

**COLBY COMMUNITY COLLEGE**

Financial Statements With Independent Auditors' Report

For the Years Ended June 30, 2017 and 2016

**COLBY COMMUNITY COLLEGE**  
Financial Statements With Independent Auditors' Report  
For the Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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.

### Auditor's 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), which is the discretely presented component unit of the College. Those statements were audited by other auditors whose reports dated December 14, 2017 and November 10, 2016 have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, 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.

## Colby Community College

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

### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified

### 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, 2017 and 2016, 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 February 26, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Colby Community College's** internal control over financial reporting and compliance.

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

February 26, 2018

**COLBY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Years Ended June 30, 2017 and 2016

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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, 2017, 2016 and 2015. 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 auditors' 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 provides 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, 2017 and 2016 and the change in net position for the years then ended. The College's financial position remained strong at June 30, 2017, with assets and deferred outflows of \$22,351,832 and liabilities and deferred inflows of \$11,897,198. 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 \$483,338, or 4.8%.

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 revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenues and expenses are separated into the categories of operating and non-operating.

**COLBY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
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	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
Current Assets	\$ 9,286,324	\$ 7,967,904	\$ 6,126,871
Noncurrent Assets	<u>12,700,430</u>	<u>13,011,032</u>	<u>12,846,607</u>
Total Assets	<u><u>21,986,754</u></u>	<u><u>20,978,936</u></u>	<u><u>18,973,478</u></u>
Deferred Outflows of Resources	365,078	16,730	15,587
<b>Liabilities</b>			
Current Liabilities	1,354,451	1,354,168	1,123,987
Noncurrent Liabilities	<u>10,424,974</u>	<u>9,633,088</u>	<u>9,649,432</u>
Total Liabilities	<u><u>11,779,425</u></u>	<u><u>10,987,256</u></u>	<u><u>10,773,419</u></u>
Deferred Inflows of Resources	117,773	37,114	51,080
<b>Net Position</b>			
Unrestricted	6,049,993	5,515,869	4,350,399
Restricted - Expendable	530,884	1,027,329	689,143
Invested in Capital Assets	<u>3,873,757</u>	<u>3,428,098</u>	<u>3,125,024</u>
Total Net Position	<u><u>\$ 10,454,634</u></u>	<u><u>\$ 9,971,296</u></u>	<u><u>\$ 8,164,566</u></u>

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2017 were the result of the following:

- Current assets increased by \$1.32 million or 16%. This was due to an increase in cash and cash equivalents resulting in an increase in accounts receivable collections and tightening up the College's due dates for tuition.
- Noncurrent assets decreased by approximately \$311,000 or 2%. This was due to refinancing the COP Bonds and the College is no longer required to carry a balance in the debt service reserve.
- Current liabilities were relatively unchanged.
- Noncurrent liabilities increased by approximately \$791,000 or 8%. This was primarily due to OPEB obligation and the conversion to GASB 75. The new GASB Statement requires a liability for OPEB obligations, known as the Total OPEB Liability (TOL), to be recognized on the balance sheet for the plan of the participating employers. Previously, the College used GASB 45 and it was a fundamentally different measure than the TOL under GASB 75.
- Total net position increased by approximately \$483,000 or 4%. This was due to an increase in revenue related to an increase in net tuition and fees and auxiliary income.

**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.

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**Operating Revenue for the Years Ended June 30**

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<b>Operating Revenue</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Tuition & Fees	\$ 3,129,165	\$ 3,117,366	\$ 3,085,789
Federal Grants and Contracts	528,822	648,379	849,083
Federal Direct Loans	2,142,855	2,348,487	2,408,993
State Grants and Contracts	100,378	78,822	284,323
Other Grants and Contracts	250,531	234,233	215,035
Auxiliary Income	1,923,923	1,871,685	2,092,360
Other Income	773,348	455,396	690,817
<b>Total Operating Revenue</b>	<u>\$ 8,849,022</u>	<u>\$ 8,754,368</u>	<u>\$ 9,626,400</u>

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.

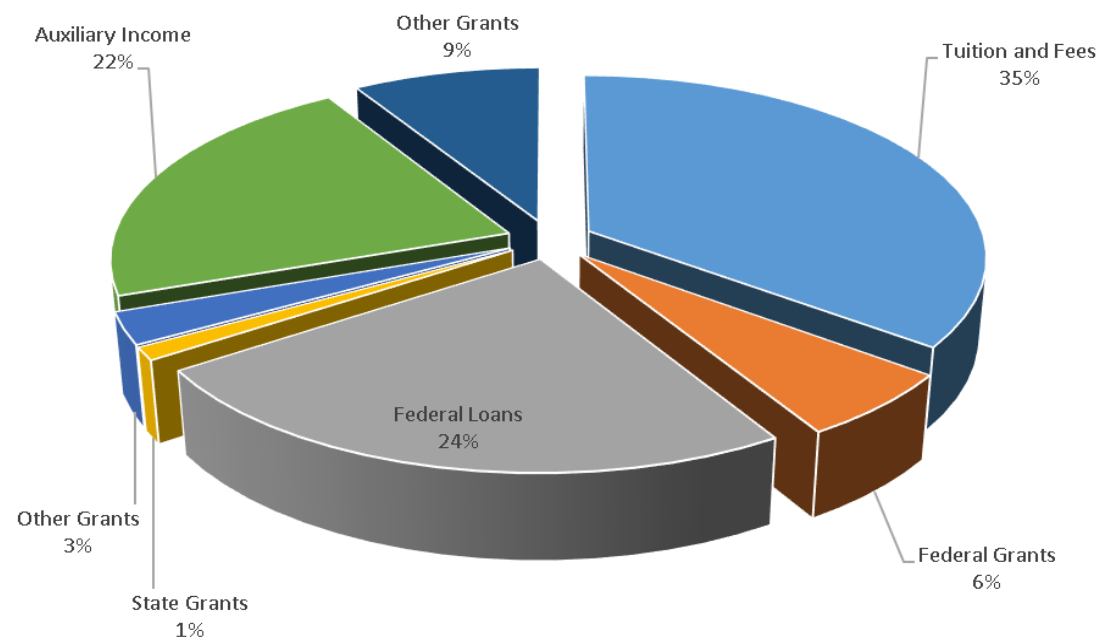
Operating revenue changes for fiscal year 2016 were the result of the following:

- Net tuition & fee revenue showed an increase of \$31,577 due to not writing off any bad debt for the year.
- Auxiliary income decreased by \$220,675. This was due to a reduction in room and board contracts.
- Other income decreased by \$235,421. This was due to a reduction of cattle sales at the College farm and the reclassification of expenses which differed from 2015.
- Federal, state and other grants, contracts, and direct loans decreased by \$447,513. This was due to the reduction in enrollment resulting from the College's probationary status as of July 2015 with the Higher Learning Commission.



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The following is a graphic illustration of operating revenues by source for fiscal year 2017.



**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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Educational Services			
Academics, Instructional and Support	\$ 4,947,392	\$ 4,985,046	\$ 4,128,306
Student Support Services	1,076,108	1,078,566	1,491,937
Federal Direct Loans	2,142,855	2,348,487	2,408,993
Pell Grant & SEOG	1,445,255	1,587,936	1,650,138
Academic Support	373,287	328,307	323,163
Athletics	1,145,760	823,796	969,489
Auxiliary Enterprises	1,139,016	1,024,302	1,050,280
Community Service & Development	124,190	108,338	212,804
Facilities	118,730	3,279	161,582
General & Administrative	2,472,455	1,896,090	1,927,856
Institutional Support	1,588,877	1,976,538	2,025,808
Depreciation & Amortization	536,528	545,553	531,380
<b>Total Operating Expenses</b>	<b>\$ 17,110,453</b>	<b>\$16,706,238</b>	<b>\$ 16,881,736</b>

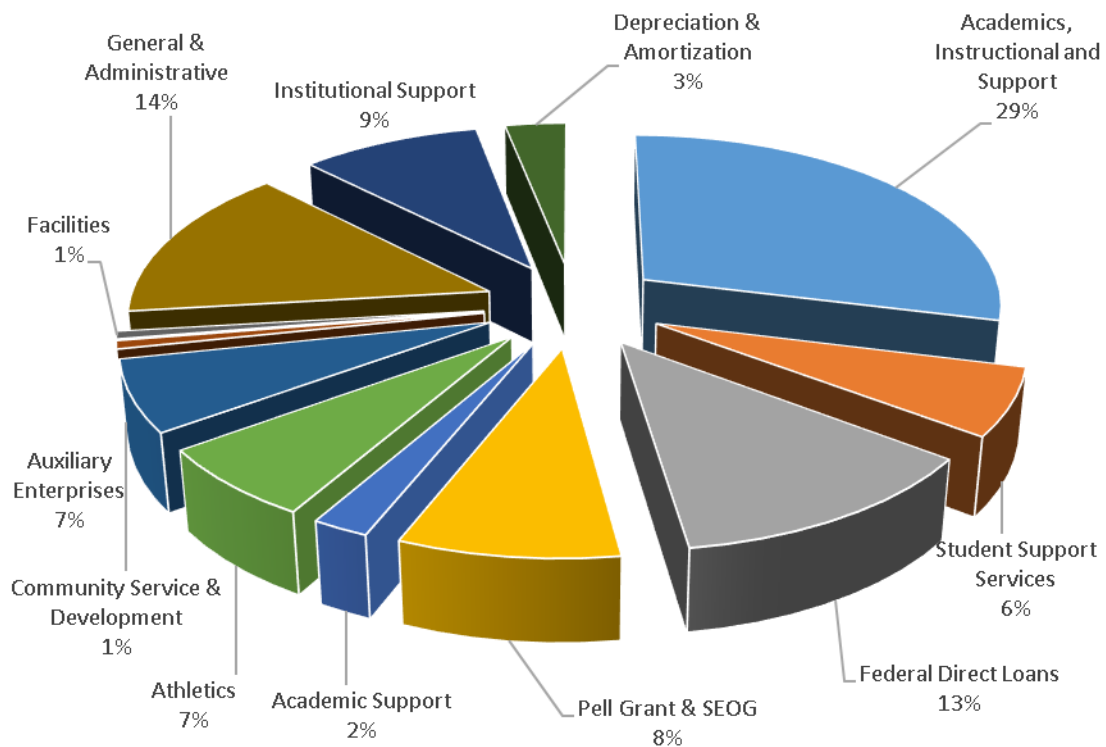
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Operating expense changes for fiscal year 2017 were the result of the following:

- 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.

Operating expense changes for fiscal year 2016 were not significant in amount nor were they individually identifiable due to the reclassification of expenses from 2015.

The following is a graphic illustration of operating expenses by source for fiscal year 2017.



**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.

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

Non Operating Expenses for the Years Ended June 30

Non-Operating Expenses	2017	2016	2015
State Appropriations	\$ 2,493,932	\$ 2,547,786	\$ 2,197,519
County Property Taxes	6,019,255	5,737,364	5,341,278
Pell Grants & SEOG	1,430,385	1,587,936	1,920,338
Investment Income & Gain (Loss from Sale of Assets)	31,273	6,106	(17,468)
Contributions	232,048	336,442	84,481
Interest on Capital Asset Debt	(125,315)	(461,604)	(474,892)
Cost of Issuance	(301,971)	-	-
Other Income	-	4,570	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 9,779,607</b>	<b>\$ 9,758,600</b>	<b>\$ 9,051,256</b>

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.

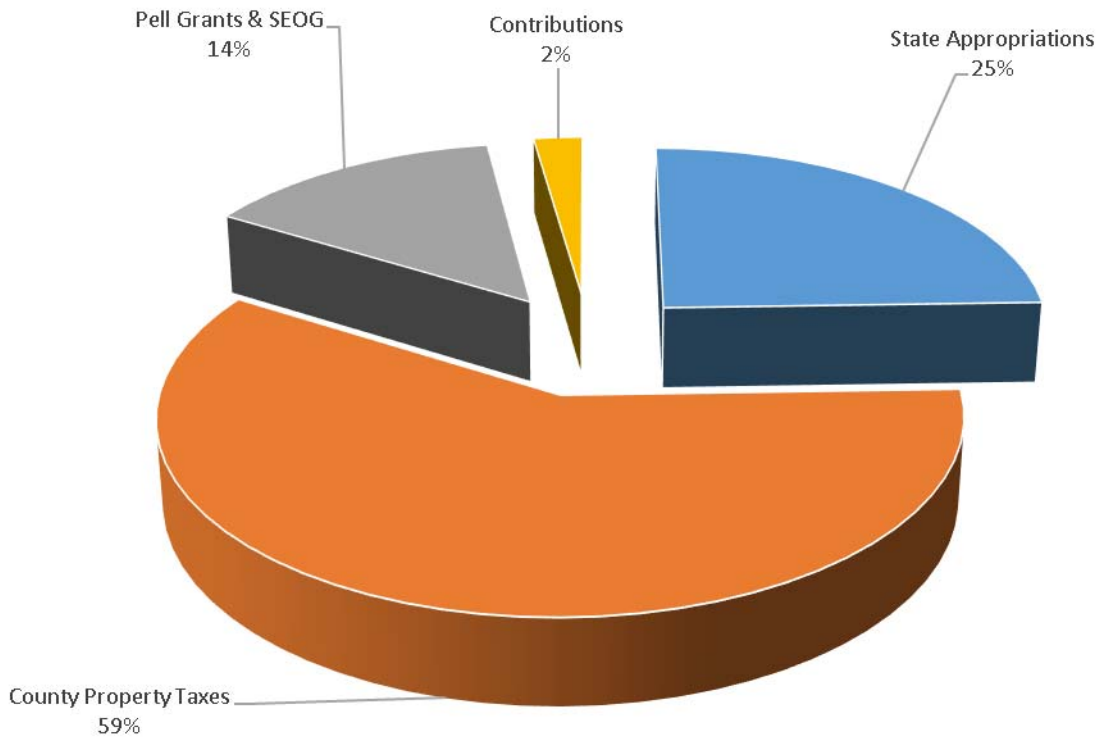
Non-operating revenue (expense) changes for fiscal year 2016 were the result of the following factors:

- State appropriations increased by \$350,267. This was due to grossing up the KPERS employer contribution into the state appropriations figure.
- Property taxes increased by \$396,086 due to an increase in assessed valuation.
- Pell grant and SEOG decreased by \$332,402 due to the College's probationary status at the time and a reduction in enrollment.
- Contributions increased by \$251,961 due to donations received for dorm renovations.

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The following is a graphic illustration of non-operating revenues by source for fiscal year 2017.



**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.

**COLBY COMMUNITY COLLEGE**  
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Cash flows for the year consist of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Cash (Used in) Provided by</b>			
Operating Activities	(7,337,698)	(6,482,401)	(7,519,607)
Investing Activities	27,609	11,758	13,700
Noncapital Financing Activities	10,270,028	10,703,253	9,784,724
Capital and Related Financing Activities	<u>(1,643,599)</u>	<u>(1,387,000)</u>	<u>(1,409,693)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,316,340	2,845,610	869,124
Cash and Cash Equivalents - Beginning of Year	<u>7,140,785</u>	<u>4,295,175</u>	<u>3,426,051</u>
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 8,457,125</u>	<u>\$ 7,140,785</u>	<u>\$ 4,295,175</u>

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 is an increase in cash of \$1.3 million for 2017.

Net cash used for operating activities in 2016 totaled \$6.5 million. \$8.3 million of net cash flows from noncapital financing activities such as property taxes and state appropriations financed this. Net cash used for capital and related financing activities totaled \$1.4 million. This includes purchase of capital assets in the amount of \$714,276, principal and interest paid on long-term debt in the amount of \$681,724, and the proceeds from sale of assets for \$9,000. The net result of all cash flows is an increase in cash of \$2.8 million for 2016.

**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 \$8.5 million. Depreciation charges totaled \$536,528.

The College has planned capital expenditures for the fiscal year ending June 30, 2018 of approximately \$725,000. This includes the lab remodels, fleet replacements, paving parking lots, classroom renovation, library renovation, two athletic buses, completion of the renovation of Living Center East North and Living Center East East. Additional information about the College's capital assets can be found in Note 9.

**Debt**

At year end, 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. The College also paid off a student housing improvement lease 1.5 years earlier than due saving the College approximately \$10,000 in interest. Additional information about the College's debt administration can be found in Note 24.

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**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.

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>% Change by Year</u>
2017	\$ 6,019,255	4.91%
2016	\$ 5,737,364	7.42%
2015	\$ 5,341,278	3.49%
2014	\$ 5,161,031	26.23%
2013	\$ 4,088,501	0.06%

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**

<u>Fiscal Year</u>	<u>Operations</u>	<u>% Change by Year</u>
2017	\$ 2,493,932	-2.11%
2016	\$ 2,547,786	15.94%
2015	\$ 2,197,519	7.28%
2014	\$ 2,048,490	-5.05%
2013	\$ 2,157,336	5.31%

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

**Tuition and Fees**

<u>Fiscal Year</u>	<u>Instate Tuition</u>	<u>% Change by Year</u>
2017	\$ 70	0.00%
2016	\$ 70	7.69%
2015	\$ 65	8.33%
2014	\$ 60	5.26%
2013	\$ 57	0.00%

Since 2013, in-state tuition rates have increased \$13 per credit hour, or 22.8%. Although tuition increases implemented since 2013 have exceeded 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

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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**

Basic Financial Statements



**COLBY COMMUNITY COLLEGE**

Statements of Net Position

June 30, 2017 and 2016

<u>ASSETS</u>	College		Foundation	
	2017	2016	2017	2016
<b>Current Assets</b>				
Cash - Unrestricted	\$ 8,457,125	6,793,766	1,017,276	975,958
Cash - Restricted	25,814	128,057	-	-
Taxes Receivable, Net of Allowance	76,000	86,000	-	-
Bookstore Receivables	286	1,165	-	-
Accounts Receivable, Students, Net of Allowance for Doubtful Accounts of \$229,651 and \$482,939, Respectively	199,556	363,188	-	-
Federal Grants Receivable	169,941	318,982	-	-
Other Receivables	106,459	15,605	20,000	24,273
Unconditional Promises to Give	-	-	1,554	1,508
Accrued Interest Income	-	-	17,952	18,690
Inventory	175,143	211,583	-	-
Prepaid Insurance and Other Expenses	76,000	49,558	310	347
<b>Total Current Assets</b>	<b>9,286,324</b>	<b>7,967,904</b>	<b>1,057,092</b>	<b>1,020,776</b>
<b>Noncurrent Assets</b>				
Cash - Debt Service Reserve	-	347,019	-	-
Contributions Receivable	-	-	24,272	46,442
Unconditional Promises to Give	-	-	24,829	24,868
Investments	-	-	5,196,629	5,037,716
TCCF Magnet Money Investment - Designated Until Funds are Matched	-	-	16,972	15,903
Land and personal Property Held for Investment	-	-	455,870	476,505
Mineral Interest	-	-	19,851	26,583
Coin Collection	-	-	-	4,225
Horse	-	-	-	35,000
Loans to Students, Net of Allowance for Uncollectible Loans of \$103,002 and \$111,062, Respectively	270,058	294,279	-	-
Capital Assets, Not Depreciated	328,000	328,000	-	-
Capital Assets, Net of Accumulated Depreciation of \$8,472,317 and \$7,990,391, Respectively	11,849,241	11,861,193	-	-
Construction in Process	253,131	180,541	-	-
<b>Total Noncurrent Assets</b>	<b>12,700,430</b>	<b>13,011,032</b>	<b>5,738,423</b>	<b>5,667,242</b>
<b>Total Assets</b>	<b>21,986,754</b>	<b>20,978,936</b>	<b>6,795,515</b>	<b>6,688,018</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows - Pension	55,029	16,730	-	-
Deferred Refunding, Net of Accumulated Amortization of \$14,764 and \$0, Respectively	310,049	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>365,078</b>	<b>16,730</b>	<b>-</b>	<b>-</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 22,351,832</b>	<b>20,995,666</b>	<b>6,795,515</b>	<b>6,688,018</b>

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

**COLBY COMMUNITY COLLEGE**

Statements of Net Position

June 30, 2017 and 2016

	College		Foundation	
	2017	2016	2017	2016
<b><u>LIABILITIES</u></b>				
<b>Current Liabilities</b>				
Current Obligations - Capital Leases	\$ -	56,161	-	-
Current Obligations - Revenue Bonds	-	115,000	-	-
Current Obligations - Certificate of Participation	265,000	65,000	-	-
Accounts Payable	213,007	266,029	7,267	16,529
Scholarship Commitments	-	-	-	145,725
Dorm Deposits	23,425	11,800	-	-
Accrued Payroll and Benefits	380,672	266,015	-	-
Compensated Absences	232,858	254,037	-	-
Early Retirement Liability, Current Portion	24,800	35,910	-	-
Accrued Interest Payable	40,631	129,667	-	-
Deposits and Other Payables	-	8,943	-	-
Unearned Revenue	174,058	145,606	-	-
<b>Total Current Liabilities</b>	<b>1,354,451</b>	<b>1,354,168</b>	<b>7,267</b>	<b>162,254</b>
<b>Noncurrent Liabilities</b>				
Noncurrent Obligations - Capital Leases	-	120,658	-	-
Noncurrent Obligations - Revenue Bonds	-	4,320,000	-	-
Noncurrent Obligations - Certificate of Participation Bonds	8,640,000	4,415,000	-	-
Bond Discount, Net of Accumulated Amortization of \$1,825 and \$0, resp.	(38,336)	-	-	-
Total OPEB Liability	1,560,292	509,169	-	-
Net Pension Liability	245,323	248,456	-	-
Early Retirement Liability, Noncurrent Portion	17,695	19,805	-	-
<b>Total Noncurrent Liabilities</b>	<b>10,424,974</b>	<b>9,633,088</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>11,779,425</b>	<b>10,987,256</b>	<b>7,267</b>	<b>162,254</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows - Pension	15,227	37,114	-	-
Deferred Inflows - OPEB	102,546	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>117,773</b>	<b>37,114</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>11,897,198</b>	<b>11,024,370</b>	<b>7,267</b>	<b>162,254</b>
<b><u>NET POSITION</u></b>				
Invested in Capital Assets, Net of Related Debt	3,873,757	3,428,098	-	-
Restricted - Expendable				
Perkins Loan and Grant Funds	530,884	680,310	-	-
Debt Service Reserve	-	347,019	-	-
Other	-	-	1,787,137	1,637,154
Restricted - Nonexpendable	-	-	4,255,168	4,249,153
Unrestricted	6,049,993	5,515,869	745,943	639,457
<b>Total Net Position</b>	<b>10,454,634</b>	<b>9,971,296</b>	<b>6,788,248</b>	<b>6,525,764</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 22,351,832</b>	<b>20,995,666</b>	<b>6,795,515</b>	<b>6,688,018</b>

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 Year Ended June 30, 2017

	Community College		Foundation	
	2017	2016	2017	2016
<b>Operating Revenues</b>				
Tuition and Fees	\$ 4,401,355	4,101,816	-	-
Less: Student Aid/Discount	(1,007,829)	(910,247)	-	-
Less: Bad Debt Expense	(264,361)	(74,203)	-	-
Net Tuition and Fees	<u>3,129,165</u>	<u>3,117,366</u>	-	-
Federal Grants and Contracts	528,822	648,379	-	-
Federal Direct Loans	2,142,855	2,348,487	-	-
State Grants and Contracts	100,378	78,822	-	-
Other Grants and Contracts	250,531	234,233	30,000	7,000
Auxiliary Income	1,923,923	1,871,685	-	-
Other Income	773,348	455,396	60	2,001
Contributions and Other Fundraisers	-	-	<u>472,328</u>	<u>872,190</u>
<b>Total Operating Revenues</b>	<u>8,849,022</u>	<u>8,754,368</u>	<u>502,388</u>	<u>881,191</u>
<b>Operating Expenses</b>				
Educational Services				
Academics, Instructional and Support	4,947,392	4,985,046	-	-
Community Service	62,033	67,308	-	-
Student Support Services	1,076,108	1,078,566	437,469	387,291
Federal Direct Loans	2,142,855	2,348,487	-	-
Pell Grant Expense	1,393,874	1,537,125	-	-
SEOG Expense	51,381	50,811	-	-
Support Services				
Academic Support	373,287	328,307	-	-
Athletics	1,145,760	823,796	-	-
Auxiliary Enterprises	1,139,016	1,024,302	-	-
Development	62,157	41,030	-	275,090
Facilities	118,730	3,279	-	-
General and Administrative	2,472,455	1,896,090	262,561	232,311
Institutional Support	1,588,877	1,976,538	-	-
Depreciation and Amortization	536,528	545,553	-	-
<b>Total Operating Expenses</b>	<u>17,110,453</u>	<u>16,706,238</u>	<u>700,030</u>	<u>894,692</u>
<b>Net Operating Loss</b>	<u>(8,261,431)</u>	<u>(7,951,870)</u>	<u>(197,642)</u>	<u>(13,501)</u>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	2,493,932	2,547,786	-	-
County Property Taxes	6,019,255	5,737,364	-	-
Pell Grants	1,393,874	1,537,125	-	-
SEOG Grants	36,511	50,811	-	-
Investment Income	27,609	11,758	187,447	206,301
Unrealized Appreciation on Investments	-	-	118,232	100,815
Gain (Loss) From Sale of Assets	3,664	(5,652)	-	-
Contributions	232,048	336,442	-	-
Interest on Capital Asset Debt	(125,315)	(461,604)	-	-
Cost of Issuance	(301,971)	-	-	-
Other Income	-	4,570	<u>8,722</u>	<u>8,795</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<u>9,779,607</u>	<u>9,758,600</u>	<u>314,401</u>	<u>315,911</u>
<b>Change in Net Position</b>	<u>1,518,176</u>	<u>1,806,730</u>	<u>116,759</u>	<u>302,410</u>
<b>Net Position - Beginning of Year As Previously Stated</b>	<u>9,971,296</u>	<u>8,164,566</u>	<u>6,525,764</u>	<u>6,223,354</u>
<b>Prior Period Restatement</b>	<u>(1,034,838)</u>	<u>-</u>	<u>145,725</u>	<u>-</u>
<b>Net Position - Beginning of Year As Restated</b>	<u>8,936,458</u>	<u>8,164,566</u>	<u>6,671,489</u>	<u>6,223,354</u>
<b>Net Position - End of Year</b>	<u>\$ 10,454,634</u>	<u>9,971,296</u>	<u>6,788,248</u>	<u>6,525,764</u>

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

**COLBY COMMUNITY COLLEGE**  
Statement of Cash Flows  
For the Year Ended June 30, 2017

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Student Tuition and Fees, Net of Discount	\$ 3,363,929	3,131,049
Grants and Contracts	858,022	992,604
Direct Loan Revenue	2,211,123	2,688,012
Auxiliary Enterprise Revenue	1,972,867	1,854,936
Payments to Employees and for Employee Benefits	(7,033,966)	(7,046,599)
Payments to Suppliers	(6,109,911)	(5,067,644)
Auxiliary Enterprise Expense	(1,139,016)	(1,023,109)
Direct Loan Payments	(2,142,855)	(2,402,552)
Other Receipts	682,109	390,902
<b>Net Cash Used by Operating Activities</b>	<u>(7,337,698)</u>	<u>(6,482,401)</u>
<b>Cash Flows From Investing Activities</b>		
Interest on Investments	27,609	11,758
<b>Cash Flows From Noncapital Financing Activities</b>		
State Appropriations	2,493,932	2,547,786
County Property Taxes	6,029,255	5,747,364
Pell and SEOG Grants	1,514,793	2,055,291
Contributions	232,048	336,442
Other Income	-	16,370
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>10,270,028</u>	<u>10,703,253</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of Capital Assets	(614,902)	(714,276)
Proceeds From Bond Issuance	9,215,000	-
Principal Paid on Long-Term Debt	(9,401,390)	(218,195)
Interest Paid on Long-Term Debt	(196,762)	(463,529)
Cost of Bond Issuance	(301,971)	-
Bond Original Issue Discount and Deferred Loss on Refunding	(364,974)	-
Proceeds From Sale of Assets	21,400	9,000
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(1,643,599)</u>	<u>(1,387,000)</u>
<b>Net Increase in Cash</b>	<b>1,316,340</b>	<b>2,845,610</b>
<b>Cash - Beginning of Year</b>	<u>7,140,785</u>	<u>4,295,175</u>
<b>Cash - End of Year</b>	<u>\$ 8,457,125</u>	<u>7,140,785</u>
<b>Cash Per Balance Sheet</b>		
Cash - Unrestricted	\$ 8,457,125	6,793,766
Cash - Debt Service Reserve	-	347,019
<b>Total Cash Per Balance Sheet</b>	<u>\$ 8,457,125</u>	<u>7,140,785</u>

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

**COLBY COMMUNITY COLLEGE**  
Statement of Cash Flows  
For the Year Ended June 30, 2017

<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>	<b>2017</b>	<b>2016</b>
<b>Net Operating Loss</b>	<b>\$ (8,261,431)</b>	<b>(7,951,870)</b>
<b>Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities</b>		
Depreciation and Amortization	<b>536,528</b>	545,553
Changes in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	<b>164,511</b>	38,282
Federal Grants Receivable	<b>64,633</b>	249,089
Other Receivables	<b>(90,854)</b>	(3,436)
Inventory	<b>36,440</b>	43,392
Prepaid Insurance and Other Expenses	<b>(26,442)</b>	52,008
Loans to Students	<b>24,221</b>	(10,354)
Increase (Decrease) in		
Accounts Payable	<b>(53,022)</b>	(12,413)
Accrued Payroll and Benefits	<b>129,554</b>	295,102
Other Liabilities	<b>109,712</b>	262,916
Deferred Revenue	<b>28,452</b>	9,330
<b>Net Cash Used by Operating Activities</b>	<b>\$ <u>(7,337,698)</u></b>	<b><u>(6,482,401)</u></b>

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

## COLBY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2017 and 2016

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### 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 2016 financial statements have been reclassified to conform to the 2017 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 \$101,125 and \$128,000 and expenditure reimbursement of \$283,349 and \$400,234 were provided to the College during the 2017 and 2016 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.

**COLBY COMMUNITY COLLEGE**  
Notes to Financial Statements  
June 30, 2017 and 2016

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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, includes property taxes; federal, state and local grants; state appropriations and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions 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.

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 2016 are normally distributed after June 30, 2017 and are presented as accounts receivable. As of June 30, 2017 and 2016, the County Treasurer had distributed to the College approximately 96% and 94%, respectively, of ad valorem taxes levied in the prior year. The receivable for taxes in process was \$76,000 and \$86,000 at June 30, 2017 and 2016, 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.

The College's property taxes are assessed on a calendar year basis, are levied, and become a lien on the property on November 1<sup>st</sup> 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 20<sup>th</sup> and the second half is due May 10<sup>th</sup>. The College draws available funds from the County Treasurer's office at designated times throughout the year. 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

## COLBY COMMUNITY COLLEGE

### Notes to Financial Statements

June 30, 2017 and 2016

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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 market accounts, and certificates of deposit at various lending 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.

#### **Inventory and Prepaid Items**

Inventory consists of items held for resale by the bookstore and is stated at the lower of cost or market. The College also holds farm inventory items which are held for resale by the farm program and are valued at market 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 adopted 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, 2017 and 2016. 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 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 statements 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 assets class.



## COLBY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2017 and 2016

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### **Basis of Presentation – Net Assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the assets are to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

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

When a donor restriction expires, that is, when a stipulated time restriction and/or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statements 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, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements has been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation.

### **Support and Expenses**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Unrestricted contributions, which have been designated by the board for specific purposes, are reported as increases in unrestricted, designated net assets.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. Expenses are reported as decreases in unrestricted, undesignated net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted, undesignated net assets unless their use is restricted by explicit donor stipulation or by law.

### **Donated Services, Goods, and Facilities**

The Foundation's success in conducting its mission is highly dependent on attracting committed men and women to act as ambassadors for the Foundation. A number of volunteers have donated many hours to the Foundation's fund-raising campaign; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Materials, other assets, and volunteers with specialized skills received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

## COLBY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2017 and 2016

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### Contributions Receivable and Unconditional Promises to Give

Contributions receivable and unconditional promises to give consist of items expected to be fully collected in varying terms. Amounts due in less than one year are recorded at net realizable value and amounts due in more than one year are reported at present value of future cash flows which approximates fair value.

### 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, 2017 and 2016 represents the 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

It is the Foundation's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Additions to property and equipment are recorded at cost. Donated additions are valued at their fair value at the date of donation. Depreciation expense is determined using the straight-line method over the estimated useful life of each asset.

### Advertising

The Foundation expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2017 and 2016 were \$269 and \$410, respectively.

### 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 two items that qualify for reporting in this category, deferred charge on refunding and collective deferred outflows for pensions. 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 for more information on the deferred outflows for pensions.

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 21, respectively.

## COLBY COMMUNITY COLLEGE

### Notes to Financial Statements

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#### **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) 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,

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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, 2017 and 2016.

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. The Foundation believes it does not have any material uncertain tax positions that should be reflected in its financial statements as of June 30, 2017 and 2016. Tax years that remain subject to examination in the Foundation's major jurisdictions are for the years ended June 30, 2017, 2016 and 2015.

**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, 2017.

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.

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Notes to Financial Statements  
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**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 \$8,482,939 and \$7,268,842 and the bank balance was \$8,815,516 and \$7,508,737 at June 30, 2017 and 2016, respectively. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$1,762,091 and \$750,000 was covered by federal depository insurance and \$7,053,425 and \$6,758,737 was collateralized with securities held by pledging financial institutions' agents in the College's name at June 30, 2017 and 2016, respectively. All deposits were legally secured at June 30, 2017 and 2016.

The total carrying amount of the Foundation's deposits was \$1,017,276 and \$975,958 at June 30, 2017 and 2016, respectively. The bank balance at year end consisted of checking accounts, certificates of deposit, and money market accounts in the amount of \$864,719 and \$881,725 at June 30, 2017 and 2016, respectively. The cash balance at year end also consisted of money market accounts in mutual funds in the amount of \$206,785 and \$98,739 at June 30, 2017 and 2016, respectively. Of the Foundation's cash balance at June 30, 2017 and 2016, \$721,408 and \$794,843 was covered by federal depository insurance, \$206,785 and \$98,739 was covered by Securities Investor Protection Corporation and the remaining balance of \$89,083 and \$0 was collateralized with securities held by the pledging financial institutions' agent in the Foundation's name. At June 30, 2017 and 2016, the remaining balance of \$0 and \$86,883, respectively, was not insured. The Foundation believes the cost associated with obtaining collateral to cover any balances in excess of insured amounts is greater than the potential benefit derived. 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

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June 30, 2017 and 2016.

**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 investments at their fair values as of June 30, 2017 and 2016 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.

Realized gains and losses are determined by sales price less costs of purchase. Sales proceeds and gross realized gains and losses on securities classified as available for sale are detailed on the next page.

The Foundation has not evaluated its investments for impairment. Following is a detailed listing of the Foundation's investments at June 30, 2017:

Description of Asset	Book Value	Fair Value	Unrealized Gain (Loss)
<b>Stocks</b>			
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
<b>Total Stocks</b>	<b>737,782</b>	<b>1,088,369</b>	<b>350,587</b>
<b>Mutual Funds</b>			
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
<b>Total Mutual Funds</b>	<b>2,504,143</b>	<b>2,600,140</b>	<b>95,997</b>
<b>Total Stocks and Mutual Funds</b>	<b>3,241,925</b>	<b>3,688,509</b>	<b>446,584</b>
<b>Bonds and Fixed Income Securities</b>			
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
<b>Total Bonds and Fixed Income Securities</b>	<b>1,371,622</b>	<b>1,508,120</b>	<b>136,498</b>
<b>Total Investments</b>	<b>\$ 4,613,547</b>	<b>5,196,629</b>	<b>583,082</b>

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

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Notes to Financial Statements

June 30, 2017 and 2016

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 (Loss)	848	5,606	6,454
Administrative Fees	(2,758)	(17,253)	(20,011)
<b>Net Investment Return</b>	<b>\$ 29,099</b>	<b>158,348</b>	<b>187,447</b>

Following is a detailed listing of the Foundation's investments at June 30, 2016:

Description of Asset	Book Value	Fair Value	Unrealized Gain (Loss)
<b>Stocks</b>			
Colby Development, Inc.	\$ 5	5	-
Edward Jones	76,664	175,984	99,320
Investment Professionals, Inc.	38,336	25,953	(12,383)
First National Bank and Trust	635,690	845,974	210,284
Southern Company	17,787	39,924	22,137
<b>Total Stocks</b>	<b>768,482</b>	<b>1,087,840</b>	<b>319,358</b>
<b>Mutual Funds</b>			
Edward Jones	381,366	365,350	(16,016)
First National Bank and Trust	40,828	47,329	6,501
Investment Professionals, Inc.	29,307	34,575	5,268
Sunflower Bank	1,769,392	1,722,888	(46,504)
<b>Total Mutual Funds</b>	<b>2,220,893</b>	<b>2,170,142</b>	<b>(50,751)</b>
<b>Total Stocks and Mutual Funds</b>	<b>2,989,375</b>	<b>3,257,982</b>	<b>268,607</b>
<b>Bonds and Fixed Income Securities</b>			
Edward Jones	478,808	588,981	110,173
Farm Bureau NQ Annuity	50,000	50,810	810
First National Bank and Trust	936,906	1,002,419	65,513
Investment Professionals, Inc.	34,826	36,915	2,089
Sunflower Bank	100,000	100,609	609
<b>Total Bonds and Fixed Income Securities</b>	<b>1,600,540</b>	<b>1,779,734</b>	<b>179,194</b>
<b>Total Investments</b>	<b>\$ 4,589,915</b>	<b>5,037,716</b>	<b>447,801</b>

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

**COLBY COMMUNITY COLLEGE**

## Notes to Financial Statements

June 30, 2017 and 2016

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Description	Unrestricted	Temporarily Restricted	Total
Interest and Dividends	\$ 16,048	170,959	187,007
Royalty Income	4,666	68	4,734
Capital Gain Distributions	2,794	30,533	33,327
Realized Gain (Loss)	291	777	1,068
Administrative Fees	(1,800)	(18,035)	(19,835)
<b>Net Investment Return</b>	<b>\$ 21,999</b>	<b>184,302</b>	<b>206,301</b>

**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 the 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, 2017 and 2016 was determined by the investment company. The land was appraised on January 20, 2017 and the new value is reflected in the financial statements.

The current fair value of the property, building and personal property held for investment was determined by the value expected from the sale of property, buildings, and personal property as of June 30, 2017 for the year ended June 30, 2017.



**COLBY COMMUNITY COLLEGE**

Notes to Financial Statements

June 30, 2017 and 2016

The current fair value of the property, building and personal property held for investment was determined by a certified appraisal dated June 3, 2016 for year ended June 30, 2016.

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 five (5) years (60 months). 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 following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2017:

	Fair Value	Fair Value Measurement at June 30, 2017		
		Level 1	Level 2	Level 3
<b>Investments</b>				
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	-	-
<b>Total Investments</b>	<b>\$ 5,196,629</b>	<b>5,196,629</b>	<b>-</b>	<b>-</b>
<b>Other Investments</b>				
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
<b>Total Other Investments</b>	<b>\$ 492,693</b>	<b>-</b>	<b>-</b>	<b>492,693</b>

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)
<b>Fair Value – June 30, 2017</b>	<b>\$ 492,693</b>

The fair value of the coin collection received by the Foundation on April 21, 2016 was determined by an independent person.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2016:

	Fair Value	Fair Value Measurement at June 30, 2016		
		Level 1	Level 2	Level 3
<b>Investments</b>				
Stocks	\$ 1,087,840	1,087,840	-	-
Mutual Funds	2,170,142	2,170,142	-	-
Bonds and Fixed Income Sec.	1,779,734	1,779,734	-	-
<b>Total Investments</b>	<b>\$ 5,037,716</b>	<b>5,037,716</b>	<b>-</b>	<b>-</b>

**COLBY COMMUNITY COLLEGE**

## Notes to Financial Statements

June 30, 2017 and 2016

**Other Investments**

TCCF Magnet Money	\$ 15,903	-	-	15,903
Land Held for Investment	471,855	-	-	231,855
Personal Property Held for Investment	4,650	-	-	244,650
Mineral Interest	26,583	-	-	26,583
Coin Collection	4,225	-	-	4,225
<b>Total Other Investments</b>	<b>\$ 523,216</b>	<b>-</b>	<b>-</b>	<b>523,216</b>

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, 2016:

	Other Investments
Fair Value – July 1, 2015	\$ 247,869
Change in Value of Other Investments	275,347
<b>Fair Value – June 30, 2016</b>	<b>\$ 523,216</b>

There were no transfers between levels one and two and there were no transfers in or out of level three during the years ended June 30, 2017 and 2016.

The carrying values of cash, receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

**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 \$15,000. 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, Colby Community College Endowment Foundation's Trustees retain, invest and reinvest the funds for investment purposes.

**NOTE 6 – LAND AND PERSONAL PROPERTY 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 of the land by an independent outside third party. The land was appraised on January 20, 2017 and the new value is reflected in the financial statements. The land is classified as land held for investment and had a fair value of \$225,870 and \$231,855 at June 30, 2017 and 2016.

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, KS. The buildings are 40' x 80' and 50' x 100'. The tract of land and buildings are valued at \$240,000, and the contribution is unrestricted.

**COLBY COMMUNITY COLLEGE**

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The three combines are unrestricted, and are described as follows:

- WFE 8920 combine and header, 20.5-32 tires, 3021 hours, serial number 8920-1023 valued at \$2,500.
- Oliver 430 combine and header, 18.4-26 tires, 14' header, serial number 430-62562 valued at \$1,250.
- WFE 7300 combine and header valued at \$900.

The Foundation intends to sell the land, buildings, and combines. As of June 30, 2017, the land, buildings, and personal property is valued at \$230,000.

**NOTE 7 – OTHER RECEIVABLES**

At June 30, 2017 and 2016, **Colby Community College** had other receivables as follows:

	<u>2017</u>	<u>2016</u>
Insurance Proceeds Receivable	\$ 52,450	-
Student Payment Plans Receivable	27,500	-
VA Payments Receivable	5,736	-
Credit Card Receivable	9,163	3,610
KBOR Receivable	<u>11,610</u>	<u>11,995</u>
<b>Total Other Receivables</b>	\$ <b><u>106,459</u></b>	<b><u>15,605</u></b>

**NOTE 8 – UNCONDITIONAL PROMISES TO GIVE AND CONTRIBUTIONS RECEIVABLE**

Unconditional promises to give and contributions receivable consisted of the following at June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Promised Contributions	\$ 45,000	-	45,000
Unconditional Promises to Give	<u>32,150</u>	-	<u>32,150</u>
	77,150	-	77,150
Less Present Value Component	<u>(6,495)</u>	-	<u>(6,495)</u>
	\$ <u>70,655</u>	-	<u>70,655</u>
Amount expected			
Within one year	\$ 21,554	-	21,554
One to five years	32,768	-	32,768
Over five years	<u>22,828</u>	-	<u>22,828</u>
<b>Total</b>	\$ <b><u>77,150</u></b>	-	<b><u>77,150</u></b>

The discount rate used on pledges receivable was 3.0% at June 30, 2017. As of June 30, 2017, 100% of the contributions receivable and unconditional promises to give are from six donors.

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Unconditional promises to give and contributions receivable consisted of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Total
Promised Contributions	\$ 75,000	-	75,000
Unconditional Promises to Give	33,703	-	33,703
	<u>108,703</u>	-	<u>108,703</u>
Less Present Value Component	(11,612)	-	(11,612)
	<u>\$ 97,091</u>	-	<u>97,091</u>
Amount expected			
Within one year	\$ 26,553	-	26,553
One to five years	57,768	-	57,768
Over five years	24,382	-	24,382
	<u>108,703</u>	-	<u>108,703</u>
<b>Total</b>	<b>\$ <u>108,703</u></b>	<b>-</b>	<b><u>108,703</u></b>

The discount rate used on pledges receivable was 3.0% at June 30, 2016. As of June 30, 2016, 100% of the contributions receivable and unconditional promises to give are from six donors.

**NOTE 9 – CAPITAL ASSETS**

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
	<u>20,179,584</u>	<u>542,313</u>	<u>(72,339)</u>	<u>20,649,558</u>
<b>Total</b>	<b>20,179,584</b>	<b>542,313</b>	<b>(72,339)</b>	<b>20,649,558</b>
Accumulated Depreciation	(7,990,391)	(536,528)	54,602	(8,472,317)
Construction in Progress	180,541	253,131	(180,541)	253,131
	<u>12,369,734</u>	<u>258,916</u>	<u>(198,278)</u>	<u>12,430,372</u>
<b>Capital Assets, Net</b>	<b>\$ <u>12,369,734</u></b>	<b><u>258,916</u></b>	<b><u>(198,278)</u></b>	<b><u>12,430,372</u></b>

**COLBY COMMUNITY COLLEGE**

Notes to Financial Statements

June 30, 2017 and 2016

The following is a summary of changes in the various capital asset categories for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 40,000	-	-	40,000
Land Improvements	288,000	-	-	288,000
Buildings	16,632,733	452,548	-	17,085,281
Equipment	1,118,291	83,425	(5,726)	1,195,990
Vehicles	420,714	168,630	(50,431)	538,913
Computer Hardware/Software	1,031,400	-	-	1,031,400
<b>Total</b>	19,531,138	704,603	(56,157)	20,179,584
Accumulated Depreciation	(7,486,343)	(545,553)	41,505	(7,990,391)
Construction in Progress	170,868	180,541	(170,868)	180,541
<b>Capital Assets, Net</b>	\$ <u>12,215,663</u>	<u>339,591</u>	<u>(185,520)</u>	<u>12,369,734</u>

**NOTE 10 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2017</u>	<u>2016</u>
Scholarships and Program Enhancements	\$ 1,743,632	1,577,562
Dorm Renovations	33,803	705
Purchase Bus	4,185	3,006
Campaign for Change	5,517	5,281
Fitness Lab	-	50,600
<b>Total</b>	\$ <u>1,787,137</u>	<u>1,637,154</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions as of June 30:

	<u>2017</u>	<u>2016</u>
Scholarships and Program Enhancements	\$ 111,061	38,095

Permanently restricted net assets have been restricted by the donors for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
Scholarships and Program Enhancements	\$ 4,255,168	4,249,153

**NOTE 11 – ENDOWMENT FUNDS**

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.

**COLBY COMMUNITY COLLEGE**

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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 an unrestricted portion of the investment account until approved for expenditure.

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 774,624	4,249,153	5,023,777
Investment Return Investment Income	231,230	-	231,230

**COLBY COMMUNITY COLLEGE**

## Notes to Financial Statements

June 30, 2017 and 2016

Contributions and Other Fundraisers	41,219	6,015	47,234
Appropriation of Endowment Assets for Expenditure	<u>(130,430)</u>	<u>-</u>	<u>(130,430)</u>
<b>Endowment Net Assets, End of Year</b>	<b>\$ <u>916,643</u></b>	<b><u>4,255,168</u></b>	<b><u>5,171,811</u></b>

The composition of net assets by type of endowment fund at June 30, 2016 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ 758,540	4,249,153	5,007,693

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

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 660,900	4,246,853	4,907,753
Investment Return			
Investment Income	238,428	-	238,428
Contributions and Other Fundraisers	3,905	2,300	6,205
Appropriation of Endowment Assets for Expenditure	<u>(128,609)</u>	<u>-</u>	<u>(128,609)</u>
<b>Endowment Net Assets, End of Year</b>	<b>\$ <u>774,624</u></b>	<b><u>4,249,153</u></b>	<b><u>5,023,777</u></b>

**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, 2017 and 2016.

**NOTE 13 – FUNDRAISING**

Colby Community College Endowment Foundation incurred \$113,590 and \$132,889 in fundraising expenses during the year ended June 30, 2017 and 2016, respectively. The fundraising expenses were incurred in connection with the annual Foundation dinner and auction and college organizations' fundraisers and auction.

**COLBY COMMUNITY COLLEGE**  
Notes to Financial Statements  
June 30, 2017 and 2016

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**NOTE 14 – UNEARNED REVENUE**

Unearned revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Prepaid tuition and fees	\$ <b>45,069</b>	37,147
Prepaid scholarships	<b>22,989</b>	-
Greenbush revenue	<b>16,000</b>	-
Dane G. Hansen Grant	<u><b>90,000</b></u>	<u>108,459</u>
<b>Total Unearned Revenue</b>	<b>\$ <u>174,058</u></b>	<u>145,606</u>

**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 111 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 \$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, umbrella, athletic, 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.



## COLBY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2017 and 2016

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### 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 January 21, 2013, **Colby Community College** entered into a lease agreement with Pitney Bowes to lease a postage meter. The agreement calls for monthly payments of \$596 for 5 years. Payments totaling \$7,152 were made in 2017. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 3,576

On October 27, 2014, **Colby Community 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 2017. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 12,221
2019	12,221
2020	4,074

On October 27, 2014, **Colby Community 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 2017. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 2,982
2019	2,982
2020	994

On September 17, 2015, **Colby Community 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 2017. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 672

**COLBY COMMUNITY COLLEGE**  
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2019	672
2020	672
2021	224

On October 7, 2015, **Colby Community 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 2017. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 672
2019	672
2020	672
2021	224

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 2017. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 10,132

**Capital Lease**

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

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

Capital lease obligation of the College at June 30, 2016 is comprised of the following:

	Outstanding July 1, 2015	Additions	Reductions	Outstanding June 30, 2016	Current Portion	Interest Paid
<b>Capital Lease</b>						
Student Housing Improvements	\$ 230,014	-	53,195	176,819	56,161	10,926

This lease-purchase obligation is 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.

**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:

## COLBY COMMUNITY COLLEGE

### Notes to Financial Statements

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- 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. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the College are included in the State/School employees group.

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

#### **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. 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.

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.

#### **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

## COLBY COMMUNITY COLLEGE

### Notes to Financial Statements

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“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 1.1% of total payroll for the fiscal year ended June 30, 2016.

The actuarially determined employer contribution rate and the statutory contribution rate was 11.44% and 10.91%, respectively, for the fiscal year ended June 30, 2016. 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. 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% and 22% for the years ended June 30, 2017 and 2016, respectively.

Contributions to the pension plan for the College were \$17,060 and \$16,730 for the fiscal years ended June 30, 2017 and 2016, 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 identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the College's share of the collective pension amounts as of June 30, 2016 and 2015 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, 2016 and 2015, respectively.

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

**COLBY COMMUNITY COLLEGE**Notes to Financial Statements  
June 30, 2017 and 2016**Net Pension Liability**

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

	<b>June 30, 2017</b>	<b>June 30, 2016</b>
State Share of Net Pension Liability	\$ 7,106,904	\$ 7,442,126
College Share of Net Pension Liability	245,323	248,456
Measurement Date	June 30, 2016	June 30, 2015
Valuation Date	December 31, 2015	December 31, 2014
College's Proportion	0.00365%	0.00359%
Change in Proportion	0.0006%	-0.00026%

**Actuarial Assumptions**

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

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for a three year period ending December 31, 2012.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.00%	6.80%
Fixed Income	13.00	1.25
Yield Driven	8.00	6.55
Real Return	11.00	1.71
Real Estate	11.00	5.05
Alternatives	8.00	9.85
Short-term	2.00	(0.25)
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The state, school and local 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

**COLBY COMMUNITY COLLEGE**

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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**

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:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
June 30, 2017	\$318,992	\$245,323	\$182,739
June 30, 2016	319,841	248,456	187,823

**Pension Expense**

For the years ended June 30, 2017 and 2016, the College recognized pension expense and revenue of \$494,174 and \$482,473, 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 \$24,327 and \$20,777 for June 30, 2017 and 2016, 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:

	<u>2017</u>		<u>2016</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	11,581	-	7,446
Net differences between projected and actual earnings on investments	22,158	-	-	6,473
Changes in assumptions	-	444	-	553
Changes in proportion	16,131	3,202	-	22,643
Contributions subsequent to measurement date	<u>16,740</u>	<u>-</u>	<u>16,730</u>	<u>-</u>
<b>Total</b>	<u>\$ 55,029</u>	<u>15,227</u>	<u>16,730</u>	<u>37,114</u>

The \$16,740 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, 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**COLBY COMMUNITY COLLEGE**

Notes to Financial Statements  
June 30, 2017 and 2016

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Year Ending June 30	
2017	\$2,745
2018	2,745
2019	10,099
2020	7,727
2021	(254)
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**

**General Information About the Plan**

*Plan Description*

The health insurance benefit plan is a single-employer defined benefit healthcare plan administered 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 total premium is approximately \$1,761, \$1,469, \$1,476, \$1,319, \$1,357, \$1,249, \$715 and \$704 per month per family plan A, family plan C, employee with spouses plan A, employee with spouses plan C, employee with child plan A, employee with child plan C, single coverage plan A and single coverage plan C, respectively. The college pays approximately \$1,102 per month per employee with the family, employee with spouse and employee with child plans. The college pays approximately \$629 per month per employee with the single plan. The employee pays the remaining amount.

*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 \$1,560,292 was measured as of June 30, 2017 and was determined by an actuarial valuation date as of July 1, 2016, which was rolled forward to June 30, 2017.

**COLBY COMMUNITY COLLEGE**

## Notes to Financial Statements

June 30, 2017 and 2016

*Actuarial Assumptions and Other Inputs*

The total OPEB liability in the June 30, 2017 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	3.4% per annum (measurement date) 2.7% per annum (one year prior to measurement date)
Healthcare Cost Trend Rates	7.0% for 2016-17, decreasing .5% or .25% per year to an ultimate rate of 5% for 2022-23 and later years
Retirees' Share of Benefit-related Costs	60% of projected health insurance premiums for retirees

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

Mortality rates were based on the Society of Actuaries RPH-2014 adjusted to 2006 total dataset headcount-weighted mortality with scale MP-2016 full generational improvement.

The actuarial assumptions used in the June 30, 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 of the College's total OPEB liability for the year:

Total OPEB Liability – Beginning of Year	\$ 1,544,007
A. Service Cost	173,767
B. Interest Cost	45,138
C. Changes in Benefit Terms	-
D. Differences Between Actual and Expected Experience	-
E. Changes in Assumptions *	(110,620)
F. Employer Contributions (Benefit Payments)	<u>92,000</u>
Net Changes (A+B+C+D+E-F)	<u>16,285</u>
Total OPEB Liability – End of Year	\$ 1,560,292

\* Changes in assumptions reflect a change in the discount rate from 2.7% 2016 to 3.4% in 2017.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following represents the total OPEB liability of the College, 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



**COLBY COMMUNITY COLLEGE**

Notes to Financial Statements  
June 30, 2017 and 2016

*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	\$ 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 year ended June 30, 2017, the College recognized OPEB expense of \$210,832. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience (1)	\$ -	-
Changes in Assumptions (2)	-	102,546
<b>Total</b>	<b>\$ -</b>	<b>102,546</b>

(1) N/A since implementation year

(2) Impact due to change in discount rate from beginning to end of year

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

Year Ending June 30	
2018	\$ (8,074)
2019	(8,074)
2020	(8,074)
2021	(8,074)
2022	(8,074)
Thereafter	(62,176)

**NOTE 22 – 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

**COLBY COMMUNITY COLLEGE**  
Notes to Financial Statements  
June 30, 2017 and 2016

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 \$41,192 and \$33,825 for the years ended June 30, 2017 and 2016, respectively. Future payments are estimated based on the expected future benefit payment as of June 30, 2017. Future scheduled payments are as follows:

Year	Amount
2018	\$ 24,800
2019	12,279
2020	3,009
2021	2,407

**NOTE 23 – 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, 2017 and 2016 was \$182,100 and \$184,911, 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, 2017 and 2016 was \$50,758 and \$69,126, respectively, and is reflected in the financial statements.

**NOTE 24 – 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.

**COLBY COMMUNITY COLLEGE**  
Notes to Financial Statements  
June 30, 2017 and 2016

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 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, 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
<b>Total Long-Term Liabilities</b>	<b>\$ 8,915,000</b>	<b>9,215,000</b>	<b>9,225,000</b>	<b>8,905,000</b>	<b>265,000</b>	<b>191,184</b>

Long-term debt activity for the year ended June 30, 2016 was as follows:

	Outstanding July 1, 2015	Additions	Reductions	Outstanding June 30, 2016	Current Portion	Interest Paid
Revenue Bond						
Series 2007	\$ 4,545,000	-	110,000	4,435,000	115,000	233,124
Certificate of Participation						
Series 2011	4,535,000	-	55,000	4,480,000	65,000	219,053
<b>Total Long-Term Liabilities</b>	<b>\$ 9,080,000</b>	<b>-</b>	<b>165,000</b>	<b>8,915,000</b>	<b>180,000</b>	<b>452,176</b>

The annual requirements to retire the certificates of participation as of June 30, 2017 are as follows:

Fiscal Year Ending	Principal	Interest	Total
2018	265,000	245,613	510,613
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
2023-2027	1,905,000	916,813	2,821,813
2028-2032	2,350,000	671,825	3,021,825
2033-2037	2,940,000	304,800	3,244,800
2038	215,000	6,450	221,450
Totals	<b>\$ 8,905,000</b>	<b>\$ 3,043,050</b>	<b>\$ 11,948,050</b>

**NOTE 25 – 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

**COLBY COMMUNITY COLLEGE**

Notes to Financial Statements  
June 30, 2017 and 2016

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 26 – TAX ABATEMENTS**

As of June 30, 2017, the County provides tax abatements through the Neighborhood Revitalization Rebate Program. The Neighborhood Revitalization Rebate Program provides property tax abatements to promote revitalization and development of 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:

	<u>2017</u>	<u>2016</u>
Neighborhood Revitalization Rebate Program	\$ 135,186	\$119,520

**NOTE 27 – PRIOR PERIOD ADJUSTMENT**

The prior year beginning net position as of July 1, 2016 has been restated due to the early implementation of GASB 75. The adjustment was not included in the prior year computation required by GASB 45. The effect of the adjustment increased net pension liability and decreased unrestricted net position by \$1,034,838.

The effect of this change on net position is as follows:

Net Position, June 30, 2016 as Previously Reported	\$ 9,971,296
Net Pension Liability - Increase	<u>(1,034,838)</u>
Net Position, July 1, 2016 as Restated	<u>\$ 8,936,458</u>

This adjustment has a negative material effect and the current financial statements reflect this adjustment.

The Foundation's Unrestricted Net Assets as of July 1, 2017 have been adjusted for a scholarship liability recognized in the prior year. The correction has no effect on the results of the current year's activities. The cumulative effect increases beginning net assets by \$145,725. Had the error not occurred, net income for June 30, 2016 would have been increased by \$145,725. Accordingly, the Foundation restated its results for the year ended June 30, 2016.

**NOTE 28 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 26, 2018, which is the date the financial statements were available to be issued on **Colby Community College**.

The Foundation has evaluated subsequent events through December 14, 2017, which is the date the financial statements were available to be issued.



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 **Colby Community College**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2018.

**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

February 26, 2018



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, 2017. **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 *Kansas Municipal Audit and Accounting Guide*; 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Colby Community College's** compliance.

### Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2017.

### 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.

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

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

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

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

February 26, 2018



**COLBY COMMUNITY COLLEGE**

Required Supplementary Information

**COLBY COMMUNITY COLLEGE**

Schedule of Changes in the College's Total Other Post-Employment Benefits and Related Ratios  
June 30, 2017

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**Total OPEB Liability**

	<b>2017</b>
Service Cost	\$ 173,767
Interest Cost	45,138
Changes in Benefit Terms	-
Differences Between Actual and Expected Experience	-
Changes in Assumptions and Other Inputs	(110,620)
Employer Contributions (Benefit Payments)	<u>(92,000)</u>
Net Changes in Total OPEB Liability	16,285
Total OPEB Liability – Beginning of Year	1,544,007
Total OPEB Liability – End of Year	<u>\$ 1,560,292</u>
Covered-Employee Payroll	\$ 3,991,721
Total OPEB Liability as a Percentage of Covered-Employee Payroll	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 to 3.4% in 2017.

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.

**COLBY COMMUNITY COLLEGE**  
Schedule of State Contributions Attributable to the College  
June 30, 2017

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

Fiscal year end	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement date	<b>June 30, 2016</b>	June 30, 2015	June 30, 2014
College's proportion of the collective net pension liability	<b>0.00365%</b>	0.00359%	0.00333%
College's proportionate share of the collective net pension liability	\$ <b>245,323</b>	248,456	212,570
State's proportionate share of the collective net pension liability associated with the College	<u>7,106,904</u>	<u>7,442,126</u>	<u>7,033,386</u>
Total	\$ <u><b>7,352,227</b></u>	<u>7,690,582</u>	<u>7,245,956</u>
College's covered-employee payroll	\$ <b>4,558,127</b>	4,710,281	4,854,173
College's proportionate share of the collective net pension liability as a percentage of its payroll covered-employee	<b>5.38%</b>	5.27%	4.38%
Plan's fiduciary net position	\$ <b>17,192,432,371</b>	16,635,520,735	16,535,796,558
Plan fiduciary net position as a percentage of the total pension liability	<b>65.10%</b>	64.95%	66.60%

\*GASB 68 required presentation of ten years. As of June 30, 2017, only three 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 Four Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ <b>17,060</b>	16,730	15,587	15,001
Contributions in relation to the contractually required contribution	<u>(17,060)</u>	<u>(16,730)</u>	<u>(15,587)</u>	<u>(15,001)</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
College's covered-employee payroll	\$ <b>4,720,258</b>	4,558,127	4,710,281	4,854,173
Contributions as a percentage of covered-employee payroll	<b>0.36%</b>	0.37%	0.33%	0.31%

\*GASB 68 required presentation of ten years. As of June 30, 2017, only four 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, 2017

	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)
<b>Revenues</b>												
Student Tuition and Fees	\$ 3,612,362	2,992,249	620,113	132	-	132	-	-	-	3,612,494	2,992,249	620,245
Less: Student Aid/Discounts	(1,272,190)	-	(1,272,190)	-	-	-	-	-	-	(1,272,190)	-	(1,272,190)
Net Student Tuition and Fees	2,340,172	2,992,249	(652,077)	132	-	132	-	-	-	2,340,304	2,992,249	(651,945)
Local Property Taxes	6,029,255	6,460,382	(431,127)	-	-	-	-	-	-	6,029,255	6,460,382	(431,127)
State Appropriations	1,982,701	2,087,554	(104,853)	53,938	87,011	(33,073)	-	-	-	2,036,639	2,174,565	(137,926)
Federal Appropriations	-	-	-	89,349	89,348	1	-	-	-	89,349	89,348	1
Investment	15,995	20,000	(4,005)	97	-	97	-	-	-	16,092	20,000	(3,908)
Gains (Losses) From Asset Sales	3,664	-	3,664	-	-	-	-	-	-	3,664	-	3,664
Other	236,421	-	236,421	32,046	30,000	2,046	-	1,000	(1,000)	268,467	31,000	237,467
<b>Total Revenues</b>	<b>10,608,208</b>	<b>11,560,185</b>	<b>(951,977)</b>	<b>175,562</b>	<b>206,359</b>	<b>(30,797)</b>	<b>-</b>	<b>1,000</b>	<b>(1,000)</b>	<b>10,783,770</b>	<b>11,767,544</b>	<b>(983,774)</b>
<b>Expenditures and Encumbrances</b>												
Educational Services												
Academics, Instructional and Support	4,003,876	-	4,003,876	209,574	-	209,574	-	-	-	4,213,450	-	4,213,450
Community Service	-	-	-	-	-	-	-	-	-	-	-	-
Student Support Services	811,299	-	811,299	-	-	-	-	-	-	811,299	-	811,299
Federal Direct Loans	-	-	-	-	-	-	-	-	-	-	-	-
Federal Work Study	-	-	-	-	-	-	-	-	-	-	-	-
Pell Grant Expense	-	-	-	-	-	-	-	-	-	-	-	-
SEOG Expense	-	-	-	-	-	-	-	-	-	-	-	-
Support Services												
Academic Support	380,167	-	380,167	-	-	-	-	-	-	380,167	-	380,167
Athletics	1,019,844	-	1,019,844	-	-	-	-	-	-	1,019,844	-	1,019,844
Auxiliary Enterprises	47,153	-	47,153	-	-	-	-	-	-	47,153	-	47,153
Development	61,129	-	61,129	-	-	-	-	-	-	61,129	-	61,129
Facilities	178,618	-	178,618	-	-	-	-	-	-	178,618	-	178,618
General and Administrative	1,617,144	-	1,617,144	-	-	-	-	-	-	1,617,144	-	1,617,144
Institutional Support	1,684,069	-	1,684,069	-	-	-	-	-	-	1,684,069	-	1,684,069
Depreciation and Amortization	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures and Encumbrances	9,803,299	12,800,079	2,996,780	209,574	206,359	(3,215)	-	2,000	2,000	10,012,873	13,008,438	2,995,565
(a) Adjustment for Qualifying Budget Credits	-	-	-	-	30,140	30,140	-	-	-	-	30,140	30,140
<b>Total Expenditures and Encumbrances</b>	<b>9,803,299</b>	<b>12,800,079</b>	<b>2,996,780</b>	<b>209,574</b>	<b>236,499</b>	<b>26,925</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>10,012,873</b>	<b>13,038,578</b>	<b>3,025,705</b>
<b>Revenues Over (Under) Expenditures and Encumbrances</b>	<b>804,909</b>	<b>(1,239,894)</b>	<b>2,044,803</b>	<b>(34,012)</b>	<b>(30,140)</b>	<b>(3,872)</b>	<b>-</b>	<b>(1,000)</b>	<b>1,000</b>	<b>770,897</b>	<b>(1,271,034)</b>	<b>2,041,931</b>
Other Financing Sources												
Transfers In	2,062,209	-	2,062,209	-	-	-	-	-	-	2,062,209	-	2,062,209
Transfers Out	(2,942,756)	-	(2,942,756)	-	-	-	-	-	-	(2,942,756)	-	(2,942,756)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Encumbrances	(75,638)	(1,239,894)	1,164,256	(34,012)	(30,140)	(3,872)	-	(1,000)	1,000	(109,650)	(1,271,034)	1,161,384
(Increase) Decrease in Receivables, Inventories, and Prepaids	63,623	-	63,623	11,369	-	11,369	-	-	-	74,992	-	74,992
Increase in Reserve for Encumbrances	57,198	-	57,198	-	-	-	-	-	-	57,198	-	57,198
Fund Balance, Beginning of Year - As Previously Stated	3,863,686	4,717,034	(853,348)	33,689	-	33,689	-	1,007	(1,007)	3,897,375	4,718,041	(820,666)
Prior Period Adjustment	(1,034,838)	-	1,034,838	-	-	-	-	-	-	(1,034,838)	-	(1,034,838)
Fund Balance, Beginning of Year - As Restated	2,828,848	4,717,034	(1,888,186)	33,689	-	33,689	-	1,007	(1,007)	2,862,537	4,718,041	(1,855,504)
<b>Fund Balance, End of Year</b>	<b>\$ 2,874,031</b>	<b>3,477,140</b>	<b>(603,109)</b>	<b>11,046</b>	<b>(30,140)</b>	<b>41,186</b>	<b>-</b>	<b>7</b>	<b>(7)</b>	<b>2,885,077</b>	<b>3,447,007</b>	<b>(561,930)</b>
<b>(a) Adjustment for Qualifying Budget Credits</b>												
Local Match on Grant Over Amount Budgeted					\$ 30,140							

**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, 2017

	Student Union - Dormitory	Athletics	Auxiliary Total (Memorandum Only)		Variance Favorable (Unfavorable)
	Actual	Actual	Actual	Budget	
<b>Revenues</b>					
Investment	595	15	610	-	610
Other	1,927,091	2,602	1,929,693	1,945,000	(15,307)
<b>Total Revenues</b>	<b>1,927,686</b>	<b>2,617</b>	<b>1,930,303</b>	<b>1,945,000</b>	<b>(14,697)</b>
<b>Expenditures and Encumbrances</b>					
Educational Services					
Academics, Instructional and Support	-	-	-	-	-
Community Service	-	-	-	-	-
Student Support Services	-	-	-	-	-
Federal Direct Loans	-	-	-	-	-
Federal Work Study	-	-	-	-	-
Pell Grant Expense	-	-	-	-	-
SEOG Expense	-	-	-	-	-
Support Services					
Academic Support	-	-	-	-	-
Athletics	-	(43)	(43)	-	(43)
Auxiliary Enterprises	1,085,188	-	1,085,188	-	1,085,188
Development	-	-	-	-	-
Facilities	-	-	-	-	-
General and Administrative	638	-	638	-	638
Institutional Support	-	-	-	-	-
Depreciation and Amortization	-	-	-	-	-
<b>Total Expenditures and Encumbrances</b>	<b>1,085,826</b>	<b>(43)</b>	<b>1,085,783</b>	<b>2,200,387</b>	<b>1,114,604</b>
<b>Revenues Over (Under) Expenditures and Encumbrances</b>	<b>841,860</b>	<b>2,660</b>	<b>844,520</b>	<b>(255,387)</b>	<b>1,099,907</b>
Other Financing Sources					
Transfers In	-	-	-	-	-
Transfers Out	(1,000,950)	(25,679)	(1,026,629)	(709,140)	(317,489)
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Encumbrances	(159,090)	(23,019)	(182,109)	(964,527)	782,418
(Increase) Decrease in Receivables, Inventories, and Prepaids	15,916	-	15,916	-	15,916
Increase in Reserve for Encumbrances	(23,839)	-	(23,839)	-	(23,839)
Fund Balance, Beginning of Year - As Previously Stated	1,342,367	31,578	1,373,945	1,141,647	232,298
Prior Period Adjustment	-	-	-	-	-
Fund Balance, Beginning of Year - As Restated	1,342,367	31,578	1,373,945	1,141,647	232,298
<b>Fund Balance, End of Year</b>	<b>\$ 1,175,354</b>	<b>8,559</b>	<b>1,183,913</b>	<b>177,120</b>	<b>1,006,793</b>

**COLBY COMMUNITY COLLEGE**  
Notes to Supplementary Information  
For the Year Ended June 30, 2017

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
<b>Revenues</b>								
Actual amounts (regulatory basis) revenues from combining schedule	\$ 10,608,208	175,562	-	1,927,686	2,617	12,714,073	5,824,020	18,538,093
Adjustments								
Accounts Receivable Adjustment	(7,923)	-	-	-	-	(7,923)	-	(7,923)
Unearned Revenue Adjustment	-	-	-	-	-	-	108,459	108,459
Tax in process 6/30/16	(86,000)	-	-	-	-	(86,000)	-	(86,000)
Tax in process 6/30/17	76,000	-	-	-	-	76,000	-	76,000
<b>Total revenues as reported on the Statement of Revenues, Expenses and Change in Net Position</b>	<u>10,590,285</u>	<u>175,562</u>	<u>-</u>	<u>1,927,686</u>	<u>2,617</u>	<u>12,696,150</u>	<u>5,932,479</u>	<u>18,628,629</u>
<b>Expenditures</b>								
Actual amounts (regulatory basis) expenditures from combining schedule	9,803,299	209,574	-	1,085,826	(43)	11,098,656	6,418,755	17,517,411
Adjustments:								
Inventory Adjustment	35,193	-	-	1,249	-	36,442	-	36,442
Accrued Bond Interest	19,690	-	-	-	-	19,690	(108,726)	(89,036)
Change in Prepaid Expenses	(27,425)	-	-	-	-	(27,425)	-	(27,425)
Capitalized Assets	(151,296)	(11,369)	-	(17,165)	-	(179,830)	179,830	-
OPEB and Early Retirement Liability	42,292	-	-	-	-	42,292	-	42,292
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 2017 Encumbrances	(129,682)	-	-	-	-	(129,682)	(492,806)	(622,488)
Plus 2016 Encumbrances	72,484	-	-	23,839	-	96,323	156,934	253,257
<b>Total expenditures as reported on the Statement of Revenue, Expenses and Change in Net Position</b>	<u>9,664,555</u>	<u>198,205</u>	<u>-</u>	<u>1,093,749</u>	<u>(43)</u>	<u>10,956,466</u>	<u>6,153,987</u>	<u>17,110,453</u>
<b>Revenues Over (Under) Expenditures</b>	925,730	(22,643)	-	833,937	2,660	1,739,684	(221,508)	1,518,176
<b>Other Financing Sources (Uses)</b>								
Transfers In	2,062,209	-	-	-	-	2,062,209	2,975,146	5,037,355
Transfers Out	(2,942,756)	-	-	(1,000,950)	(25,679)	(3,969,385)	(1,067,970)	(5,037,355)
Net Increase (Decrease) in Net Position, as reported on the Statement of Revenue, Expenses and Change in Net Position	<u>45,183</u>	<u>(22,643)</u>	<u>-</u>	<u>(167,013)</u>	<u>(23,019)</u>	<u>(167,492)</u>	<u>1,685,668</u>	<u>1,518,176</u>
Net Position, Beginning of Year	3,863,686	33,689	-	1,342,367	31,578	5,271,320	4,699,976	9,971,296
Prior Period Adjustment	(1,034,838)	-	-	-	-	(1,034,838)	-	(1,034,838)
Net Position, Beginning of Year - As restated	<u>2,828,848</u>	<u>33,689</u>	<u>-</u>	<u>1,342,367</u>	<u>31,578</u>	<u>4,236,482</u>	<u>4,699,976</u>	<u>8,936,458</u>
<b>Net Position, End of Year</b>	<u>\$ 2,874,031</u>	<u>11,046</u>	<u>-</u>	<u>1,175,354</u>	<u>8,559</u>	<u>4,068,990</u>	<u>6,385,644</u>	<u>10,454,634</u>

**COLBY COMMUNITY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:

Business-Type Activities		<u>Unmodified</u>	
Discretely Presented Component Unit		<u>Unmodified</u>	

Internal control over financial reporting:

- |                                                         |       |     |              |    |
|---------------------------------------------------------|-------|-----|--------------|----|
| • Material weakness identified?                         | _____ | Yes | <u>  X  </u> | No |
| • Significant deficiency identified?                    | _____ | Yes | <u>  X  </u> | No |
| • Noncompliance material to financial statements noted? | _____ | Yes | <u>  X  </u> | No |

**FEDERAL AWARDS**

Internal control over major programs:

- |                                        |       |     |              |    |
|----------------------------------------|-------|-----|--------------|----|
| • Material weaknesses identified?      | _____ | Yes | <u>  X  </u> | No |
| • Significant deficiencies identified? | _____ | Yes | <u>  X  </u> | No |

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniform Guidance?

	_____	Yes	<u>  X  </u>	No
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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**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	<u>  X  </u>	No
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**COLBY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

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**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**

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**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Material Weakness in Internal Control**

**2016-001**

**Condition**

The College had one instance in January 2016 where student refunds were issued in error to students. The error resulted from a code being deleted for the Summer 2015 tuition assessment. This resulted in all charges for that semester being charged at zero instead of the correct tuition and fees amount. When the global assessment was performed to determine student refunds it included all accounts that the charges had been removed. Since this was for a prior semester the amounts had already been paid; therefore, these accounts showed a credit balance. This error created credit balances on 253 student accounts totaling \$153,134. The controls over this process failed to identify the error and refunds were issued to students through check and electronic funds transfer. After the error was identified by the College steps were taken to stop payment on checks and request any funds to be returned that were issued in error. At this time the College has collected all but \$9,050 relating to this error.

**Criteria or specific requirement**

Internal controls over the student accounts receivable refund process should be reviewed for effectiveness and additional controls should be implemented to ensure refunds are not issued in error. Controls should also be implemented in the software to prevent modifying a previous semesters' assessment after that semester has been closed.

**Cause**

The College lacked controls over the software program that allowed a previous semester to be modified. Controls were also lacking that allowed refunds to be issued to students that had been enrolled and taken the class. There was no process to check the validity of the refunds before the checks were issued.

**Effect**

Student accounts were refunded in error, which if gone undetected, could have resulted in a material amount of cash refunds being issued to students. Fortunately the error was identified and action was taken to get these funds returned to the college. At this time only \$9,050 remains unreturned.

**Context**

The student accounts receivable refund process lacked several controls that would have identified the material error in refunds before the checks and EFT's were issued.

**Recommendation**

We recommend the College implement controls over the student accounts receivable refund process that restrict the modifications that can be made to the system after a semester has been closed. We also recommend that any changes in the assessment require approval by management before being made. We also recommend that controls are implemented to determine the validity and accuracy of refunds prior to their issuance.

**Views of responsible officials and planned corrective actions**

The College hired two individuals for the Student Accounts Receivable (SAR) Office. Both individuals have been fully trained on refunds and processing, which include double checking student account balances prior to processing refunds. By pulling reports weekly, they work to assure that balances are correct and refunds are processed via an EFT or check within 14 days. Prior to processing the refund,

**COLBY COMMUNITY COLLEGE**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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each SAR employee signs off that they have personally reviewed and verified the balance remaining in the student's account. After they have signed off, they bring the document to the CFO who then logs in at the bank and processes the EFT. Any checks that need to be processed are uploaded via Great Plains and processed through the accounts payable process.

**Current Year Follow-up**

We reviewed the College's process put in place since the error to help eliminate it from happening again. As of June 30, 2017, all but \$15,932 of the erroneous student refunds had been collected. This balance has been written off the College's accounts receivable and sent to collections.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Material Weaknesses in Internal Control and Compliance**

**2016-002**

**Information on the Federal Program**

US Department of Education Student Financial Assistance Program Cluster – Title IV – Federal Pell Grant Program – CFDA No. 84.063

**Condition**

Out of the five files reviewed for Return of Title IV Funds, there were two that we not evaluated for determination within 30 days of the end of the semester (34 C.F.R. 668.22(j)).

**Criteria or specific requirement**

The College is required to make an assessment of each student that withdrew from the institution, officially or unofficially, within 30 days of the end of the semester to determine if it is necessary to return funds to the Department of Education.

**Cause**

The College did not have proper procedures implemented to receive the information regarding student withdrawals from the registrar in a timely manner.

**Effect of Condition**

The funds that students are awarded under Title IV are to be utilized for the completion of educational coursework to achieve a degree or certificate in a program of study. If the student decides to end degree completion before a semester has ended, they have effectively not earned the use of those Title IV funds toward degree completion. Students would retain the Title IV funds without educational purpose when they are required to return them to the Department of Education.

**Context**

A total of five students were examined for return of Title IV funds. Of the five, two students were not assessed for determination within 30 days of the end of the semester.

**Recommendation**

The College needs to develop policies and procedures to ensure they are making a determination to return Title IV funds of withdrawn students within 30 days of the end of the semester.

**Views of responsible officials and planned corrective actions**

It was determined that students could change their schedules online and the Registrar and Financial Aid would not be aware of the changes until the end of the semester when students have a zero grade point average for the term. The Director of Institutional Effectiveness has provided the department access to a

**COLBY COMMUNITY COLLEGE**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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daily report to reflect all class additions and class withdrawals in Powercampus that can be run on a daily basis. This report will be run daily to check for additions and withdrawals that would result in a Return to Title IV calculation. This procedure will ensure timely and accurate reporting of R2T4s within 30 days of the end of the semester.

**Current Year Follow-up**

We selected six students that withdrew from the college for testing and found no withdrawal determinations completed after the 30 day time frame.

**2016-003**

**Information on the Federal Program**

US Department of Education Student Financial Assistance Program Cluster – Title IV – Perkins Loan Program – CFDA No. 84.038

**Condition**

Out of 60 files reviewed, six student files did not contain exit interviews or evidence of correspondence with students requesting they complete the exit interviews.

**Criteria or specific requirement**

The College is required to adequately maintain student loan files that include an established repayment plan and have exit interviews on file. All files should be kept in a secure, fireproof location and contain all of the appropriate documentation.

**Cause**

The College has a number of older files that have not been well maintained due to past personnel turnover and lack of student payments on accounts.

**Effect of Condition**

When students begin and ultimately complete their education at the college, they should have several important pieces of documentation, including master promissory notes, entrance interviews, and exit interviews. If this is not complete, the student may not understand what their loan obligations will be after they are out of deferment. Also, the institution may not be fully informed of the student's loan balance, deferment status, or any amounts in default.

**Context**

A total of 60 Perkins loan files were examined. Of the 60, six student files did not contain exit interviews or evidence of correspondence with students requesting they complete the exit interviews.

**Recommendation**

The College needs to properly maintain all Perkins Loan documentation in the student files.

**Views of responsible officials and planned corrective actions**

The official closeout of the Perkins Loan Program began October 19, 2016 with Intent to Close submitted to the Department of Education on that day. The letters notifying the students of the transition will be sent by EDSI, Inc., our loan servicer, and they will assist us with the additional required procedures. When the loan documents are submitted to the Department of Education for closeout, copies will be maintained by the Financial Aid Department for the required time. Missing documentation from prior years is unattainable due to the age of the files.

**COLBY COMMUNITY COLLEGE**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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Current Year Follow-up

We selected the remaining six student files that were not turned over to the department of education for testing and found no instances of missing exit interviews.

**2016-004**

Information on the Federal Program

US Department of Education Student Financial Assistance Program Cluster – Title IV – Federal Pell Grant Program – CFDA No. 84.063.

Condition

We found 17 instances where a credit balance on a student's account was not paid to the student within 14 days, 3 instances where federal funds from the current award period were applied to a prior award period and 2 instances where student credit balances were carried over to the next award period, and a waiver was not on file.

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. Title IV funds are to be used for the designated award period, unless a signed waiver is obtained from the student. These funds cannot be carried forward to a new award period and must be refunded to the student (34 C.F.R. 668.164(e)).

Cause

The current tracking system of student credit balances did not timely catch this credit balance to ensure that it was distributed within 14 days. The student accounts department was not aware that you could not apply Title IV funds to a prior student account balance. The student accounts department has only begun the process to obtain waivers for carryover of credit balances. They had only obtained waivers from a small number of students.

Effect

Seventeen students did not receive the credit balance in his/her account within 14 days of its initial existence, three students were entitled to refunds on their student account, had their funds have been applied correctly, and two students were entitled to refunds on their student account.

Context

A total of 60 students were examined to review for student credit balances in their accounts and proper application of Title IV funds to student accounts. Seventeen students' credit balance was not refunded to the student within 14 days of its initial existence. Three students' credit balances were not refunded to the student due to application to a prior award period. Finally, two students' credit balances were not refunded to the student and applied to the next award period. Known questioned costs totaled \$16,948.

Recommendation

The college needs to provide adequate training to all personnel regarding student accounts to ensure that the student accounts department has adequate training regarding a credit balance return to students within 14 days and Title IV fund application to student accounts. Also, proper communication needs to be set up between the student financial aid office and the student accounts office to ensure both parties are aware when credit balances exist.

**COLBY COMMUNITY COLLEGE**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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Views of responsible officials and planned corrective actions

The college hired two individuals for the Student Accounts Receivable (SAR) Office. Both individuals have been fully trained on refunds and processing thereof within the 14-day window. By pulling reports weekly, they work to assure that balances are correct and refunds are processed via an EFT or check in a timely manner. The SAR and Financial Aid office meet monthly to discuss what is working and what is not working. These meetings create a synergy that allows for new and innovative ideas to be discussed and where ongoing accountability occurs.

Current Year Follow-up

We selected a total of 60 students to review for credit balances. We discovered no errors in the 14 day refund process.

**2016-005**

Information on the Federal Program

US Department of Education Student Financial Assistance Program Cluster – Title IV – Federal Pell Grant Program – CFDA No. 84.063 and Federal Direct Student Loans CFDA No. 84.268.

Condition

We found two instances where a student was awarded Title IV funds incorrectly. One student was under awarded a Pell grant based on his/her enrollment status. A second student was over awarded a direct unsubsidized loan based on his/her year in school.

Criteria or specific requirement

There are annual loan limits in place for dependent undergraduate students. These loan limits represent the total of all types of federal loans a student can receive in a given award year (C.F.R. 685.203)). Federal Pell grants are also awarded based on enrollment status in a given semester based on the Department of Education Pell award chart.

Cause

There were not adequate procedures in place to review the work of the staff in the student financial aid department when the financial aid packaging process had been completed.

Effect

Two students did not receive the correct amount of Title IV funds to complete their degree seeking coursework.

Context

A total of 60 students were examined to determine eligibility for receiving Title IV funds. Two students were eligible to receive student financial aid, but were awarded incorrect amounts based on hours completed in the semester and year in school. Known questioned costs totaled \$1,722.

Recommendation

The college needs to provide adequate training to all personnel regarding student award packaging. Procedures should be in place to review student packages before they are actually awarded and accepted by the student.

Views of responsible officials and planned corrective actions

The staff of the Financial Aid Department attended the Rocky Mountain Association of Student Financial Aid Administrators Summer Institute, which is a weeklong intensive training for financial aid professionals of all levels of experience. Staff also attended the Kansas Association of Student Financial Aid Administrators Spring 2016 and Fall 2016 Training and Federal updates. The Veteran's Director attended

**COLBY COMMUNITY COLLEGE**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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two trainings for Veteran's benefits. The Associate Director attended Powerfaids training to learn how to utilize the financial aid computer program to identify problems with students, financial aid before it is communicated to the student. The Financial Aid Director attended the Federal Student Aid Training Conference for Financial Aid Professionals presented by the Department of Education. In addition, the Financial Aid Department is presently scheduling online training from College Board and the FSA. These trainings benefit the Financial Aid Department as a whole, but also focus on various topics that are presented addressing packaging and verification in financial aid seminars.

To address procedures regarding student award packaging, the Financial Aid Department implemented the utilization of a control sheet that is generated during the packaging process that contains items that are necessary for packaging correctly and performing the verification process correctly. On the checklist, information from the ISIR triggers the financial aid employee to look at the student in the National Student Loan Data System to check to be sure the student is not in default and has not exceeded loan limits. There is also a line for Period of Enrollment: Year in School which shows the employee the year in school in the system so the correct loan amount is awarded. In addition, the verifications are performed by the Assistant Financial Aid Director who has received extensive training in this area. The Financial Aid Department has also implemented a review process for files before the Direct Loans and Pell grants are originated. The Director will review the cover sheet and the verification documents before the Pell grants and the direct loans are originated. Furthermore, a report was created in Powerfaids, the financial aid software, to identify potential over payments and financial need that has been exceeded. These reports will be run periodically and reviewed for errors by the Director. In total, each of these procedures will ensure accuracy of the student award packaging process.

**Current Year Follow-up**

We reviewed 60 student files to determine if all federal awards had been done properly. Upon completion of the review of our original sample, we found one instance of an incorrect Pell award. We then selected 40 additional student files and tested for proper awarding of Pell grants. We found no errors within that sample and the original error was deemed an isolated incidence.

**COLBY COMMUNITY COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Student Financial Assistance Program Cluster - Title IV			
Federal Perkins Loan Program	84.038	N/A	\$ -
Federal Pell Grant Program	84.063	N/A	1,393,874
Federal Supplemental Educational Opportunity Grants	84.007	N/A	51,381
Federal Work-Study Program	84.033	N/A	87,577
Federal Direct Student Loans	84.268	N/A	<u>2,142,855</u>
Total Student Financial Assistance Program Cluster - Title IV			<u>3,675,687</u>
TRIO Student Support Services	84.042	N/A	<u>195,784</u>
Passed Through Kansas Board of Regents			
Adult Education - Basic Grants to States	84.002	3042-3000, 3010, 3020	89,348
Career and Technical Education - Basic Grants to States	84.048	3051-3004,3005, 3006, 3052	<u>116,082</u>
Total Passed Through Kansas Board of Regents			<u>205,430</u>
Total U.S. Department of Education			4,076,901
<b>Corporation for National and Community Service</b>			
Passed Through Western Kansas Community Services Consortium:			
Retired and Senior Volunteer Program	94.002	95-2728-0-0-000	<u>45,834</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u><u>4,122,735</u></u></b>



**COLBY COMMUNITY COLLEGE**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

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**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 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, 2017 under the Federal Perkins Loan Program totaled \$367,828. The college has begun the process of transferring the Federal Perkins loans to the department of education, resulting in the closure of the program.

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 \$2,142,855 for the year ended June 30, 2017.

**NOTE 4 – 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 \$2,080 as an administrative cost allowance, which is less than the administrative cost allowance allowed for the year ended June 30, 2017.

**NOTE 5 – 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** was granted a waiver from matching these funds by the U.S. Department of Education, so the College did not provide any matching contributions for FSEOG grants for the year ended June 30, 2017.

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** was granted a waiver from matching these funds by the U.S. Department of Education, so the College did not provide any matching contributions for FWS grants for the year ended June 30, 2017.