PROGRAMS

The Federal Direct Student Loans is a program where a student or student's parent applies for a federal loan. When the loan is approved, the money is transferred to a bank account in **Colby Community College's** name, but the loan funds are designated for the individual student. Total new loans made to eligible students and/or students' parents pursuant to this program totaled $2,230,702 for the year ended June 30, 2018.

NOTE 4 – FEDERAL PERKINS PROGRAM

The Federal Perkins Loan is a program where a student applies for an institutional loan. When the loan is approved, the money is transferred to a bank account in **Colby Community College's** name, but the loan funds are designated for the individual student. Outstanding loans at June 30, 2018 under the Federal Perkins Loan Program totaled $10,516. The college has begun the process of transferring the Federal Perkins loans to the department of education, resulting in the closure of the program.

NOTE 5 – ADMINISTRATIVE COST ALLOWANCE

Colby Community College can receive an administrative cost allowance from the U.S. Department of Education federal awards for administering the federal awards program based upon Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study Program costs (FWS), Federal Perkins Loan Program costs, and Federal Pell Grant Program disbursed to students during the year. The College received $2,170 as an administrative cost allowance, which is less than the administrative cost allowance allowed for the year ended June 30, 2018.

NOTE 6 – MATCHING CONTRIBUTIONS

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students with priority given to Pell grant recipients who have the lowest expected family contributions. **Colby Community College** is required by the U.S. Department of Education to provide matching contributions to the FSEOG program. Federal funds pay up to 75% of the FSEOG grants. The Organization is required to match the remaining 25%. The Organization provided $14,739 for the matching contributions for the FSEOG grants for the year ended June 30, 2018, which was greater than the required matching amount.

The Federal Work-Study Program (FWS) provides part-time employment to eligible undergraduate and graduate students who need the earnings to help meet costs of postsecondary education. **Colby**

Community College is required by the U.S. Department of Education to provide matching funds to the FWS program. Federal funds pay up to 75% of the compensation paid to students. The Organization is required to match the remaining 25%. The Organization provided $23,275 for the matching contributions for the FWS program for the year ended June 30, 2018, which satisfied the 25% matching requirement.