

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

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

**June 30, 2015**

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

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

**June 30, 2015**

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COWLEY COUNTY COMMUNITY COLLEGE and  
AREA VOCATIONAL-TECHNICAL SCHOOL  
ORGANIZATIONAL DATA  
FOR THE YEAR ENDED JUNE 30, 2015

**BOARD OF TRUSTEES**

OFFICERS OF THE BOARD OF TRUSTEES (as of June 30, 2015)

Dennis Shurtz	Chairman
Mark Paton	Vice Chairman
Tony Crouch	Treasurer
Elizabeth Moore	Board Clerk
David Andreas, JD	Legal Counsel

MEMBERS OF THE BOARD OF TRUSTEES (as of June 30, 2015)

Dennis Shurtz (Chairman)	Arkansas City, Kansas
Mark Paton (Vice Chairman)	Arkansas City, Kansas
Ned Graham	Winfield, Kansas
Brian Sanderholm	Arkansas City, Kansas
Bob Juden	Arkansas City, Kansas
Jim Ramiez	Arkansas City, Kansas
Ron Godsey	Winfield, Kansas

PRINCIPLE ADMINISTRATIVE OFFICERS (as of June 30, 2015)

Tony Crouch	Interim President
Tony Crouch	Executive Vice President of Business Services
Slade Griffiths	Vice President of Academic Affairs
Ben Schears	Vice President of Institutional Advancement
Paul Erdmann	Vice President of Informational Technology
Stephani Johns-Hines	Associate Vice President, Mulvane & Online Operations
Shane Larson	Athletic Director
Josh Cobble	Executive Director of Enrollment Management
Jason O'Toole	Executive Director of Student Affairs

**CURRENT OFFICERS OF THE BOARD OF TRUSTEES**

(as of December 4, 2015)

Dennis Shurtz	Chairman
Bob Juden	Vice Chairman
Dr. Gloria Walker, CPA	Treasurer
Elizabeth Moore	Board Clerk
David Andreas, JD	Legal Counsel

**CURRENT MEMBERS OF THE BOARD OF TRUSTEES**

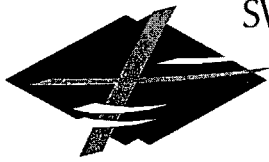
(as of December 4, 2015)

		<u>Term Expires</u>
Dennis Shurtz (Chairman)	Arkansas City, Kansas	July 2017
Bob Juden (Vice Chairman)	Arkansas City, Kansas	July 2017
Ned Graham	Winfield, Kansas	July 2017
Brian Sanderholm	Arkansas City, Kansas	July 2017
Jim Ramirez	Arkansas City, Kansas	July 2019
Sid Regnier	Arkansas City, Kansas	July 2019
JoLynn Foster	Arkansas City, Kansas	July 2019

**CURRENT PRINCIPLE ADMINISTRATIVE OFFICERS**

(as of December 4, 2015)

Dr. Dennis Rittle	President
Dr. Gloria Walker, CPA	Vice President of Finance & Administration
Dr. Harold Arnett	Vice President of Academic Affairs
Ben Schears	Vice President of Institutional Advancement
Paul Erdmann	Vice President of Informational Technology
Stephani Johns-Hines	Associate Vice President, Mulvane & Online Operations
Shane Larson	Athletic Director
Josh Cobble	Executive Director of Enrollment Management
Jason O'Toole	Executive Director of Student Affairs



SWINDOLL  
JANZEN  
HAWK &  
LOYD, LLC

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the Cowley County Community College and Area Vocational-Technical School (College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College basic financial statements. The individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC

December 8, 2015

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

This section of the Cowley County Community College and Area Vocational-Technical School's ("the College") ("Cowley College") Annual Financial Report presents management's discussion and analysis. Management's Discussion and Analysis is included to provide a narrative introduction, overview, and analysis of the financial position and changes in financial position of the College's financial activity during the fiscal year ended June 30, 2015. Since management's discussion and analysis is designed to focus on current activities, and currently known facts, please read this in conjunction with the College's basic financial statements and the notes thereto. Responsibility for the completeness and fairness of this information rests with the management of the College.

**Financial Highlights**

In fiscal year 2014-2015, the College continued its efforts toward stabilizing the financial resources; initiating and implementing strategies to reduce spending, and addressing issues brought on by stagnant State funding and decline in local income. Additionally, the College initiated strategic planning to lay the foundation to further growth in enrollment and increased student success.

The College is in the planning phase of its strategic plan, and has identified six initiatives that will be fully developed in the strategic plan. These goals have been approved by the Board of Trustees, and will be fully developed and implemented as a part of the College's strategy and focus on student success.

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

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

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

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

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

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

The focus of each goal is on student success, and is Cowley College's #1 priority as indicated in the institution's strategic planning and institutional priorities noted in the strategic planning process map below:

COWLEY COUNTY COMMUNITY COLLEGE AND  
 AREA VOCATIONAL-TECHNICAL SCHOOL  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)

**Strategic Planning Process Map**  
**Vision, Mission, Values, and Strategic Theme**  
 Reviewed Annually in December by the HLC Team, Strategic Leadership Team, and Board of Trustees

**Vision Statement**

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

**Mission Statement**

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

**Core Values**

People, Accountability, Integrity, Leadership

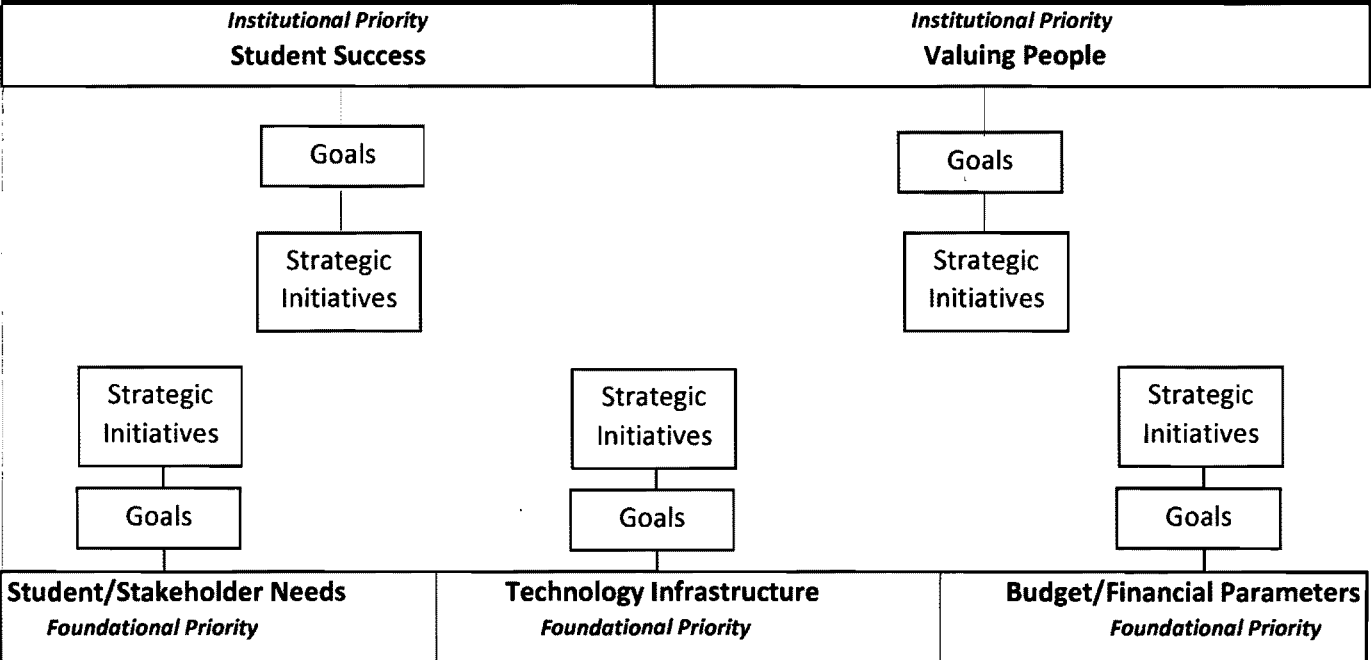
**Strategic Theme**

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

**Planning and Leading**  
 Determined by the Administration and HLC Team (January/February)  
 (January-February)



**Institutional Priorities**  
 Determined by Administration and Strategic Leadership Team (January/February)



**Foundational Priorities**  
 Ongoing Institutional Priorities

Stakeholder and Employee Input (Annually in Fall)



COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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These are all important in moving the institution to the next level. As the College takes what is a bold and dramatic step in its future, there is an equal commitment to change or to break old molds and to reallocate resources to fit the strategic priorities of the College.

In conjunction with our efforts to align the institution around putting students first, there is no goal more visible and important to the students and community than the fiscal well-being and transparency of the Cowley College financial picture.

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

**Fiscal Planning and Budget**

In order for Cowley College to remain fiscally sound, and meet its goal of focusing on student success, the College is working toward a budget model that will integrate strategic planning and the budget development process. The purpose of an integrated strategic planning and budget development process is to create a standardized annual process that links strategic priorities and goals with budget planning. The process is intended to provide a consistent approach for instructional and administrative departments to timely prepare the annual budget, and to clearly link instructional, departmental, and college activities and initiatives with institutional priorities and goals. This process is forthcoming in the next fiscal year of Cowley College, and is not reflected in management's discussion and analysis of financial reporting for fiscal year ending June 30, 2015.

This management's discussion and analysis provides an over-view of the financial highlights of the College including comparisons over the past three fiscal years.

**Statement of Net Position**

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

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

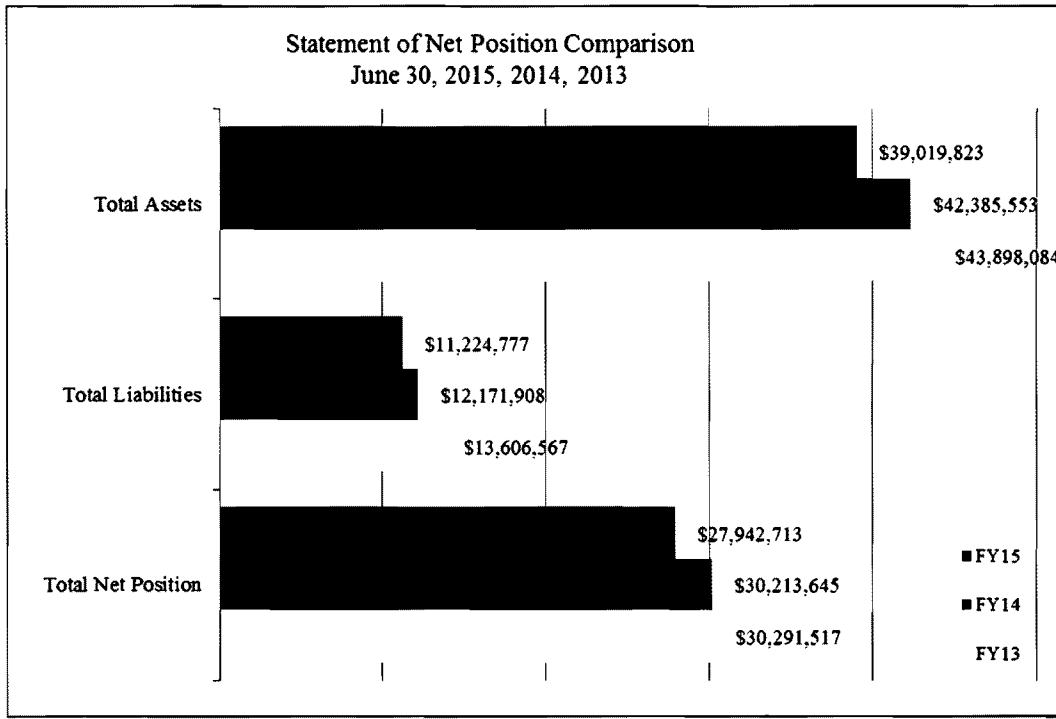
The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. The accrual basis of accounting is similar to the accounting basis utilized by most private-sector institutions, and is used by government entities including institutions of higher educations that adopted GASB 34 & GASB 35, and thus, classify themselves as business-type entities. This statement defines the financial position of the College. This overview compares the financial position of the College for the past fiscal years 2015, 2014, and 2013.

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**Statement of Net Position – Continued**

	2015	2014	2013	Change	
				2014 to 2015	2013 to 2014
<b>ASSETS</b>					
Other Assets	\$ 15,703,224	\$ 17,741,496	\$ 18,444,502	\$ (2,038,272)	\$ (703,006)
Capital Assets	23,316,599	24,644,057	25,453,582	(1,327,458)	(809,525)
<b>TOTAL ASSETS</b>	<b>\$ 39,019,823</b>	<b>\$ 42,385,553</b>	<b>\$ 43,898,084</b>	<b>\$ (3,365,730)</b>	<b>\$ (1,512,531)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred premium on COP	\$ 147,667	\$ -	\$ -	\$ 147,667	\$ -
<b>LIABILITIES:</b>					
Current Liabilities	\$ 4,092,694	\$ 4,625,241	\$ 4,899,824	\$ (532,547)	\$ (274,583)
Noncurrent Liabilities	7,132,083	7,546,667	8,706,743	(414,584)	(1,160,076)
<b>TOTAL LIABILITIES</b>	<b>\$ 11,224,777</b>	<b>\$ 12,171,908</b>	<b>\$ 13,606,567</b>	<b>\$ (947,131)</b>	<b>\$ (1,434,659)</b>
<b>NET POSITION:</b>					
Investment in Plant, Net	\$ 16,739,398	\$ 16,750,884	\$ 16,122,150	\$ (11,486)	\$ 628,734
Restricted - Expendable	282,327	1,073,486	1,683,745	(791,159)	(610,259)
Unrestricted	10,920,988	12,389,275	12,485,622	(1,468,287)	(96,347)
<b>TOTAL NET POSITION</b>	<b>\$ 27,942,713</b>	<b>\$ 30,213,645</b>	<b>\$ 30,291,517</b>	<b>\$ (2,270,932)</b>	<b>\$ (77,872)</b>

COWLEY COUNTY COMMUNITY COLLEGE AND  
 AREA VOCATIONAL-TECHNICAL SCHOOL  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)



**Assets**

In comparing fiscal year 2015 to fiscal year 2014, there was a decrease of \$1.9 million in cash and cash equivalent, short-term investments, and long-term investments. This decrease was mainly due to the cost associated with the replacement of the College's student information system, and decline in Ad Valorem taxes. The new system once fully designed and implemented will replace a system that was purchased and installed in 1991. The investment portfolio is highly liquid with 100% of the assets invested in certificate of deposits and United States obligations. Funds invested in certificate of deposits and other bank deposits are secured with U.S. Treasuries or United States agencies which have the full faith and credit of the United States government. Cash and cash equivalent at the close of fiscal year 2015 was \$11.4 million or 39.9% of fiscal year 2015 earned revenues.

In comparing fiscal year 2014 to fiscal year 2013, there was an increase of \$929,558 in cash and cash equivalent, short-term investments, and long-term investments. This increase was mainly due to the last conversion of the Wichita Area Technical College receivable into cash.

**Deferred Outflows of Resources**

The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The College's deferred charge on refunding a debt is now reported as a deferred outflow of resources as the amount is deferred and amortized over the life of the refunded debt. The College refinanced the 2007 Series-Dorm Revenue Bond with a Certificate of Participation to lower the interest rate of the life of the debt and reduce the total debt service payments by \$349,745 over the next thirteen years. The refinancing savings of \$147,667 for fiscal year 2015. The refinancing savings will be amortized over the remaining life of the debt.

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Liabilities**

Overall liabilities decreased approximately \$947,131 from 2014 to 2015, and \$1,434,659 million from 2013-2014. The overall decrease in liabilities is mainly due the retirement of the Certificate of Participation, Series A, 2008 for the Track, and the refinancing of the Dormitory System Revenue Bonds, Series 2007, to Certificate of Participation, Series 2015, Central Avenue Dormitory. Conversely, the College made a concerted decision to apply those savings toward the cost of the student information system and not finance that cost; thus, maintaining a decrease in liabilities.

**Net Position**

The overall net position of the College is relatively strong although the net position decreased \$2,200,000 for fiscal year 2015 over fiscal year 2014 mainly due to an increase in expenses of \$2,000,000 while revenues only grew by \$97,190. Unrestricted net position for fiscal year 2015 stood at \$10.9 million, which reflects the health and strong financial position of the College.

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

The Statement of Revenues, Expenses, and Changes in Net Position present the College's results of operations for the fiscal year. Operating revenues are generated from the services provided to students and other customers of the College. Operating expenses include those costs incurred in the productions of good and services which result in operating revenues, as well as depreciation and amortization. All other activity is classified as nonoperating revenues, expenses, and gains, and losses. Since a large portion of the revenues including Ad valorem taxes and State appropriation are classified as nonoperating revenues; Kansas public community colleges may reflect an operating loss with the increase or decrease in net position reflective of all activity.

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

A summarized comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2015, 2014, and 2013 is presented in the table below.

	2015	2014	2013	Change	
				2014 to 2015	2013 to 2014
Operating Revenues	\$ 16,500,243	\$ 15,821,968	\$ 18,330,142	\$ 678,275	\$ (2,508,174)
Operating Expenses	31,828,332	29,720,159	31,448,001	2,108,173	(1,727,842)
Operating Loss	(15,328,089)	(13,898,191)	(13,117,859)	(1,429,898)	(780,332)
Nonoperating Revenues, Net	12,872,355	13,637,594	12,918,926	(765,239)	\$ 718,668
Capital Grants and Gifts	184,802	182,725	189,360	2,077	(6,635)
Increase (Decrease) in Net Position	\$ (2,270,932)	\$ (77,872)	\$ (9,573)	\$ (2,193,060)	\$ (68,299)

COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Revenues**

Operating revenues increased \$678,275 or 4.3% in fiscal year 2015 as compared to fiscal year 2014 namely due to an increase in local revenues of student tuition and fee revenues (\$2,200,000) and student tuition and fee rates, although full-time equivalent headcount decreased 682 or 11.9%. Students lessened their dependence on federal sources of funds that resulted in a decrease in the allowance for federal grants and institutional scholarships of \$2.7 million used for student tuition and fees. Federal sources of revenues, i.e., Pell grants and student loan revenues, decreased \$2,100,000 or 21%. Other local revenue source including state, residential dormitories, campus store revenues, and other revenues increased by \$158,185. Nonoperating revenues including state appropriations, Ad valorem taxes, and investment income decreased \$527,765 or 3.8% namely due to decreases in Ad valorem taxes.

Operating revenues decreased 13.7% in fiscal year 2014 compared to fiscal year 2013 namely due to decrease in local revenues of student tuition and fee revenues (\$9,289,000) resulting from decrease in full-time equivalent (FTE) headcount of 587 or 9.3%. Other operating revenues including state, residential dormitories, campus store revenues and other operating revenues accounted for \$62,315 of the overall decrease in operating revenues in 2014. Nonoperating revenues for fiscal year 2014 compared to fiscal year 2013 increased \$576,591 or 5.6% namely due to state appropriations and Ad valorem taxes.

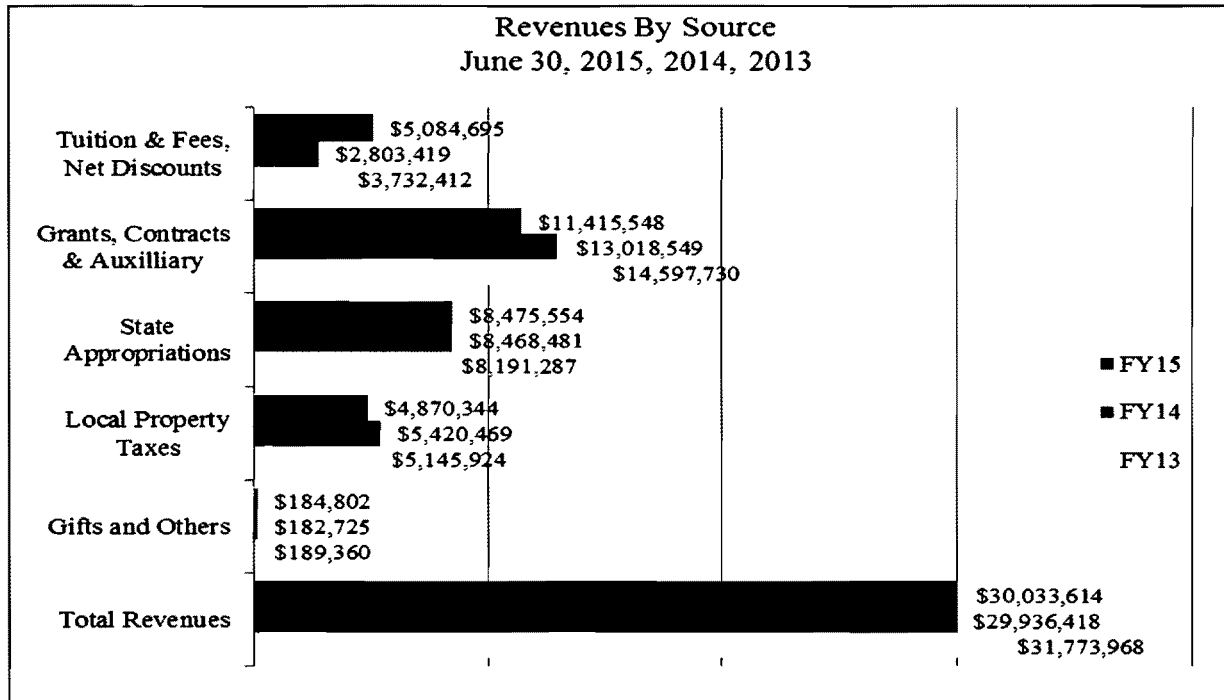
**Revenue by Source**

In accordance with GASB Statements No. 34 and 35, revenues are identified in the Statement of Revenues, Expenses, and Changes in Net Position as Operating Revenues and Nonoperating Revenues. Operating Revenues are remunerations associated with exchanges with students, commonly tuition and fees, textbooks, and other materials students purchase for college. Other remunerations classified as Operating Revenues include federal, state, and local exchanges associated with students in the form of Pell Grants, SEOG, and Federal and Local Work study. Nonoperating Revenues are those remunerations that are not exchanges with students directly but with others based on the College's deliver of education to students. Nonoperating Revenues include primarily State Appropriations, Ad valorem taxes, and other revenues such as investment income and capital gifts.

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

	2015	2014	2013	Change	
				2014 to 2015	2013 to 2014
<b>OPERATING REVENUES:</b>					
Tuition & Fees, Net of Discount	\$ 5,084,695	\$ 2,803,419	\$ 3,732,412	\$ 2,281,276	\$ (928,993)
<b>Grants, Contracts &amp; Auxiliary</b>					
Federal	6,676,330	8,437,516	9,954,382	(1,761,186)	(1,516,866)
State	242,278	233,471	260,125	8,807	(26,654)
Local, Private & Non-governm't	550,998	350,496	262,855	200,502	87,641
Auxiliary	3,945,942	3,997,066	4,120,368	(51,124)	(123,302)
Total Grants, Contracts, and Auxiliary	11,415,548	13,018,549	14,597,730	(1,603,001)	(1,579,181)
<b>TOTAL OPERATING REVENUES</b>	<b>16,500,243</b>	<b>15,821,968</b>	<b>18,330,142</b>	<b>678,275</b>	<b>(2,508,174)</b>
<b>NONOPERATING REVENUES:</b>					
<b>State Funds:</b>					
Unrestricted	7,220,017	7,165,723	7,014,455	54,294	151,268
Restricted	1,255,537	1,302,758	1,176,832	(47,221)	125,926
Total State Funds	8,475,554	8,468,481	8,191,287	7,073	277,194
<b>Local Property Taxes:</b>					
Maintenance and Operations	4,870,344	5,420,469	5,145,924	(550,125)	274,545
Debt Service	-	-	-	-	-
Total Local Property Taxes	4,870,344	5,420,469	5,145,924	(550,125)	274,545
Capital Grants and Gifts	184,802	182,725	189,360	2,077	(6,635)
<b>Investment income and others:</b>					
Investment Income	43,178	27,891	30,339	15,287	(2,448)
Other	(40,507)	14,884	(113,084)	(55,391)	127,968
Total Investment and Others	2,671	42,775	(82,745)	(40,104)	125,520
<b>TOTAL NONOPERATING REVENUES</b>	<b>13,533,371</b>	<b>14,114,450</b>	<b>13,443,826</b>	<b>(581,079)</b>	<b>670,624</b>
<b>TOTAL REVENUES</b>	<b>\$ 30,033,614</b>	<b>\$ 29,936,418</b>	<b>\$ 31,773,968</b>	<b>\$ 97,196</b>	<b>\$ (1,837,550)</b>

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

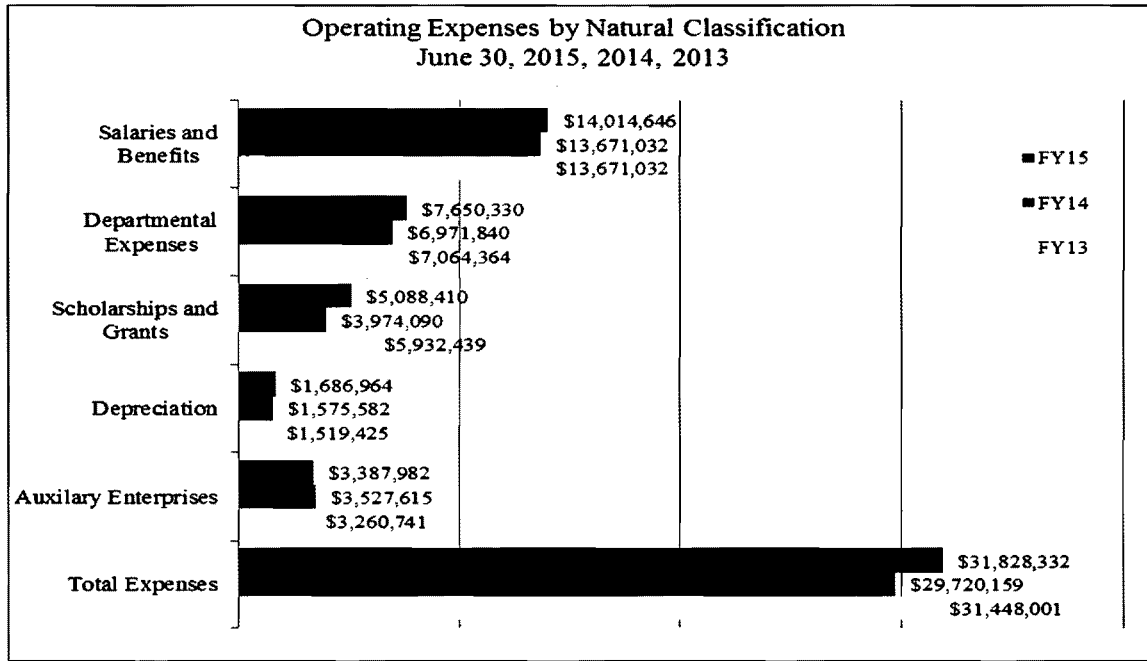


**Expenses**

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

	Operating Expenses by Natural Classification						Change	
	2015	% of Total	2014	% of Total	2013	% of Total	2014 to 2015	2013 to 2014
Salaries and Benefits	\$ 14,014,646	44.03%	\$ 13,671,032	46.00%	\$ 13,671,032	43.47%	\$ 343,614	\$ -
Departmental Expenses	7,650,330	24.04%	6,971,840	23.46%	7,064,364	22.46%	678,490	(92,524)
Scholarships and Grants	5,088,410	15.99%	3,974,090	13.37%	5,932,439	18.86%	1,114,320	(1,958,349)
Depreciation	1,686,964	5.30%	1,575,582	5.30%	1,519,425	4.83%	111,382	56,157
Auxiliary Enterprises	3,387,982	10.64%	3,527,615	11.87%	3,260,741	10.37%	(139,633)	266,874
<b>Total Expenses</b>	<b>\$ 31,828,332</b>	<b>100.00%</b>	<b>\$ 29,720,159</b>	<b>100.00%</b>	<b>\$ 31,448,001</b>	<b>100.00%</b>	<b>\$ 2,108,173</b>	<b>\$ (1,727,842)</b>

**COWLEY COUNTY COMMUNITY COLLEGE AND  
AREA VOCATIONAL-TECHNICAL SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**



	Operating Expenses by Functional Classification						Change	
	2015	% of Total	2014	% of Total	2013	% of Total	2014 to 2015	2013 to 2014
Instruction	\$ 7,414,723	23.30%	\$ 7,737,096	26.03%	\$ 8,067,185	25.65%	\$ (322,373)	\$ (330,089)
Academic Support	749,047	2.35%	867,536	2.92%	816,179	2.60%	(118,489)	51,357
Student Services	4,421,177	13.89%	4,389,629	14.77%	4,510,168	14.34%	31,548	(120,539)
Institutional Support	4,525,547	14.22%	3,212,472	10.81%	2,868,429	9.12%	1,313,075	344,043
KPERS Contribution	1,255,537	3.94%	1,302,758	4.38%	1,176,832	3.74%	(47,221)	125,926
Plant Operations and Maint.	3,298,945	10.36%	3,133,381	10.54%	3,296,603	10.48%	165,564	(163,222)
Depreciation	1,686,964	5.30%	1,575,582	5.30%	1,519,425	4.83%	111,382	56,157
Scholarships/Grants	5,088,410	15.99%	3,974,090	13.37%	5,932,439	18.86%	1,114,320	(1,958,349)
Auxiliary Enterprises	3,387,982	10.64%	3,527,615	11.87%	3,260,741	10.37%	(139,633)	266,874
<b>Total Expenses</b>	<b>\$ 31,828,332</b>	<b>100.00%</b>	<b>\$ 29,720,159</b>	<b>100.00%</b>	<b>\$ 31,448,001</b>	<b>100.00%</b>	<b>\$ 2,108,173</b>	<b>\$ (1,727,842)</b>

Operating expenses increased in fiscal year 2015 by \$2.1 million or 7% compared to fiscal year 2014 namely due to the increased hiring in the Student Service Division, and payment of the new student information system and final payment of the outgoing president accounted for in Institutional Support Division. Instruction expenses over the past three years comparatively have declined at the same rate of 4%. The decline in Instruction expenses primarily results from the sale of the aviation vocational school to Wichita Area Technical College and the College has not replaced those programs with new programs. Other divisions' operating expenses of the College had a mixture of growth and decline with the largest growth in institutional support. Again, with the changing of the President that resulted in a buy out of the salary and benefit contract, which is classified as an expense in Institutional Support. The Plant Operation and Maintenance spending increased in fiscal year 2015 over fiscal year 2014 due to the build-out at the Mulvane and Wichita Centers. The Wichita Center build-out was with the intent of consolidating two other locations in Wichita into one location to decrease operating expenses. Additionally, Scholarships



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and Grants increased in fiscal year 2015 over fiscal year 2014 by \$1.1 million or 28% in order to increase full-time equivalent headcount.

Operating expenses decreased in fiscal year 2014 by \$1.7 million or 5.5% compared to fiscal year 2013 namely due to the decline in spending in Scholarship/Grants and Instruction.

**Statement of Cash Flows**

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

**Future Outlook**

On July 1, 2015, Cowley College introduced its fifth president of the College, Dr. Dennis C. Rittle. Prior to accepting the presidency for Cowley College, Dr. Rittle served as Provost and Executive Vice President of Learning at Ozarka College in Melbourne, Arkansas. Dr. Rittle began serving in higher education in 1995, and earned his Ph.D. in Organizational Leadership with a major in Human Resource Development from the prestigious School of Global Leadership and Entrepreneurship at Regent University. During his service within higher education, Dr. Rittle has served on the staff of the Kansas Board of Regents where he aligned technical curriculum for all public postsecondary institutions across the state of Kansas.

He has also served as Dean of Academic Affairs at Brown Mackie College in Salina, Kansas, and as a Technical Advancement Director at Butler Community College in El Dorado, Kansas. In addition, Dr. Rittle served as a program director, instructor, and curriculum writer for the Community College of the Air Force and is a veteran of the United States Air Force. His passion for both academic and applied learning is evidenced by 20 years of service in higher education, more than a dozen publications, leadership on local, regional, and national workforce and education boards, numerous professional and community presentations, to include being a guest lecturer in Oxford, UK, and furthering knowledge in the fields of education, leadership, team building, workforce development, and business. He has been the recipient of numerous local, state, and national awards in education, business, and leadership.

In addition to Dr. Rittle coming aboard, Dr. Gloria Walker and Dr. Harold Arnett joined his executive staff in the positions of Vice President for Finance and Administration and Vice President for Academic Affairs, respectively, on September 1, 2015. Dr. Walker earned the Doctor of Education at Northeastern University with a concentration in Higher Education Administration. Prior to pursuing a doctoral degree, Dr. Walker served over 20 years in senior to executive level management in higher education. Over the course of her career in the areas of fiscal affairs; accounting and financial operations, Dr. Walker developed a solid background in community college administration at Houston Community College and South Florida Community College as Executive Vice Chancellor of Finance and Administration and Vice President for Financial Services, respectively, and Chief Financial Officer; and at Midland College, Midland, Texas in a similar capacity. Dr. Walker served as Executive Vice President and Chief Operating Officer at Texas Southern University for three years. Dr. Walker also holds a MBA in Finance, and Bachelor's degree in Accounting. She is a Certified Public Accountant.

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Dr. Arnett earned a Bachelors and Master's degree in Industrial Education at Murray State (KY) University, and a Ph.D. in Educational Theory and Practice at Ohio State University. After teaching high school Industrial Arts for seven years, Dr. Arnett became an Associate Professor of Education at Missouri Western State College (now University). He then completed a post-doctorate residency at the University of Kentucky, and was a English, Geography and Life Skills instructor for one year, and then principal of Scott County Alternative School (Georgetown, KY). Immediately prior to coming to Cowley College, Dr. Arnett served as Developmental Education Specialist at Highland Community College (KS) and in the last seven years he served as Director of Institutional Research.

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

The College is working toward its strategic theme of advancing its mission and vision of supporting the attainment and demonstration of life skills in the areas of critical thinking and problem solving, communications, citizenship, computation, and technology. As a new administration, we are *planning and leading*. As we fully develop the strategic plan, and integrate it into the budget development, we will then have a standardized annual process that links strategic priorities and goals with budget planning.

Additionally, we are currently transitioning to a new organization structure to better serve the College's future needs in the instructional areas. We recognize the need to address the needs of Business and Industry Training, and therefore, will add a new position titled Associate Vice President of Business and Industry. This position will focus on business and industry and specialized training. We will transition the Director of Academics position to the Associate Vice President of Secondary Partnership and Academic Instruction to address the needs of the local high school dual/concurrent enrollment programs. Additionally, we have consolidated two centers in Wichita Kansas to one centralized location near downtown Wichita to better serve that community and surrounding areas. The center in Wichita and the ones in Mulvane and Winfield will be overseen by a newly established position titled Senior Site Director, and Assistant Site Director, respectively. With this centralized location in Wichita, we are expanding our course and program offerings via a hybrid model to meet the demand of business and industry as well as other academic program needs in that area. Additionally, the new administration has begun conversations with community leaders and county commissioners in Sumner County, Kansas for the potentiality of establishing a center in the western part of Sumner County in Wellington, Kansas. Our students must have the skills to compete for the jobs of the future. Thus, transitioning to a new organization structure includes developing new programs to meet the demand of the economy and global competition. One of the great attributes of the College, going forward, will be to ensure our ability to respond quickly to the needs of employers and businesses in our service areas and beyond.

One of the goals in the strategic plan is Financial Parameters: Cowley College is focused on how the resource base of an institution supports and improves its educational programs and operations. Our continued goal is to make higher education for students at Cowley College affordable. In order to do that, and educate and equip students to meet future workforce demands, the College is moving forward on its budget development model of ensuring there are available resources to carry out the mission of the College. One of guiding principal of budget development will be stewardship. Stewardship involves the

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accountability and guardianship of resources including time, money, and people. Through the budget development process, we will look at the strategic priorities as well as cost savings strategies, and collegial efforts and actions to ensure we are working smartly to reduce expenditures and find new revenues to close the funding gap created by the stagnate and future reductions in State appropriations. Ideally, the budget model will align with the strategic plan on an annual basis. Additionally, this new administration recognizes and anticipates more cuts in State appropriations, and have begun to communicate with various State legislators and other stakeholders to assist in developing a new funding model for community colleges. It is our desire to be funded on performance and not on headcount solely in order to ensure accountability of our mission of educating and equipping students to meet the demand of the workforce.

Cowley County Community College and Area Vocational-Technical School outlook for the foreseeable future is positive as a result of its new leadership, new organization structure, future fiscal management, and stable local economy.

**Contacting the College's Financial Management**

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

Respectfully submitted,

Dr. Gloria J. Walker, CPA  
Vice President of Finance and  
Administration  
Cowley County Community College and  
Area Vocational-Technical School  
December 8, 2015

## BASIC FINANCIAL STATEMENTS

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

**Statements of Net Position**

**June 30, 2015**

	Cowley County Community College	Component Unit CCCC Endowment
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,777,783	\$ 244,565
Restricted cash and cash equivalents	1,646,600	-
Investments	-	1,777,318
Receivables - federal and state grants and contracts	869,622	-
Receivables - students (net of allowance of \$190,000)	787,961	-
Receivables - other	2,023	-
Inventories	417,391	35,965
Total current assets	<u>13,501,380</u>	<u>2,057,848</u>
<b>Noncurrent Assets</b>		
Investments	-	3,193,896
Receivables - students (net of allowance of \$1,710,000)	2,201,844	-
Receivables - other	-	9,650
Capital assets, net of accumulated depreciation	23,316,599	-
Beneficial interest in trusts	-	455,897
Total noncurrent assets	<u>25,518,443</u>	<u>3,659,443</u>
<b>TOTAL ASSETS</b>	<u>39,019,823</u>	<u>5,717,291</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	147,667	-
Total deferred outflows of resources	<u>147,667</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 39,167,490</u>	<u>\$ 5,717,291</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,738,058	\$ -
Deposits held in custody for others	1,589,400	-
Accrued interest payable	69,711	-
Compensated absences payable	174,269	-
Certificates of Participation	521,256	-
Total current liabilities	<u>4,092,694</u>	<u>-</u>
<b>Noncurrent Liabilities</b>		
Other postemployment benefits payable	1,270,140	-
Certificates of Participation	5,861,943	-
Total noncurrent liabilities	<u>7,132,083</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>11,224,777</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,739,398	-
Restricted for:		
Nonexpendable - endowments	-	2,768,959
Expendable:		
Capital outlay and construction	86,724	-
Restricted funds	125,892	2,948,332
Revenue bond debt retirement	69,711	-
Unrestricted	10,920,988	-
Total net position	<u>27,942,713</u>	<u>5,717,291</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 39,167,490</u>	<u>\$ 5,717,291</u>

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

**Statements of Revenues, Expenses, and Changes in Net Position  
For the Year End June 30, 2015**

	Cowley County <u>Community College</u>	Component Unit <u>CCCC Endowment</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees	\$ 6,268,290	\$ -
Less allowances for institutional scholarships	(52,925)	-
Less allowances for federal grants	<u>(1,130,670)</u>	<u>-</u>
Net student source revenue	5,084,695	-
Federal sources	6,676,330	-
State sources	242,278	-
Residential life (revenues are used as security for revenue bond series 2004)	2,047,954	-
Campus store (net of sales discounts of \$217,419)	1,686,045	-
Other auxiliary enterprises	211,943	-
Sales and services	-	-
Other operating revenues	<u>550,998</u>	<u>81,162</u>
Total operating revenues	<u>16,500,243</u>	<u>81,162</u>
<b>OPERATING EXPENSES</b>		
Educational and General		
Instruction	7,414,723	-
Academic support	749,047	-
Student services	4,421,177	-
Institutional support	4,525,547	492,169
KPERS contribution paid directly by the State of Kansas	1,255,537	-
Operations and maintenance of plant	3,298,945	-
Depreciation and amortization	1,686,964	-
Scholarships and grants	5,088,410	-
Auxiliary Enterprises		
Residential life	1,469,268	-
Campus store	1,689,825	-
Other auxiliary enterprises	<u>228,889</u>	<u>-</u>
Total operating expenses	<u>31,828,332</u>	<u>492,169</u>
Operating income (loss)	<u>(15,328,089)</u>	<u>(411,007)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	7,220,017	-
State contribution directly to the KPERS retirement system	1,255,537	-
Local sources	4,870,344	-
Private grants and gifts	-	418,773
Loss on disposal of capital assets	(40,507)	-
Investment income	43,178	100,768
Debt issue costs	(235,992)	-
Interest on capital asset-related debt	<u>(240,222)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>12,872,355</u>	<u>519,541</u>
Income before other revenues	(2,455,734)	108,534
Capital grants and gifts	<u>184,802</u>	<u>72,330</u>
Net increase (decrease) in net position	(2,270,932)	180,864
<b>NET POSITION</b>		
Net position - beginning of year	<u>30,213,645</u>	<u>5,536,427</u>
Net position - end of year	<u>\$ 27,942,713</u>	<u>\$ 5,717,291</u>

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

**Statement of Cash Flows  
For the Year End June 30, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student tuition and fees	\$ 4,404,976
Grants and contracts	13,432,193
Sales and services of auxiliary enterprises	3,945,942
Other receipts	1,050,998
Payments to employees for salaries and benefits	(14,014,646)
Payments to suppliers	(14,457,471)
Loans issued to students	(6,240,582)
Net cash provided (used) by operating activities	<u>(11,878,590)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	7,220,017
County and local appropriations	<u>4,870,344</u>
Net cash flows provided (used) by noncapital financing activities	<u>12,090,361</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(332,861)
Proceeds from sales of capital assets	2,493
Proceeds from debt	3,417,755
Principal paid on debt	(4,950,000)
Interest paid on debt	(268,032)
Capital gifts and grants	184,802
Debt issue costs	(235,992)
Net cash provided (used) by capital and related financing activities	<u>(2,181,835)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds of investments	998,256
Interest on investments	<u>43,178</u>
Net cash provided (used) by investing activities	<u>1,041,434</u>
Net increase (decrease) in cash and cash equivalents	(928,630)
Cash and cash equivalents - beginning of year	<u>12,353,013</u>
Cash and cash equivalents - end of year	<u>\$ 11,424,383</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (15,328,089)
Depreciation and amortization expense	1,686,964
Changes in operating assets and liabilities:	
Receivables, net	65,737
Inventories	45,652
Accounts payable and accrued expenses	220,772
Accrued employee benefits	147,290
Deposits held in custody for others	27,547
Employee benefits paid directly by State of Kansas	<u>1,255,537</u>
Net cash used in operating activities	<u>\$ (11,878,590)</u>

# Cowley County Community College and Area Vocational-Technical School

## Notes to Financial Statements

June 30, 2015

### 1. Summary of Significant Accounting Policies

Cowley County Community College and Area Vocational-Technical School (the College) is a public, two-year post-secondary educational institution. With more than 70 majors and degree possibilities, the College prepares students to transfer to a four-year program or to enter the workforce with a two-year job-ready degree.

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

#### *(a) Reporting Entity*

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

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

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

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

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



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

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

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

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

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

#### *Deposits and Investments*

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

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

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

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

#### *Accounts Receivable*

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

#### *Inventories*

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

#### *Capital Assets*

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

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

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

#### Capital Assets

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

Estimated useful lives used for calculating depreciation are as follows:

- Buildings and improvements - 20 to 30 years
- Equipment and furniture - 5 to 15 years

#### Federal Financial Assistance Programs

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

#### Compensated Absences Payable

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

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

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

#### Noncurrent Liabilities

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

#### Pensions

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

#### Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College only has one item that qualifies for reporting in this category. It is the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or original debt.

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

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

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

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

#### *Net Position*

The College's net positions are classified as follows:

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

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

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

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

#### *Net position flow assumption*

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

#### *Classification of Revenues*

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

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

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

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

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

#### Scholarship Allowances

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

#### Use of Estimates

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

#### Property Tax Information

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

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

## 2. Stewardship, Compliance, and Accountability

### (a) *Budgetary Information*

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

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

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

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

### (a) Budgetary Information (Continued)

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

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

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

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

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. Certain sub-funds of the Restricted Funds have negative unencumbered cash balances at June 30, 2015, which is allowable under Kansas Statute 12-1663. The funds will be reimbursed in the following fiscal year from federal, state and other contracts for expenditures incurred by the College. This receivable has been recognized for GAAP purposes on the fund financial statements.

## 3. Deposits and Investments

As of June 30, 2015, the College had cash and cash equivalents as listed below:

Deposits in financial banking institutions	\$ 3,687,783
Certificates of deposit	6,090,000
Total cash and cash equivalents	<u>9,777,783</u>
Deposits in financial banking institutions – bond proceeds	<u>1,646,600</u>
Total restricted cash and cash equivalents	<u>1,646,600</u>
Combined cash and cash equivalents	<u>\$ 11,424,383</u>

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

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

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

### 3. Deposits and Investments (Continued)

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

*Custodial credit risk* – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Kansas Statutes 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2015, the College was not exposed to custodial credit risk with its deposits or investments.

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

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

### 4. Capital Assets

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

	Beginning Balance	Increases	(Decrease) Adjustments	Ending Balance
Non-depreciable capital assets				
Land	\$ 2,626,584	\$ -	\$ (8,055)	\$ 2,618,529
Depreciable capital assets				
Improvements	42,469,170	-	-	42,469,170
Equipment	4,269,114	569,932	-	4,839,046
Total depreciable capital assets	46,738,284	569,932	-	47,308,216
Less accumulated depreciation				
Improvements	(21,171,670)	(1,375,268)	-	(22,546,938)
Equipment	(3,549,142)	(514,066)	-	(4,063,208)
Total accumulated depreciation	(24,720,812)	(1,889,334)	-	(26,610,146)
Total depreciable capital assets (net)	22,017,472	(1,319,402)	-	20,698,070
Total capital assets, net	\$ 24,644,056	\$ (1,319,402)	\$ (8,055)	\$ 23,316,599

Depreciation expense for they year ended June 30, 2015 is \$1,589,055.

## 5. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2015:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Current Portion
Certificates of participation					
Refunding certificate - indoor sports	\$ 2,065,000	\$ -	\$ 210,000	\$ 1,855,000	\$ 215,000
Refunding certificate - student services	1,265,000	-	310,000	955,000	310,000
Refunding certificate - Series 2015	-	3,620,000	-	3,620,000	-
Premium on certificates	-	(48,673)	1,872	(46,801)	(3,744)
Revenue Bonds					
Dorm system refunding	580,000	-	580,000	-	-
Dorm revenue	3,850,000	-	3,850,000	-	-
Premium on bonds	(61,871)	-	61,871	-	-
Compensated absences	163,872	10,397	-	174,269	174,269
Post-employment healthcare	1,133,247	227,893	(91,000)	1,270,140	-
<b>Total long-term liabilities</b>	<b>\$ 8,995,248</b>	<b>\$ 3,809,617</b>	<b>\$ 4,922,743</b>	<b>\$ 7,827,608</b>	<b>\$ 695,525</b>

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

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

The College issued the Certificates of Participation Series 2015. The original issue amount was \$3,620,000, due in annual principal installments ranging from \$200,000 to \$360,000 through year 2028. Interest rates vary from 2.50% to 3.45%.

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

Year Ending	Principal	Interest	Total
6/30/2016	\$ -	\$ 109,080	\$ 109,080
6/30/2017	200,000	98,190	298,190
6/30/2018	265,000	92,377	357,377
6/30/2019	275,000	85,628	360,628
6/30/2020	285,000	78,628	363,628
6/30/21 - 6/30/25	1,545,000	279,043	1,824,043
6/30/26 - 6/30/28	1,050,000	53,645	1,103,645
<b>Total</b>	<b>\$ 3,620,000</b>	<b>\$ 796,591</b>	<b>\$ 4,416,591</b>

The above bond was issued as a current refunding of the 2007 Series - Dorm Revenue Bond. The purpose of the refunding was to lower interest rates and provide taxpayers savings. The refunded bond is considered to be defeased and the proceeds were placed in an irrevocable trust which will be used to redeem the refunded bonds on January 8, 2015. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements and the liability of the defeased debt has been removed from the financial statements. At June 30, 2015, the amount of outstanding defeased bonds totaled \$3,645,000. The reacquisition price exceeded the net carrying amount of the old debt by \$153,573. This amount is being reported as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is the same as the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next thirteen years by \$349,745 and resulted in an economic gain of \$307,193.

## 5. Long-Term Liabilities (Continued)

### (b) Indoor Sports Facility

The College issued the Student Union Indoor Sports Facility, Certificates of Participation Series A, 2011. The original issue amount was \$2,660,000, due in annual principal installments ranging from \$215,000 to \$255,000 through year 2023. Interest rates vary from 1.10% to 3.60%.

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2016	\$ 215,000	\$ 54,510	\$ 269,510
6/30/2017	215,000	50,210	265,210
6/30/2018	220,000	45,373	265,373
6/30/2019	225,000	39,653	264,653
6/30/2020	235,000	33,127	268,127
6/30/21 - 6/30/23	745,000	52,710	797,710
Total	<u>\$ 1,855,000</u>	<u>\$ 275,583</u>	<u>\$ 2,130,583</u>

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

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

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2016	\$ 310,000	\$ 17,713	\$ 327,713
6/30/2017	320,000	12,908	332,908
6/30/2018	325,000	6,987	331,987
Total	<u>\$ 955,000</u>	<u>\$ 37,608</u>	<u>\$ 992,608</u>

## 6. Operating Lease Obligations

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

The Bloomenshine Center, Arkansas City, KS is used for operating classes, a student lounge, administrative offices and related educational activities. The operating lease has an option to renew for a term of three years at a time. Expenses for year ending June 30, 2015 were \$99,600.

The operating lease of 101 Industrial Drive, Mulvane, KS is used for operating classes and related educational activities. The operating lease has an option to renew for an additional two years. Expenses for year ending June 30, 2015 were \$90,000.

The operating lease of 410 E. Main, Mulvane, KS is used for operating classes, a student union, administrative offices and related educational activities. The operating lease has an option to renew for an additional three years. Expenses for year ending June 30, 2015 were \$72,000.

The operating lease of 410 E. Main, Mulvane, KS - Parking is used for parking for church-related functions, provided that said church functions are not held during regularly scheduled class periods. The operating lease has an option to renew for an additional three years negotiated at the time of the extension. Expenses for year ending June 30, 2015 were \$3,600.



## 6. Operating Lease Obligations (Continued)

The operating lease of Fugate, Wichita, KS is used for the purpose of operation of a satellite college, and the provision of related services. The operating lease has an option to renew for an additional three year term. Expenses for year ending June 30, 2015 were \$16,500.

The future minimum lease payments are as follows:

	Bloomenshine Center	101 Industrial Drive Mulvane	410 E. Main Mulvane	410 E. Main Mulvane Parking
Year ending June 30,				
2016	\$ 99,600	\$ 90,000	\$ 72,000	\$ 3,600
2017	99,600	90,000	72,000	3,600
2018	8,300	90,000	-	-
2019	-	-	-	-
2020	-	-	-	-
	<u>\$ 207,500</u>	<u>\$ 270,000</u>	<u>\$ 144,000</u>	<u>\$ 7,200</u>

	Fugate	Total Operating Expense
Year ending June 30,		
2016	\$ 66,000	\$ 331,200
2017	66,000	331,200
2018	66,000	164,300
2019	66,000	66,000
2020	66,000	66,000
	<u>\$ 330,000</u>	<u>\$ 958,700</u>

## 7. Other Postemployment Healthcare Benefits (OPEB)

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

Retirees and Beneficiaries receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>185</u>
Total	<u>195</u>

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

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

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

Normal cost	\$ 158,827
Amortization of unfunded AAL	<u>75,712</u>
Annual Required Contribution	234,539
Interest on net OPEB obligation	39,664
Adjustment to ARC	<u>(46,310)</u>
Annual OPEB cost (expense)	227,893
Contributions made	<u>(91,000)</u>
Increase in net OPEB obligation	136,893
Net OPEB obligation - beginning of year	<u>1,133,247</u>
Net OPEB obligation - end of year	<u>\$ 1,270,140</u>

Schedule of employer contributions (for fiscal year ended):

Fiscal Year Ended	Annual OPEB Cost	Net Employer Contributions	Net Percentage Contributed	End of Year Net OPEB Obligation
June 30, 2013	\$ 207,752	\$ 54,000	26.0%	\$ 1,005,042
June 30, 2014	207,205	79,000	38.1%	1,133,247
June 30, 2015	227,893	91,000	39.9%	1,270,140

**Funded Status and Funding Progress** – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,790,097. The College’s policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,790,097. The covered payroll (annual payroll of active employees covered by the Plan) was \$10,160,877, and the ratio of the UAAL to the covered payroll was 17.6%.

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

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

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 1,502,502	\$ 1,502,502	0%	\$ 7,548,810	19.9%
7/1/2011	-	1,477,303	1,477,303	0%	8,905,358	16.6%
7/1/2014	-	1,790,097	1,790,097	0%	10,160,877	17.6%

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

In the July 1, 2014 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.5% investment rate of return, which is a blended rate of the expected long-term investment returns on Plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date and on the annual healthcare cost trend rates. The valuation assumed annual healthcare cost trend rate of 7.5% initially and an ultimate rate of 5.0% after nine years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over 30 years on a level percent-of-pay, open period basis.

## 8. Defined Benefit Pension Plan

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

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

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

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

Those employees participating in the pension plan for the College are included in the State/School employee group.

*Benefits provided.* 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.

## 8. Defined Benefit Pension Plan (Cont.)

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

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

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 0.90% of total payroll for the fiscal year ended June 30, 2014.

The State is required to contribute 100.00% of the College's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law established the KPERS member-employee contribution rate of 4.00% of covered salary for Tier 1 members, prior to January 1, 2014, and 5.00% commencing January 1, 2014, and 6.00% of covered salary for Tier 2 members. The College's contractually required contributions rate for the year ended June 30, 2014, was 15.12% of the annual college payroll of which 0.00% of payroll was required from the College and 100.00% of payroll was required from the State. The College's contributions to the pension plan were \$0 for the year ended June 30, 2014.

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

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

To facilitate the separate (sub) actuarial valuations, 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.

## 8. Defined Benefit Pension Plan (Cont.)

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

At June 30, 2014, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State pension support provided to the College. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the College	<u>16,126,705</u>
	<u>\$ 16,126,705</u>

The net pension liability was measured as of December 31, 2013, which was rolled forward to June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts and colleges and the State, actuarially determined. At June 30, 2014, the combined College and state's proportion was 0.25%, which was an increase of 0.0003% from its proportion measured as of June 30, 2013.

For the actuarial report as of June 30 2014, there were no changes in assumptions or benefits.

There were no changes between the measurement date of December 31, 2013, rolled forward to June 30, 2014, and the College's reporting date of June 30, 2015.

For the year ended June 30, 2015, the College recognized pension expense of \$1,255,537 and revenue of \$1,255,537 for support provided by the state. At June 30, 2015, the College did not report deferred outflows of resources or deferred inflows of resources due to the state's proportionate share being 100%. At the measurement date of June 30, 2014, the state reported deferred outflows of resources and deferred inflows of resources related to pensions for the College from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 381,980
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,919,935
Changes in proportion and differences between College contributions and proportionate share of contributions	<u>20,153</u>	<u>-</u>
Total	<u>\$ 20,153</u>	<u>\$ 2,301,915</u>

## 8. Defined Benefit Pension Plan (Cont.)

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

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2015	\$ 4,181	\$ 559,233
2016	4,181	559,233
2017	4,181	559,233
2018	4,181	559,233
2019	3,429	64,983
Thereafter	-	-
	<u>\$ 20,153</u>	<u>\$ 2,301,915</u>

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- Price Inflation 3.0 percent
- Wage inflation 4.0 percent
- Salary increases, including wage increases 4.0 to 12.5 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 with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges).

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

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity	47.00%	6.00%
Fixed Income	14.00%	0.85%
Yield Driven	8.00%	5.50%
Real Return	11.00%	3.75%
Real Estate	11.00%	6.65%
Alternatives	8.00%	9.50%
Short-Term Investments	<u>1.00%</u>	0.00%
Total	<u>100.00%</u>	

## 8. Defined Benefit Pension Plan (Cont.)

*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 employee contributions will be made at the current contribution rate and the contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's 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:

1% Decrease (7.00%)	Discount rate (8.00%)	1% Increase (9.00%)
\$21,050,036	\$16,126,705	\$11,946,216

## 9. Risk Management

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

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

The Cowley County Community College Endowment Association paid \$198,888 in student scholarships during the current fiscal year.

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

## 11. Contingent Liabilities

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

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

## 12. Subsequent Events

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

**REQUIRED SUPPLEMENTARY INFORMATION**



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

**Other Post Employment Benefits  
Year Ended June 30, 2015**

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b-a)/c)</u>
7/1/2008	\$ -	\$ 1,502,502	\$ 1,502,502	0.0%	\$ 7,548,810	19.9%
7/1/2011	-	1,477,303	1,477,303	0.0%	8,905,358	16.6%
7/1/2014	-	1,790,097	1,790,097	0.0%	10,160,877	17.6%

Schedule of Employer Contributions:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 207,752	\$ 54,000	\$ 1,005,042
6/30/2014	207,205	79,000	1,133,247
6/30/2015	227,893	91,000	1,270,140

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

**COWLEY COUNTY COMMUNITY COLLEGE**  
**Year Ended June 30, 2015**

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Kansas Public Employees Retirement System

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
College's proportion of the net pension liability (asset)	0.00%	0.00%	For 2005 to 2012, this data is not yet available.							
College's proportionate share of the net pension liability (asset)	\$ -	\$ -	For 2005 to 2012, this data is not yet available.							
State's proportionate share of the net pension liability (asset)	0.19%	0.19%	For 2005 to 2012, this data is not yet available.							
State's proportionate share of the net pension liability (asset)	\$ 16,126,705	\$ 18,308,158	For 2005 to 2012, this data is not yet available.							
Total collective net pension liability (asset)	\$ 16,126,705	\$ 18,308,158	For 2005 to 2012, this data is not yet available.							
College's covered-employee payroll	\$ 11,715,453	\$ 11,514,987	For 2005 to 2012, this data is not yet available.							
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	137.65%	158.99%	For 2005 to 2012, this data is not yet available.							
Plan fiduciary net position as a percentage of the total pension liability	199.42%	149.64%	For 2005 to 2012, this data is not yet available.							

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

## SUPPLEMENTARY INFORMATION

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
General Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 5,036,180	\$ 5,036,180	\$ 4,285,948	\$ (750,232)
State sources	4,410,683	4,410,683	4,322,469	(88,214)
Local sources	4,975,873	4,975,873	4,815,344	(160,529)
Other sources	<u>644,205</u>	<u>644,205</u>	<u>674,919</u>	<u>30,714</u>
 Total Cash Receipts	 <u>\$ 15,066,941</u>	 <u>\$ 15,066,941</u>	 <u>14,098,680</u>	 <u>\$ (968,261)</u>
 <u>Expenditures and Transfers Subject to Budget</u>				
Instruction	\$ 5,013,461	\$ 5,013,461	4,698,873	\$ (314,588)
Academic support	756,654	756,654	539,626	(217,028)
Student services	3,911,987	3,911,987	3,247,110	(664,877)
Institutional support	2,746,864	2,746,864	3,169,064	422,200
Operation and maintenance	3,711,652	3,711,652	2,803,660	(907,992)
Scholarships	367,985	367,985	274,057	(93,928)
Transfer to Vocational Fund	2,575,000	2,575,000	110,607	(2,464,393)
Nonmandatory transfers in (out)	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
 Total Expenditures and Transfers Subject to Budget	 <u>\$ 19,118,603</u>	 <u>\$ 19,118,603</u>	 <u>14,877,997</u>	 <u>\$ (4,240,606)</u>
 Receipts Over (Under) Expenditures			 (779,317)	
 Unencumbered Cash, July 1			 <u>8,311,196</u>	
 Unencumbered Cash, June 30			 <u>\$ 7,531,879</u>	
 Unencumbered Cash, June 30			 \$ 7,531,879	
Receivables			2,989,805	
Accrued sick leave			(48,877)	
Accrued vacation			(125,392)	
Accrued other post employment benefits			<u>(1,270,140)</u>	
 GAAP fund balance			 <u>\$ 9,077,275</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Postsecondary Technical Education Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 1,599,805	\$ 1,599,805	\$ 1,239,500	\$ (360,305)
State sources	2,855,117	2,855,117	3,082,350	227,233
Other sources	-	-	8,567	8,567
Transfers	<u>2,575,000</u>	<u>2,575,000</u>	<u>110,607</u>	<u>(2,464,393)</u>
 Total Cash Receipts	 <u>\$ 7,029,922</u>	 <u>\$ 7,029,922</u>	 <u>4,441,024</u>	 <u>\$ (2,588,898)</u>
 <u>Expenditures and Transfers Subject to Budget</u>				
Instruction	\$ 2,985,992	\$ 2,985,992	2,374,498	\$ (611,494)
Academic support	395,643	395,643	209,421	(186,222)
Student services	675,921	675,921	517,873	(158,048)
Institutional support	993,824	993,824	1,214,300	220,476
Operation and maintenance	1,656,542	1,656,542	1,064,272	(592,270)
Scholarships	167,000	167,000	109,776	(57,224)
Mandatory transfers in (out)	<u>155,000</u>	<u>155,000</u>	<u>92,641</u>	<u>(62,359)</u>
 Total Expenditures and Transfers Subject to Budget	 <u>\$ 7,029,922</u>	 <u>\$ 7,029,922</u>	 <u>5,582,781</u>	 <u>\$ (1,447,141)</u>
 Receipts Over (Under) Expenditures			(1,141,757)	
 Unencumbered Cash, July 1			-	
 Unencumbered Cash, June 30			<u>\$ (1,141,757)</u>	
 Unencumbered Cash, June 30			<u>\$ (1,141,757)</u>	
Receivables			-	
 GAAP fund balance			<u>\$ (1,141,757)</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Education Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Federal sources	\$ 125,750	\$ 125,750	\$ 66,879	\$ (58,871)
State sources	135,700	135,700	57,476	(78,224)
Local sources	-	-	35,000	35,000
Other sources	165,000	165,000	122,676	(42,324)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Cash Receipts	\$ 426,450	\$ 426,450	282,031	\$ (144,419)
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 454,015	\$ 454,015	269,506	\$ (184,509)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Receipts Over (Under) Expenditures			12,525	
Unencumbered Cash, July 1			<u>25,481</u>	
Unencumbered Cash, June 30			<u>\$ 38,006</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 38,006</u>	
			<u>          </u>	
GAAP fund balance			<u>\$ 38,006</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Adult Supplementary Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>				
Student sources	\$ 250,000	\$ 250,000	\$ 13,625	\$ (236,375)
Other sources	65,000	65,000	1,873	(63,127)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total Cash Receipts	\$ 315,000	\$ 315,000	15,498	(299,502)
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 343,816	\$ 343,816	20,227	(323,589)
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Receipts Over (Under) Expenditures			(4,729)	
Unencumbered Cash, July 1			28,815	
Unencumbered Cash, June 30			\$ 24,086	
Unencumbered Cash, June 30 Receivables			\$ 24,086	
			<u>        </u>	
GAAP fund balance			\$ 24,086	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Motorcycle Driver Safety Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 22,000	\$ 22,000	\$ 4,155	\$ (17,845)
<u>Expenditures Subject to Budget</u>				
Instruction	\$ 27,454	\$ 27,454	8,812	\$ (18,642)
Receipts Over (Under) Expenditures			(4,657)	
Unencumbered Cash, July 1			5,454	
Unencumbered Cash, June 30			\$ 797	
Unencumbered Cash, June 30 Receivables			\$ 797	
			-	
GAAP fund balance			\$ 797	



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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Bookstore Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Sales	\$ 3,125,000	\$ 3,125,000	\$ 1,475,508	\$ (1,649,492)
Other income	325,000	325,000	216,966	(108,034)
<b>Total Cash Receipts</b>	<b>\$ 3,450,000</b>	<b>\$ 3,450,000</b>	<b>1,692,474</b>	<b>\$ (1,757,526)</b>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 225,000	\$ 225,000	189,378	\$ (35,622)
General operating expenses	850,000	850,000	169,714	(680,286)
Supplies	250,000	250,000	151,401	(98,599)
Cost of goods sold	2,343,744	2,343,744	1,140,110	(1,203,634)
Equipment	45,000	45,000	-	(45,000)
<b>Total Expenditures Subject to Budget</b>	<b>\$ 3,713,744</b>	<b>\$ 3,713,744</b>	<b>1,650,603</b>	<b>\$ (2,063,141)</b>
Receipts Over (Under) Expenditures			41,871	
Unencumbered Cash, July 1			213,730	
Unencumbered Cash, June 30			<u>\$ 255,601</u>	
Unencumbered Cash, June 30 Inventory			\$ 255,601 <u>417,391</u>	
GAAP fund balance			<u>\$ 672,992</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Housing Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Sales	\$ 3,275,000	\$ 3,275,000	\$ 84,036	\$ (3,190,964)
Other income	175,000	175,000	1,963,918	1,788,918
Total Cash Receipts	<u>\$ 3,450,000</u>	<u>\$ 3,450,000</u>	<u>2,047,954</u>	<u>\$ (1,402,046)</u>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 365,000	\$ 365,000	307,299	\$ (57,701)
General operating expenses	15,000	15,000	192,453	177,453
Supplies	250,000	250,000	64,395	(185,605)
Cost of goods sold	2,336,063	2,336,063	833,590	(1,502,473)
Equipment	27,000	27,000	71,532	44,532
Transfer	800,000	800,000	384,263	(415,737)
Total Expenditures Subject to Budget	<u>\$ 3,793,063</u>	<u>\$ 3,793,063</u>	<u>1,853,532</u>	<u>\$ (1,939,531)</u>
Receipts Over (Under) Expenditures			194,422	
Unencumbered Cash, July 1			<u>345,014</u>	
Unencumbered Cash, June 30			<u>\$ 539,436</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ 539,436</u>	<u>-</u>
GAAP fund balance			<u>\$ 539,436</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Cosmetology Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Sales	\$ 145,000	\$ 145,000	\$ 97,712	\$ (47,288)
Other income	35,000	35,000	-	(35,000)
<b>Total Cash Receipts</b>	<b>\$ 180,000</b>	<b>\$ 180,000</b>	<b>97,712</b>	<b>\$ (82,288)</b>
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 35,000	\$ 35,000	21,330	\$ (13,670)
Supplies	65,000	65,000	32,184	(32,816)
Cost of goods sold	87,940	87,940	57,193	(30,747)
<b>Total Expenditures Subject to Budget</b>	<b>\$ 187,940</b>	<b>\$ 187,940</b>	<b>110,707</b>	<b>\$ (77,233)</b>
Receipts Over (Under) Expenditures			(12,995)	
Unencumbered Cash, July 1			7,940	
Unencumbered Cash, June 30			<u>\$ (5,055)</u>	
Unencumbered Cash, June 30 Receivables			\$ (5,055) -	
GAAP fund balance			<u>\$ (5,055)</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Wellness Center Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 95,000	\$ 95,000	\$ 13,968	\$ (81,032)
Other income	65,000	65,000	100,263	35,263
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Cash Receipts	\$ 160,000	\$ 160,000	114,231	\$ (45,769)
<u>Expenditures Subject to Budget</u>				
Salaries and benefits	\$ 95,000	\$ 95,000	105,475	\$ 10,475
General operating expenses	5,000	5,000	-	(5,000)
Supplies	45,869	45,869	6,835	(39,034)
Equipment	15,000	15,000	5,873	(9,127)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures Subject to Budget	\$ 160,869	\$ 160,869	118,183	\$ (42,686)
Receipts Over (Under) Expenditures			(3,952)	
Unencumbered Cash, July 1			869	
Unencumbered Cash, June 30			<u>\$ (3,083)</u>	
Unencumbered Cash, June 30 Receivables			<u>\$ (3,083)</u>	
GAAP fund balance			<u>\$ (3,083)</u>	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Athletics Fund  
Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
<u>Cash Receipts</u>				
Student sources	\$ 775,000	\$ 775,000	\$ 501,948	\$ (273,052)
<u>Expenditures Subject to Budget</u>				
General operating expenses	\$ 775,000	\$ 775,000	501,948	\$ (273,052)
Receipts Over (Under) Expenditures			-	
Unencumbered Cash, July 1			-	
Unencumbered Cash, June 30			\$ -	
Unencumbered Cash, June 30 Receivables			\$ -	
GAAP fund balance			\$ -	

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Capital Outlay Fund  
Year Ended June 30, 2015**

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

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

**Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash  
Budget and Actual - Budgetary Basis  
Special Assessment Fund  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cash Receipts</u>	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
<u>Expenditures Subject to Budget</u>				
Plant equipment and facility	<u>\$ 70,911</u>	<u>\$ 70,911</u>	<u>766</u>	<u>\$ (70,145)</u>
Receipts Over (Under) Expenditures			(766)	
Unencumbered Cash, July 1			<u>70,912</u>	
Unencumbered Cash, June 30			<u>\$ 70,146</u>	
Unencumbered Cash, June 30			\$ 70,146	
Receivables			<u>-</u>	
GAAP fund balance			<u>\$ 70,146</u>	

**SINGLE AUDIT SECTION**



**Cowley County Community College and Area Vocational-Technical School**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Identifying Number	Disbursements/ Expenditures
<u>Department of Education</u>			
Direct Programs:			
TRIO Student Support Services 13-14	84.042A	P042A110052-13	\$ 40,252
TRIO Student Support Services 14-15	84.042A	P042A110052-14	214,494
TRIO Upper Bound Program 13-14	84.047A	P047A121104-13	44,627
TRIO Upper Bound Program 14-15	84.047A	P047A121104-14	209,032
Supplemental Education Opportunity Grant	84.007	P007A151504	72,188
Federal Work-Study Program	84.033	P033A151504	126,422
PELL Grant	84.063	P063P151454	5,819,422
Federal Direct Student Loan	84.268	P268K151454	6,240,582
Passed Through Kansas Board of Regents:			
Adult Education - Basic Grants to States	84.002		66,879
Carl Perkins	84.048A		120,845
Total Department of Education			<u>12,954,743</u>
Total Federal Financial Assistance Expended			<u>\$ 12,954,743</u>

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

Note 2 - Federal Work-Study Program and Supplemental Education Opportunity Grant both have expenditures in excess of the award amount. This is due to administrative fees in the amount of \$6,020 for Federal Work-Study and \$3,438 for SEOG. Administrative fees are allowed to be charged to the grant and are reimbursed by the federal government and are therefore included in the above expenditures.

Note 3 - Federal Work-Study Program and Supplemental Education Opportunity Grant both have expenditures in excess of the award amount. Both grants had matching requirements met by the College. Work-Study had \$30,101 matched by the College. SEOG had \$17,188 matched by the College. As required, neither of these non-federal dollars are included in the expenditures shown above.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate discretely presented component units of Cowley County Community College and Area Vocational-Technical School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cowley County Community College and Area Vocational-Technical School basic financial statements, and have issued our report thereon dated December 8, 2015.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2015-001).

## Compliance and Other Matters

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

## Purpose of this Report

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

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, & Loyd, LLC

December 8, 2015



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HAWK &  
LOYD, LLC

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

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

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

We have audited Cowley County Community College and Area Vocational-Technical School's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

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

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

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

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

Swindoll, Janzen, Hawk & Loyd, LLC

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Swindoll, Janzen, Hawk, and Loyd, LLC

December 8, 2015

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

**SUMMARY OF AUDITOR’S RESULTS**

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

	<u>CFDA No.</u>
Student Financial Aid Programs:	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal PELL Grant Program	84.063
Federal Direct Student Loan Program	84.268

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

**FINDINGS--FINANCIAL STATEMENTS AUDIT**

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

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

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

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

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

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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

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

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

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

**Management Response:** Management agrees with this finding and are actively pursuing a better tracking process. This includes converting over to a new software that will assist them in making these changes.

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

**Student Financial Aid Programs**

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

There were no reportable findings.

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

**Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2015**

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

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

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

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

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