COWLEY COUNTY COMMUNITY COLLEGE AND AREA VOCATIONAL-TECHNICAL SCHOOL

Financial Statements
With
Independent Auditor's Report

June 30, 2017

Cowley County Community College and Area Vocational-Technical School

June 30, 2017

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COWLEY COUNTY COMMUNITY COLLEGE and
AREA VOCATIONAL-TECHNICAL SCHOOL
ORGANIZATIONAL DATA
FOR THE YEAR ENDED JUNE 30, 2017

BOARD OF TRUSTEES

OFFICERS OF THE BOARD OF TRUSTEES

Bob Juden	Chairman
JoLynn Foster	Vice Chairman
Dr. Gloria Walker, CPA	Treasurer
Tiffany Vollmer	Board Clerk
David Andreas, JD	Legal Counsel

MEMBERS OF THE BOARD OF TRUSTEES

		Term Expires
Bob Juden (Chairman)	Arkansas City, Kansas	January 2018
JoLynn Foster (Vice Chairman)	Arkansas City, Kansas	July 2019
Ned Graham	Winfield, Kansas	January 2018
Brian Sanderholm	Arkansas City, Kansas	January 2018
Dennis Shurtz	Arkansas City, Kansas	January 2018
Sid Regnier	Arkansas City, Kansas	July 2019
Jill Long	Winfield, Kansas	January 2020

CURRENT PRINCIPLE ADMINISTRATIVE OFFICERS

Dr. Dennis Rittle	President
Dr. Gloria Walker, CPA	Vice President of Finance and Administration
Dr. Harold Arnett	Vice President of Academic Affairs
Dr. Kori Gregg	Vice President of Institutional Advancement
Paul Erdmann	Vice President of Information Technology
Shane Larson	Athletic Director
Jan Grace	College Operating Officer – Wellington Campus
Chris Hollon	Executive Director of Institutional Research
Kristi Shaw	Executive Director of Enrollment Management
Jason O'Toole	Executive Director of Student Affairs

SWINDOLL JANZEN HAWK & LOYD, LLC
Certified Public Accountants

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 business-type activities and the aggregate discretely presented component unit of the Cowley County Community College and Area Vocational-Technical School (College), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the College, as of June 30, 2017, 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.

sjhl.com

Hutchinson Office
200 N Main • Hutchinson, KS 67504
P: 888.414.0123 • F: 620.662.3350

McPherson Office
123 S. Main • McPherson, KS 67460
P: 888.241.1826 • F: 620.241.6926

Wichita Office
220 W. Douglas, Ste. 300 • Wichita, KS 67202
P: 316.265.5600 • F: 316.265.8021

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post-employment benefits and pension information on pages 3 – 15 and 36 - 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, 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
Hutchinson, Kansas

December 6, 2017

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, 2017. 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 2016-2017, the College continued to evaluate the college's financial resources and spending, aligned with the approved annual budget. Additionally, the management continues to make changes to accounting policies and processes to take advantage of the new ERP's ability to assist in recording and reconciling accounting transactions throughout the fiscal year. The college continues to ensure its finances are sustainable in the face of state appropriations' cuts. The college continues to utilize the 2015-2018 Strategic Plan. The plan includes the following six goals as the foundation for enrollment growth, student success, and financial stability.

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

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

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

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

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

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

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

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.

These are all important in moving the College forward. As the College took what is a bold and dramatic step in its future, there was an equal commitment to change and break old practices of operations including updating the chart of accounts to better identify allocated resources and types of expenditures, to analyze costs.

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 Cowley College's financial picture.

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

Fiscal Planning and Budget

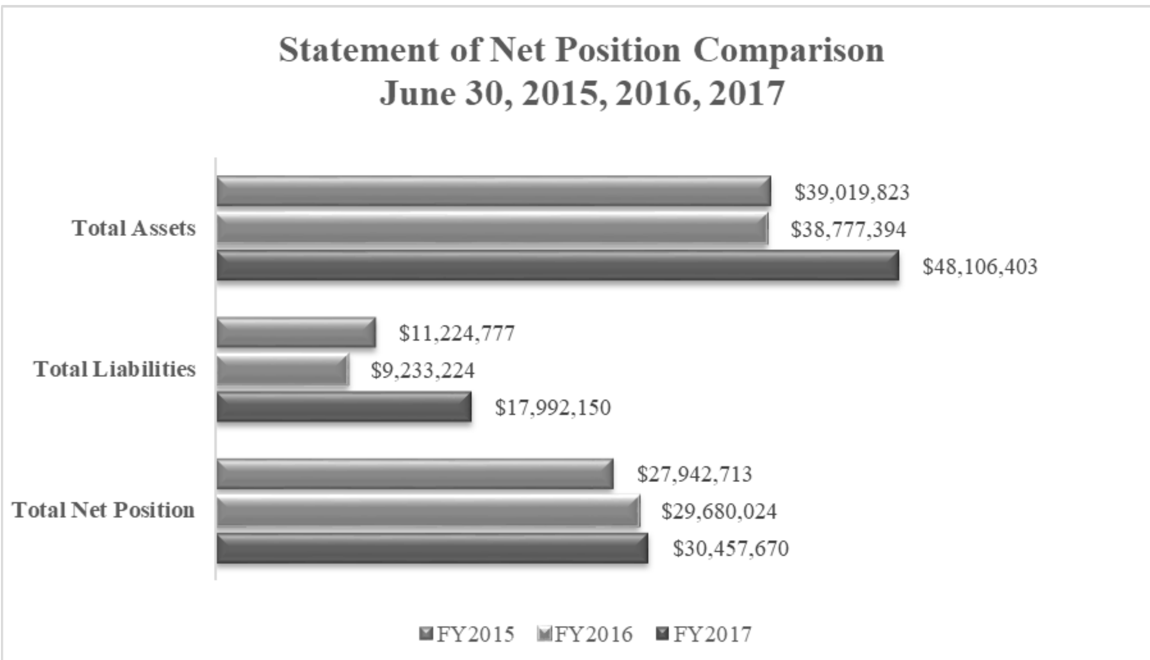
Cowley College remains a fiscally sound intuition, and meets its goal of focusing on student success through the integration of the budget development and the strategic planning, which creates a standardized process that links strategic priorities and goals with the annual budget. The process was intended to provide a consistent approach for instructional and administrative departments to timely prepare the annual budget. Throughout fiscal year 2016-2017, the college continued to focus on clearly linking instructional, departmental, and college activities and initiatives with institutional priorities and goals. As a results, the process is reflected in the management's discussion and analysis of financial reporting for fiscal year ending June 30, 2017. 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 2017, 2016, and 2015.



As noted in the above chart, Total Assets increased by $9.0 million or 23.2%, Total Liabilities increased by $6.7 million or 6.0%, and the Total Net Position of the College increased by $2.5 million or 9% from fiscal year ending 2015 to fiscal year ending 2017. The primary changes over the past two years included the increases in cash proceeds including students' payments, investments of bond proceeds of previous years, and specifically the net cash proceeds from the selling of the Certificates of Participation (bonds) in Spring 2017 to finance the construction of the new Wellington Campus of Cowley College and the associated sales tax collections. Additionally, net position increased from the non-cash gift of land, appraised at $1.7 million, for the Wellington Campus in capital assets. A closer look at each year's changes is noted in the below year-over-year comparison.

Statement of Net Position - Year over Year Change

	2017	2016	2015	Change 2016 to 2017	Change 2015 to 2016
ASSETS					
Current Assets	$ 23,003,847	$ 14,616,713	$ 13,501,380	$ 8,387,134	$ 1,115,333
Non-current Assets - Receivables	2,740,695	2,313,247	2,201,844	427,448	111,403
Non-current Assets - Capital Assets	22,361,861	21,847,434	23,316,599	514,427	(1,469,165)
TOTAL ASSETS	$ 48,106,403	$ 38,777,394	$ 39,019,823	$ 9,329,009	$ (242,429)
DEFERRED OUTFLOWS OF RESOURCES:	$ 361,312	$ 135,854	$ 147,667	$ 225,458	$ (11,813)
LIABILITIES:					
Current Liabilities	$ 3,707,504	$ 2,624,699	$ 4,092,694	$ 1,082,805	$ (1,467,995)
Noncurrent Liabilities	14,284,646	6,608,525	7,132,083	7,676,121	(523,558)
TOTAL LIABILITIES	$ 17,992,150	$ 9,233,224	$ 11,224,777	$ 8,758,926	$ (1,991,553)
DEFERRED INFLOWS OF RESOURCES:	$ 17,895	$ -	$ -	$ 17,895	$ -
NET POSITION:					
Investment in Plant, Net	$ 17,125,881	$ 16,015,870	$ 16,739,398	$ 1,110,011	$ (723,528)
Restricted - Expendable	449,130	933,938	282,327	(484,808)	651,611
Unrestricted	12,882,659	12,730,216	10,920,988	152,443	1,809,228
TOTAL NET POSITION	$ 30,457,670	$ 29,680,024	$ 27,942,713	$ 777,646	$ 1,737,311

Assets

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

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. Unrestricted and restricted cash and cash equivalent at the close of fiscal year 2017 was $21.2

million, and accounts for 92.2% of Total Current Assets, and 44.1% of Total Assets; and is 73.4% of fiscal year 2017 earned revenues.

In comparing fiscal year 2016 to fiscal year 2015**,** there was an increase of $1.4 million or 12.3% in cash and cash equivalent, short-term investments, and long-term investments, which equated to $12.8 million of cash and cash equivalent, short-term investments, and long-term investments. This increase was mainly due to the College's effort to decrease spending except for end-of-year projects, which were actually completed and paid for in fiscal year 2017. Other spending produced saving because of better negotiation in purchasing goods and services, with those savings being invested in higher interest-bearing instruments. The college did not have any large dollar purchases within the fiscal since the new student information system was purchased in fiscal year ending 2015, and no new bonds as they did in fiscal year 2015.

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 was $124,040 for fiscal year 2017 and $135,854 for fiscal year 2016. For fiscal year 2017, this relates to the pensions as an actuarially.

Liabilities

Overall liabilities from 2016 to 2017 increased by $8.7 million namely due to the sale of Certificates of Participation to fund the construction of the College's Wellington Campus.

Overall liabilities from 2015 to 2016 decreased by approximately $1.9 million due to 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. In 2015-2016, the College did not finance any purchases but did engage in better negotiations to decrease overall spending.

Deferred Inflows of Resources

The deferred inflow of resources represents an acquisition of net position that applies to a future period(s) and thus will not be recognized as an inflow of resources (revenue) until that time. For fiscal year 2017, this relates to the pensions as an actuarially.

Net Position

As noted in the above chart, Statement of Net Position – Year over Year Change, the largest change from fiscal year 2015 to 2017 is in Total Assets and Total Liabilities reflecting the sale of the Certificate of Participation and collection of associated sales taxes, thus adding cash proceeds to the Total Assets; and increasing the corresponding bond payables in Total Liabilities for fiscal year 2017.

The overall net position of the college continues to be relatively strong, with non-cash revenue gift of land, appraised at $1.7 million offset by costs of end-of-year projects (primarily other capital assets and deferred maintenance) of approximately $716,000 carried over from fiscal year 2016, resulting in net increase of

$777,646 after adjusting for prior period adjustment of -$86,114 for correctly reclassifying the amortization of premium on bonds payable. The net position of the College stands at $30.4 million for 2017; $29.6 million for 2016; and $27.9 million for 2015, which reflects the continued 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 presents the College's results of operations for each fiscal year. Operating revenues are generated from the services provided to students and other customers of the College. Operating expenses include those costs incurred in the productions of good and services which result in operating revenues, as well as depreciation and amortization. All other activity is classified as non-operating revenues, expenses, and gains, and losses. A large portion of the revenues including Ad valorem taxes and State appropriation are classified as non-operating revenues. Kansas public community colleges may reflect an operating income or loss with the increase or decrease, respectively, in net position reflective of all 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, 2017, 2016, and 2015 is presented in the table below.

Statement of Revenues, Expenses and Changes in Net Position

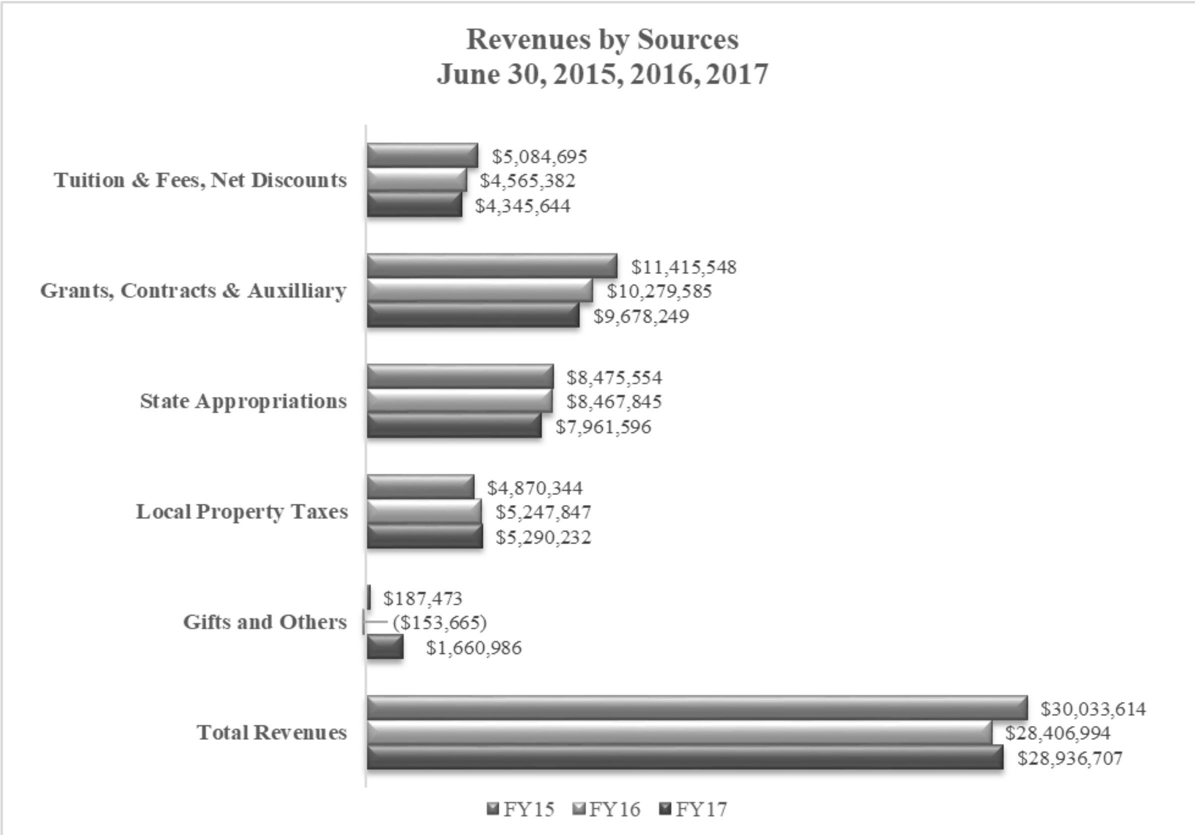
				Change	
	2017	2016	2015	2016 to 2017	2015 to 2016
Operating Revenues	$ 14,023,893	$ 14,844,967	$ 16,500,243	$ (821,074)	$ (1,655,276)
Operating Expenses	28,072,947	26,659,683	31,828,332	1,413,264	(5,168,649)
Operating Loss	$ (14,049,054)	$ (11,814,716)	$ (15,328,089)	$ (2,234,338)	$ 3,513,373
Nonoperating Revenues, Net	12,990,761	13,391,353	12,872,355	(400,592)	$ 518,998
Capital Grants and Gifts	1,922,053	170,674	184,802	1,751,379	(14,128)
Increase (Decrease) in Net Position	$ 863,760	$ 1,747,311	$ (2,270,932)	$ (883,551)	$ 4,018,243

In accordance with general accepted accounting principle for fiscal year ending 2017, the College will have an increase in net position of $863,760 primarily from increase in gift and non-cash contributions (land gift) before adjusting for prior-period adjustment of -$86,114. On the surface, it would appear the college is operating at a slight loss based on fiscal 2017 revenues being $821,074 million less than fiscal year 2016's revenues, and fiscal year 2017 expenses being $1.4 million higher than 2016 fiscal year's expenses. However, the costs of end-of-year projects of approximately $700,000 from fiscal year 2016 accounts for the primarily increase in expenses, and both revenues and expenses include annual end of year accounting entries to ensure the financial report is compliant with accounting principles generally accepted in the United States of America.

End of year accounting journal entries made in accordance with generally accepted accounting principles include: 1) increase in amortization of premiums of Certificate of Participations bond payment of prior years, which resulted in recording -$86,114 to debt issuance costs (an expense) without a corresponding revenue because bond proceeds are recorded as cash and bonds payable on the Statements of Net Position, i.e., balance sheet, and the debt issuance costs is paid directly from cash proceeds and recorded as an expense on the Statements of Revenues, Expenses, and Changes in Net Position, i.e., income/loss statement; 2) the increase in depreciation and amortization expense of $55,620 with offset recorded in accumulated depreciation and bond payable on the balance sheet; and 3) increase in accrued vacation and sick leave expense of $136,700 due to change in vacation policy that allows employees to accrue more vacation with the corresponding offset recorded in accrued compensated absences payable on the balance sheet.

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 Non-operating 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. Non-operating Revenues are those remunerations that are not exchanges with students directly but with others based on the College's deliver of education to students. Non-operating Revenues include primarily State Appropriations, Ad valorem taxes (local property taxes), and other revenues such as investment income and capital gifts.


Revenues by Sources
June 30, 2015, 2016, 2017
Tuition & Fees, Net Discounts
$5,084,695
$4,565,382
$4,345,644
Grants, Contracts & Auxilliary
$11,415,548
$10,279,585
$9,678,249
State Appropriations
$8,475,554
$8,467,845
$7,961,596
Local Property Taxes
$4,870,344
$5,247,847
$5,290,232
Gifts and Others
$187,473
($153,665)
$1,660,986
Total Revenues
$30,033,614
$28,406,994
$28,936,707
FY15
FY16
FY17

Revenues

Revenue by Sources

	2017	2016	2015	Change 2016 to 2017	Change 2015 to 2016
OPERATING REVENUES:					
Tuition & Fees, Net of Discount	$ 4,345,644	$ 4,565,382	$ 5,084,695	$ (219,738)	$ (519,313)
Grants, Contracts & Auxiliary					
Federal	5,341,826	5,793,167	6,676,330	(451,341)	(883,163)
State	212,731	222,505	242,278	(9,774)	(19,773)
Local, Private & Non-governmt'l	380,658	332,010	550,998	48,648	(218,988)
Auxiliary	3,743,034	3,931,903	3,945,942	(188,869)	(14,039)
Total Grants, Contracts, and Auxiliary	9,678,249	10,279,585	11,415,548	(601,336)	(1,135,963)
TOTAL OPERATING REVENUES	14,023,893	14,844,967	16,500,243	(821,074)	(1,655,276)
NONOPERATING REVENUES:					
State Funds:					
Unrestricted	6,824,296	7,271,484	7,220,017	(447,188)	51,467
Restricted	1,137,300	1,196,361	1,255,537	(59,061)	(59,176)
Total State Funds	7,961,596	8,467,845	8,475,554	(506,249)	(7,709)
Local Property Taxes:					
Maintenance and Operations	5,290,232	5,247,847	4,870,344	42,385	377,503
Debt Service	-	-	-	-	-
Total Local Property Taxes	5,290,232	5,247,847	4,870,344	42,385	377,503
Capital Grants and Gifts	1,922,053	170,674	184,802	1,751,379	(14,128)
Investment income and others:					
Investment Income	63,260	47,097	43,178	16,163	3,919
Other- Debt Cost and Interest on Debt	(324,327)	(371,436)	(40,507)	47,109	(330,929)
Total Investment and Others	(261,067)	(324,339)	2,671	63,272	(327,010)
TOTAL NONOPERATING REVENUES	14,912,814	13,562,027	13,533,371	1,350,787	28,656
TOTAL REVENUES	$ 28,936,707	$ 28,406,994	$ 30,033,614	$ 529,713	$ (1,626,620)

Total revenues increased $529,713 or 1.8% for fiscal year 2017 over fiscal year 2016. Operating revenues decreased $821,074 or 5.5% in fiscal year 2017 compared to fiscal year 2016 namely due to decreases in all components: tuition and fees ($219,738), grants and contracts ($412,467), and auxiliary services ($188,869), resulting from slight decreases in student full-time equivalents (FTE). Non-operating revenues including state appropriations, Ad valorem taxes, capital grants and gifts, and investment income increased overall by $1.3 million or 10% namely due to the capital gifts from land donation of $1.7 million, $447,188 or 6% Ad valorem taxes (local property taxes) had a slight increase of $42,385; and investment income increase by $16,163, and offset by decrease in state appropriations and other state funds, and increases in debt issues cost and interest on capital asset-related debt expenses of $47,109.

For fiscal year 2016, total revenues decreased by $1.6 million or 5.5% namely due to decreases in all categories of the operating revenues; tuition and fees ($519,313), grant and contracts ($1.1 million), and auxiliary services ($14,039), and in spite of the increase in non-operating revenues of local property taxes of $377,503.

Expenses

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

Expenses

	Operating Expenses by Natural Classification						Change	
	2017	% of Total	2016	% of Total	2015	% of Total	2016 to 2017	2015 to 2016
Salaries and Benefits	$ 13,188,816	46.98%	$ 12,719,230	47.71%	$ 14,014,646	44.03%	$ 469,586	$ (1,295,416)
Departmental Expenses	7,376,779	26.28%	5,460,875	20.48%	7,650,330	24.04%	1,915,904	(2,189,455)
Scholarships and Grants	3,241,299	11.55%	3,736,309	14.01%	5,088,410	15.99%	(495,010)	(1,352,101)
Depreciation and Amort.	1,409,690	5.02%	1,354,070	5.08%	1,686,964	5.30%	55,620	(332,894)
Auxilary Enterprises	2,856,363	10.17%	3,389,199	12.71%	3,387,982	10.64%	(532,836)	1,217
Total Expenses	$ 28,072,947	100.00%	$ 26,659,683	100.00%	$ 31,828,332	100.00%	$ 1,413,264	$ (5,168,649)

	Operating Expenses by Functional Classification						Change	
	2017	% of Total	2016	% of Total	2015	% of Total	2016 to 2017	2015 to 2016
Instruction	$ 7,417,395	26.42%	$ 6,761,151	25.36%	$ 7,414,723	23.30%	$ 656,244	$ (653,572)
Academic Support	749,541	2.67%	691,565	2.59%	749,047	2.35%	$ 57,976	$ (57,482)
Student Services	4,489,301	15.99%	4,108,330	15.41%	4,421,177	13.89%	$ 380,971	$ (312,847)
Institutional Support	3,665,563	13.06%	3,016,418	11.31%	4,525,547	14.22%	$ 649,145	$ (1,509,129)
KPERS Contribution	1,137,300	4.05%	1,196,361	4.49%	1,255,537	3.94%	$ (59,061)	$ (59,176)
Plant Operations and Maint.	3,106,495	11.07%	2,406,280	9.03%	3,298,945	10.36%	$ 700,215	$ (892,665)
Depreciation	1,409,690	5.02%	1,354,070	5.08%	1,686,964	5.30%	$ 55,620	$ (332,894)
Scholarships/Grants	3,241,299	11.55%	3,736,309	14.01%	5,088,410	15.99%	$ (495,010)	$ (1,352,101)
Auxiliary Enterprises	2,856,363	10.17%	3,389,199	12.71%	3,387,982	10.64%	$ (532,836)	$ 1,217
Total Expenses	$ 28,072,947	100.00%	$ 26,659,683	100.00%	$ 31,828,332	100.00%	$ 1,413,264	$ (5,168,649)

Operating expenses increased in fiscal year 2017 by $1.4 or 5.3%. The increases in spending include the cost of living raise of 2.5% given to all full-time employees and accounting for approximately $220,000, and slight increase in employees' headcount and the resulting increase accrual of employees' vacation and sick expenses accounting for approximately $203,586 including the college's portion of social security benefits. The residual increases in spending of $1.1 million comes from increases in spending in other goods and services in all departments including instructional materials, annual contracts and maintenance agreements, outsourcing of IT services to assist in the migration from the old SIS to new SIS ($165,000) and primarily end-of-year projects in Plant Operations – renovations, deferred maintenance, and upgrading facilities ($700,000) carried over from fiscal year 2016. Scholarships and Grants, and Auxiliary Enterprises had decreases in costs.

Operating expenses decreased in fiscal year 2016 by $5.1 million or 16% in every expense category except auxiliary services compared to fiscal year 2015 namely due to reduced spending of the new SIS system (most of those costs occurred in 2015 until the migration in 2017), stabilized human resources (reduced staff turnover), and better negotiation for other goods and services.

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

Cowley County Community College (College) looks forward to its brightest future, and the continued investment in students to make an impact in the economy in the South Central Region of Kansas and beyond. The College impacts students, the regional economy, 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 in the third and last year of the 2015-2018 Strategic Plan, and look forward to developing the next strategic plan for fiscal years 2018 through 2021. Like the current strategic plan, the college will continue to advance the mission and vision of the college in supporting students attaining academic and life skills. The College will continue to obtain partnerships with Kansas' four-year public higher education institutions to ensure students' cost of attendance is affordable, and like the one with Fort Hays State – the $15,000 bachelor degree, in which the College accepted Governor Brownback's affordability challenge. The College just signed a 2+2 partnership agreement with Wichita State University for students to obtain a Bachelor degree in Engineering in which the first two years of the program is housed at the Mulvane Center. This partnership is projected to save students approximately $95,000 in cost of attendance.

Additionally, the College entered into a lease with the option to purchase the Bloomenshine facilities in Mulvane, and will fully develop a facility master plan for that campus in additional to the campuses in Arkansas City and Wellington. The College is in Phase I of construction for the Wellington campus after securing $8.7 million in Certification of Participation (bonds) to construct that campus. Those bonds will be paid from the collection of sales taxes ($.005) referendum that was approved in the November 2016 Election. The sales tax is currently bringing in approximately $105,000 monthly, and projected to bring in approximately $14 million over the ten-year period of taxation. Additionally, the College will operate that campus with those revenues in addition to the revenues earned through tuition and fees charged to those students attending that campus. Cowley College anticipates an increase in student headcount by at least 500 students when the campus opens in Fall 2018. The Short Family donated 18 acres of land valued at $1.7 million with the option to purchase up to ten additional acres within a 10-year period at a price of $1.00 per square foot. The family was granted the naming rights to the general education building, thus, it is named; the Short General Education Building. Additionally, the College is building a technology building to house numerous technology and workforce programs, which will be Innovation and Technology Building, and is available for a naming right.

In addition to developing the strategic plan and facilities' master plan, the management is working with the Board of Trustees in developing the first financial plan for the institution, and updating and developing new Board policies. The Board recently approved the College's Financial Stability Policy, which ensures the college is financially stable, and ability to meet the financial obligations of the College; and the Acquisition and Disposal of College Property Policy as the first step in developing the financial plan. The next step in the financial plan is identifying the best tools to measure the financial performance and health of the college.

Cowley County Community College's outlook for the foreseeable future is very positive.

Contacting the College's Financial Management

This management's discussion and analysis was designed to provide 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.

Respectfully submitted,

Dr. Gloria J. Walker, MBA, CPA
Vice President of Finance and
Administration
Cowley County Community College
December 6th, 2017

BASIC FINANCIAL STATEMENTS

Cowley County Community College and Area Vocational-Technical School

Statements of Net Position
June 30, 2017

	Cowley County Community College	Component Unit CC Foundation
ASSETS		
Current Assets		
Cash and cash equivalents	$ 12,515,786	$ 395,750
Restricted cash and cash equivalents	8,712,107	-
Investments	-	2,136,111
Receivables - federal and state grants and contracts	125,564	-
Receivables - students	922,674	-
Receivables - CCF	1,048	-
Receivables - other	2,023	-
Prepaid expenses	274,414	
Inventories	450,231	13,750
Total current assets	23,003,847	2,545,611
Noncurrent Assets		
Investments	-	3,038,722
Receivables - students	2,740,695	-
Receivables - other	-	4,625
Capital assets, net of accumulated depreciation	22,361,861	-
Beneficial interest in trusts	-	473,083
Total noncurrent assets	25,102,556	3,516,430
TOTAL ASSETS	48,106,403	6,062,041
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	124,040	-
Net difference between projected and actual earnings on pension plan investment	22,922	-
Changes in proportionate share of contributions	214,350	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	361,312	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 48,467,715	$ 6,062,041
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 334,740	$ 1,048
Deposits held in custody for others	1,339,534	-
Accrued interest payable	75,350	-
Compensated absences payable	359,238	-
Certificates of Participation	1,598,642	-
Total current liabilities	3,707,504	1,048
Noncurrent Liabilities		
Compensated absences payable	9,327	-
Other postemployment benefits obligation	1,521,752	-
Net pension liability	253,817	-
Certificates of Participation	12,499,750	-
Total noncurrent liabilities	14,284,646	-
TOTAL LIABILITIES	17,992,150	1,048
DEFERRED INFLOWS OF RESOURCES		
Differences between expected and actual experience	11,982	-
Changes in assumptions	459	-
Changes in proportionate share of contributions	5,454	-
TOTAL DEFERRED INFLOWS OF RESOURCES	17,895	-
NET POSITION		
Net investment in capital assets	17,125,881	-
Restricted for:		
Nonexpendable - endowments	-	3,176,194
Expendable:		
Capital outlay and construction	215,777	-
Restricted funds	89,878	2,884,799
Debt retirement	75,350	-
Projects	68,125	-
Unrestricted	12,882,659	-
TOTAL NET POSITION	30,457,670	6,060,993
TOTAL LIABILITIES AND NET POSITION	$ 48,467,715	$ 6,062,041

Cowley County Coummunity College and Area Vocational-Technical School

Statements of Revenues, Expenses, and Changes in Net Position
For the Year End June 30, 2017

	Cowley County Community College	Component Unit CC Foundation
OPERATING REVENUES		
Student tuition and fees	$ 7,178,573	$ -
Less allowances for institutional scholarships	(664,823)	-
Less allowances for federal grants	(2,168,106)	-
Net student source revenue	4,345,644	-
Federal sources	5,341,826	-
State sources	212,731	-
Auxiliary enterprises:		
Residential life	2,283,670	-
Campus store (net of sales discounts)	1,274,973	-
Other auxiliary enterprises	184,391	-
Sales and services	24,799	-
Other operating revenues	355,859	97,885
Total operating revenues	14,023,893	97,885
OPERATING EXPENSES		
Educational and General		
Instruction	7,417,395	-
Academic support	749,541	-
Student services	4,489,301	-
Institutional support	3,665,563	524,651
KPERS contribution paid directly by the State of Kansas	1,137,300	-
Operations and maintenance of plant	3,106,495	-
Depreciation and amortization	1,409,690	-
Scholarships and grants	3,241,299	-
Auxiliary Enterprises		
Residential life	1,717,396	-
Campus store	1,021,376	-
Other auxiliary enterprises	117,591	-
Total operating expenses	28,072,947	524,651
Operating income (loss)	(14,049,054)	(426,766)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	6,824,296	-
State contribution directly to the KPERS retirement system	1,137,300	-
Local sources	5,290,232	-
Private grants and gifts	1,760,000	487,050
Investment income	63,260	454,235
Debt issue costs	(137,445)	-
Interest on capital asset-related debt	(186,882)	-
Net nonoperating revenues (expenses)	14,750,761	941,285
Income (loss) before other revenues	701,707	514,519
Capital grants and gifts	162,053	-
Net increase (decrease) in net position	863,760	514,519
NET POSITION		
Net position - beginning of year	29,680,024	5,546,474
Prior period adjustment	(86,114)	-
Net position - end of year	$ 30,457,670	$ 6,060,993

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

Cowley County Community College and Area Vocational-Technical School

Statement of Cash Flows
For the Year End June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	$ 3,949,460
Grants and contracts	1,083,619
Sales and services of auxiliary enterprises	3,743,034
Other receipts	379,610
Payments to employees for salaries and benefits	(13,188,816)
Payments to suppliers	(12,598,278)
Loans issued to students	5,016,653
Net cash provided (used) by operating activities	(11,614,718)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	6,824,296
County and local appropriations	5,290,232
Net cash flows provided (used) by noncapital financing activities	12,114,528
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(175,946)
Proceeds from debt	8,908,976
Principal paid on debt	(735,000)
Interest paid on debt	(164,269)
Capital gifts and grants	162,053
Debt issue costs	(137,445)
Net cash provided (used) by capital and related financing activities	7,858,369
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	63,260
Net cash provided (used) by investing activities	63,260
Net increase (decrease) in cash and cash equivalents	8,421,439
Cash and cash equivalents - beginning of year	12,806,454
Cash and cash equivalents - end of year	$ 21,227,893
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (14,049,054)
Depreciation and amortization expense	1,409,690
Changes in operating assets and liabilities:	
Receivables, net	10,358
Prepaid expenses	(274,414)
Inventories	(129,086)
Accounts payable and accrued expenses	(72,691)
Accrued employee benefits	249,554
Deposits held in custody for others	138,125
KPERS liability net of deferred inflows/outflows	(34,500)
Employee benefits paid directly by State of Kansas	1,137,300
Net cash provided (used) in operating activities	$ (11,614,718)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Land donation	$ 1,760,000

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

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

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

(a) Reporting Entity

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

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

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

(c) Assets, Liabilities, and Net Position

Deposits and Investments

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

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

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

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

Accounts Receivable

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

Inventories

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

Capital Assets

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

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

Estimated useful lives used for calculating depreciation are as follows:

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

Federal Financial Assistance Programs

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

Compensated Absences Payable

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

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

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

Noncurrent Liabilities

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

Pensions

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

Deferred Outflow/Inflows of Resources

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

1. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflow/Inflows of Resources

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

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

2. Stewardship, Compliance, and Accountability

(a) Budgetary Information

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

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

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

2. Stewardship, Compliance, and Accountability (Continued)

(a) Budgetary Information (Continued)

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

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

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

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

Kansas municipalities are subject to the cash-basis law as stated in KSA 10-1113. Certain sub-funds of the Restricted Funds have negative unencumbered cash balances at June 30, 2017, which is allowable under KSA 12-1663. The funds will be reimbursed in the following fiscal year from federal grants, state grants and other contracts for expenditures incurred by the College. This combined receivable has been recognized for GAAP purposes on these financial statements.

3. Deposits and Investments

As of June 30, 2017, the College had cash and cash equivalents as listed below:

Deposits in financial banking institutions	$ 4,678,148
Certificates of deposit	7,837,637
Total cash and cash equivalents	12,515,786
Deposits in financial banking institutions – bond proceeds	8,712,107
Total restricted cash and cash equivalents	8,712,107
Combined cash and cash equivalents	$ 21,227,893

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

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

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

3. Deposits and Investments (Continued)

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

Custodial credit risk – The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. KSA 9-1402 and 9-1405 requires that governments obtain security for all deposits. The College manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2017, the College was not exposed to custodial credit risk with its deposits or investments.

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

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

4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2017:

	Beginning Balance	Increases	(Decrease) Adjustments	Ending Balance
Non-depreciable capital assets				
Land	$ 2,618,529	$ 1,760,000	$ -	$ 4,378,529
Depreciable capital assets				
Improvements	42,469,170	-	-	42,469,170
Equipment	4,708,394	175,945	-	4,884,339
Total depreciable capital assets	47,177,564	175,945	-	47,353,509
Less accumulated depreciation				
Improvements	(23,759,367)	(1,223,763)	-	(24,983,130)
Equipment	(4,189,292)	(197,755)	-	(4,387,047)
Total accumulated depreciation	(27,948,659)	(1,421,518)	-	(29,370,177)
Total depreciable capital assets (net)	19,228,905	(1,245,573)	-	17,983,332
Total capital assets, net	$ 21,847,434	$ 514,427	$ -	$ 22,361,861

Depreciation expense for the year ended June 30, 2017, is $1,421,518.

5. Long-Term Liabilities

The following is a summary of long-term liability transactions for the year ended June 30, 2017:

	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Current Portion
Certificates of participation					
Refunding certificate - indoor sports	$ 1,640,000	$ -	$ 215,000	$ 1,425,000	$ 220,000
Refunding certificate - student services	645,000	-	320,000	325,000	325,000
Certificate of Participation - Series 2015	3,620,000	-	200,000	3,420,000	265,000
Certificate of Participation - Series 2017	-	8,710,000	-	8,710,000	765,000
Premium on certificates	(43,057)	285,090	23,642	218,391	23,642
Compensated absences	231,866	136,699	-	368,565	359,238
Post-employment healthcare	1,408,898	225,854	113,000	1,521,752	-
Net pension liability	68,940	184,877	-	253,817	-
Total long-term liabilities	$ 7,571,647	$ 9,542,520	$ 871,642	$ 16,242,525	$ 1,957,880

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

(a) Refunding - Certificates of Participation Series 2015

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

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

Year Ending	Principal	Interest	Total
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
6/30/2021	295,000	71,377	366,377
6/30/2022	300,000	63,940	363,940
6/30/23 - 6/30/27	1,640,000	191,160	1,831,160
6/30/28 - 6/30/29	360,000	6,210	366,210
Total	$ 3,420,000	$ 589,320	$ 4,009,320

(b) Indoor Sports Facility

The College issued the Student Union Indoor Sports Facility, Certificates of Participation Series A, 2011. The original issue amount was $2,660,000, due in annual principal installments ranging from $220,000 to $255,000 through year 2023. Interest rates vary from 2.60% to 3.60%.

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

Year Ending	Principal	Interest	Total
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
6/30/2021	240,000	25,725	265,725
6/30/2022	250,000	17,805	267,805
6/30/2023	255,000	9,180	264,180
Total	$ 1,425,000	$ 170,863	$ 1,595,863

5. Long-Term Liabilities (Continued)

(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 one final annual principal installment of $325,000 through year 2018. Interest rates is 2.15%.

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

Year Ending	Principal	Interest	Total
6/30/2018	$ 325,000	$ 6,987	$ 331,987
Total	$ 325,000	$ 6,987	$ 331,987

(d) Certificates of Participation Series 2017

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

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

Year Ending	Principal	Interest	Total
6/30/2018	$ 765,000	$ 234,505	$ 999,505
6/30/2019	810,000	187,150	997,150
6/30/2020	830,000	170,950	1,000,950
6/30/2021	845,000	154,350	999,350
6/30/2022	860,000	137,450	997,450
6/30/23 - 6/30/27	4,600,000	394,050	4,994,050
Total	$ 8,710,000	$ 1,278,455	$ 9,988,455

6. Operating Lease Obligations

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

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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, 2017, were $66,000.

The future minimum lease payments are as follows:

	Bloomenshine Center	101 Industrial Drive Mulvane	410 E. Main Mulvane	Fugate	Total Operating Expense
Year ending June 30,					
2018	$ 126,000	$ 90,000	$ 75,600	$ 66,000	$ 357,600
2019	126,000	-		66,000	192,000
2020	126,000	-	-	66,000	192,000
	$ 378,000	$ 90,000	$ 75,600	$ 198,000	$ 741,600

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	185
Total	195

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.

Annual OPEB Cost and Net OPEB Obligation – The College's annual OPEB cost (expense) consists of the Normal Cost plus amortization of the Actuarial Accrued Liability (AAL). The Normal Cost is the amount of Actuarial Present Value of benefits allocated to the current year. The amount of AAL is the portion of the Actuarial Present Value of benefits allocated to all prior years. 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	75,712
Annual Required Contribution	234,539
Interest on net OPEB obligation	51,831
Adjustment to ARC	(60,516)
Annual OPEB cost (expense)	225,854
Contributions made	(113,000)
Increase in net OPEB obligation	112,854
Net OPEB obligation - beginning of year	1,408,898
Net OPEB obligation - end of year	$ 1,521,752

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

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, 2015	$ 227,893	$ 91,000	39.9%	$ 1,270,140
June 30, 2016	232,758	94,000	40.4%	1,408,898
June 30, 2017	225,854	113,000	50.0%	1,521,752

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.

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

8. Defined Benefit Pension Plan (Continued)

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

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

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

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

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

Benefits Provided. Benefits are established by statute and may only be changed by the 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 certified service equal 85 "points".

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

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

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

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

8. Defined Benefit Pension Plan (Continued)

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.10% of total payroll for the fiscal year ended June 30, 2016.

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

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

The College's contractually required contributions rate for the year ended June 30, 2017, was 16.00% of the annual college payroll of which .4729% of payroll was required from the College and 99.5271% of payroll was required from the State. The College's contributions to the pension plan were $17,649 for the year ended June 30, 2017.

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

Restatements - State/School Group. The KPERS GASB 68 report's schedules of the employer and nonemployer allocations as of and for the year ended June 30, 2017, was restated to include an additional $1.0 billion in contributions received from the State for the state/school group from the State's issuance of pension obligation bonds. Additionally, the schedule of pension amounts by employer and nonemployee was restated to 1) receive certain allocations based on the changes to employer allocations discussed above for the state/school group, and 2) eliminate deferred inflows of resources of $1.0 billion previously reported. Amounts reported for the local, police and fire, and judges groups were not impacted by the restatement.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, 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:

8. Defined Benefit Pension Plan (Continued)

College's proportionate share of the net pension liability	$ 253,817
State's proportionate share of the net pension liability associated with the College	16,922,056
	$ 17,175,873

The net pension liability was measured as of December 31, 2016, which was rolled forward to June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the that date. The College's proportion of the net pension liability was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal year ended June 30, 2017. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At June 30, 2017, the combined College and state's proportion was 0.2552%, which was an increase of 0.0017% from its proportion measured as of June 30, 2016.

For the actuarial report as of June 30, 2016, there were changes in assumptions and benefits as described in the notes to the required supplemental information.

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

For the year ended June 30, 2017, the College recognized pension expense of $1,137,300 and revenue of $1,137,300 for support provided by the state. For the portion related to the "working after retirement" the College recognized pension expense of $184,877, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. At June 30, 2016, the College did not report deferred outflows of resources or deferred inflows of resources due to the State's proportionate share being 100%. However, due to the restatement and changes in the information presented in the System's report, at June 30, 2017, the college now does report deferred outflows of resources and deferred inflows of resources. At the measurement date of June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions for the College from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 11,982
Changes of assumptions	-	459
Net difference between projected and actual earnings on pension plan investments	22,922	-
Changes in proportion and differences between College contributions and proportionate share of contributions	214,350	5,454
Total	$ 237,272	$ 17,895

8. Defined Benefit Pension Plan (Continued)

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

Year ended June 30:	Amount
2017	$ 47,189
2018	47,189
2019	54,935
2020	50,605
2021	19,459
Thereafter	-
	$ 219,377

Actuarial Assumptions. The total pension liability recognized by the State and the portion recognized by the College were determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

• Price Inflation	3.0 percent
• Wage inflation	4.0 percent
• Salary increases, including wage increases	4.0 to 16.0 percent, including inflation
• Long-term rate of return, net of investment expense, and including price inflation	8.0 percent

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

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

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

8. Defined Benefit Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarially determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the Pension Plan as of June 30, 2016, calculated using the discount rate of 8.00%, as well as what 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%)
$330,003	$253,787	$189,047

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 College Foundation paid $169,068 in student scholarships during the current fiscal year.

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

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. Implementation of New Standard

GASB issued Statement No. 82, Pension Issues. The primary objective of this statement is to issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.. The College implemented this standard for the year ended June 30, 2017. The provisions of this statement had no significant effect on the College's current financial statements.

13. Prior Period Adjustment

The college has a prior period adjustment due to a correction for recording the bond premium amortization. The net effect to income was $86,114.

14. 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, 2017

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	0.0%	$ 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:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 227,893	$ 91,000	$ 1,270,140
6/30/2016	232,758	94,000	1,408,898
6/30/2017	225,854	113,000	1,521,752

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 And Area Vocational-Technical School

Schedule Of The College's Proportionate Share Of The Net Pension Liability
Year Ended June 30, 2017

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
College's proportion of the net pension liability (asset)	0.003%	0.001%	0.000%	0.000%	For 2006 to 2012, this data is not yet available.					
College's proportionate share of the net pension liability (asset)	$ 253,817	$ 68,940	$ -	$ -	For 2006 to 2012, this data is not yet available.					
State's proprotionate share of the net pension liability (asset)	0.184%	0.195%	0.194%	0.190%						
State's proprotionate share of the net pension liability (asset)	$ 16,922,056	$ 17,487,197	$ 16,126,705	$ 18,308,158	For 2006 to 2012, this data is not yet available.					
Total collective net pension liability (asset)	$ 17,175,873	$ 17,556,137	$ 16,126,705	$ 18,308,158						
College's covered payroll	$ 10,728,540	$ 11,321,427	$ 11,713,003	$ 11,465,206						
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	160.10%	155.07%	137.68%	159.68%	For 2006 to 2012, this data is not yet available.					
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%	For 2006 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.

Cowley County Community College And Area Vocational-Technical School

Schedule of College Contributions
For the Year ended June 30, 2017

Kansas Public Employees Retirement System

Last 10 Fiscal Years*

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

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

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

Cowley County Community College And Area Vocational-Technical School

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes in benefit terms:

Effective January 1, 2015, a new KPERS 3 cash balance retirement plan for new hires was created. Also, effective January 1, 2015, Kansas law established the KPERS member employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members.

Changes in assumptions:

Per the KPERS' GASB 68 actuarial report as of June 30, 2016, assumptions changed to include salary increases in current year. It also includes changes from the updated RP-2000 Combine Mortality Tables. Further, assumptions have been updated based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
Cash Receipts				
Student sources	$ 4,800,763	$ 4,800,763	$ 5,142,567	$ 341,804
State sources	4,234,256	4,234,256	4,234,256	-
Local sources	5,143,370	5,143,370	5,290,233	146,863
Other sources	-	-	278,524	278,524
Transfers	-	-	1,319,667	1,319,667
Total Cash Receipts	$ 14,178,389	$ 14,178,389	16,265,247	$ 2,086,858
Expenditures and Transfers Subject to Budget				
Instruction	$ 5,018,997	$ 5,018,997	4,212,671	$ (806,326)
Academic support	624,782	624,782	675,077	50,295
Student services	4,004,374	4,004,374	3,429,316	(575,058)
Institutional support	3,163,591	3,163,591	3,094,748	(68,843)
Operation and maintenance	4,003,209	4,003,209	3,428,444	(574,765)
Scholarships	-	-	1,466,673	1,466,673
Nonmandatory transfers in (out)	35,000	35,000	-	(35,000)
Total Expenditures and Transfers Subject to Budget	$ 16,849,953	$ 16,849,953	16,306,929	$ (543,024)
Receipts Over (Under) Expenditures			(41,682)	
Unencumbered Cash, July 1			8,817,916	
Prior period bond cash reserve added to General Fund			1,506,815	
Unencumbered Cash, June 30			$ 10,283,049	
Unencumbered Cash, June 30			$ 10,283,049	
Receivables			3,938,832	
Accrued sick leave			(73,327)	
Accrued vacation			(295,238)	
Accrued net pension liability			(34,440)	
Accrued other post employment benefits			(1,521,752)	
GAAP fund balance			$ 12,297,124	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Cash Receipts				
Student sources	$ 914,957	$ 914,957	$ 1,206,551	$ 291,594
Federal sources	-	-	110,066	110,066
State sources	2,665,821	2,665,821	2,914,146	248,325
Other sources	-	-	773	773
Total Cash Receipts	$ 3,580,778	$ 3,580,778	4,231,536	$ 650,758
Expenditures and Transfers Subject to Budget				
Instruction	$ 2,536,320	$ 2,536,320	2,981,880	$ 445,560
Academic support	242,489	242,489	74,464	(168,025)
Student services	495,317	495,317	367,077	(128,240)
Institutional support	1,030,146	1,030,146	371,471	(658,675)
Operation and maintenance	1,601,534	1,601,534	264,463	(1,337,071)
Scholarships	-	-	154,218	154,218
Transfers	-	-	11,678	11,678
Total Expenditures and Transfers Subject to Budget	$ 5,905,806	$ 5,905,806	4,225,251	$ (1,680,555)
Receipts Over (Under) Expenditures			6,285	
Unencumbered Cash, July 1			1,605	
Unencumbered Cash, June 30			$ 7,890	
Unencumbered Cash, June 30			$ 7,890	
Receivables			-	
GAAP fund balance			$ 7,890	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Cash Receipts				
Federal sources	$ 78,685	$ 78,685	$ 79,910	$ 1,225
State sources	51,443	51,443	50,678	(765)
Local sources	35,000	35,000	-	(35,000)
Other sources	121,000	121,000	123,664	2,664
Total Cash Receipts	$ 286,128	$ 286,128	254,252	$ (31,876)
Expenditures Subject to Budget				
Instruction	$ (313,673)	$ (313,673)	280,467	$ 594,140
Receipts Over (Under) Expenditures			(26,215)	
Unencumbered Cash, July 1			45,865	
Unencumbered Cash, June 30			$ 19,650	
Unencumbered Cash, June 30			$ 19,650	
Receivables			-	
GAAP fund balance			$ 19,650	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Cash Receipts				
Student sources	$ -	$ -	$ 19,682	$ 19,682
Other sources	-	-	1,497	1,497
Total Cash Receipts	$ -	$ -	21,179	$ 21,179
Expenditures Subject to Budget				
Instruction	$ -	$ -	13,193	$ 13,193
Receipts Over (Under) Expenditures			7,986	
Unencumbered Cash, July 1			16,110	
Unencumbered Cash, June 30			$ 24,096	
Unencumbered Cash, June 30			$ 24,096	
Receivables			-	
GAAP fund balance			$ 24,096	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over
	Original	Final	Basis	(Under)
Cash Receipts				
Student sources	$ 13,600	$ 13,600	$ -	$ (13,600)
Sales	-	-	1,367	1,367
Other sources	-	-	2,925	2,925
Transfer from other funds	-	-	18,171	18,171
Total Cash Receipts	$ 13,600	$ 13,600	22,463	$ 8,863
Expenditures Subject to Budget				
Instruction	$ 12,000	$ 12,000	-	$ (12,000)
Cost of goods sold	-	-	5,324	5,324
Total Expenditures Subject to Budget	$ 12,000	$ 12,000	5,324	$ (6,676)
Receipts Over (Under) Expenditures			17,139	
Unencumbered Cash, July 1			9,743	
Unencumbered Cash, June 30			$ 26,882	
Unencumbered Cash, June 30			$ 26,882	
Receivables			-	
GAAP fund balance			$ 26,882	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over
	Original	Final	Basis	(Under)
Cash Receipts				
Sales	$ 3,408,000	$ 3,408,000	$ 1,284,973	$ (2,123,027)
Expenditures Subject to Budget				
Salaries and benefits	$ 208,852	$ 208,852	$ 192,800	$ (16,052)
General operating expenses	175,980	175,980	110,287	(65,693)
Supplies	-	-	140,950	140,950
Cost of goods sold	3,000,000	3,000,000	1,002,745	(1,997,255)
Equipment	12,000	12,000	1,869	(10,131)
Transfer to other funds	-	-	39,363	(39,363)
Total Expenditures Subject to Budget	$ 3,396,832	$ 3,396,832	1,488,014	$ (1,987,544)
Receipts Over (Under) Expenditures			(203,041)	
Unencumbered Cash, July 1			208,317	
Unencumbered Cash, June 30			$ 5,276	
Unencumbered Cash, June 30			$ 5,276	
Inventory			450,230	
GAAP fund balance			$ 455,506	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over
	Original	Final	Basis	(Under)
Cash Receipts				
Student sources	$ -	$ -	$ 34,625	$ 34,625
Sales	83,132	83,132	2,210,023	2,126,891
Other income	3,554,996	3,554,996	39,022	(3,515,974)
Total Cash Receipts	$ 3,638,128	$ 3,638,128	2,283,670	$ (1,354,458)
Expenditures Subject to Budget				
Salaries and benefits	$ 333,385	$ 333,385	313,963	$ (19,422)
General operating expenses	5,000	5,000	95,506	90,506
Supplies	-	-	43,799	43,799
Cost of goods sold	-	-	889,956	889,956
Utilities	438,000	438,000	75,982	(362,018)
Equipment	60,000	60,000	-	(60,000)
Debt service	298,190	298,190	298,190	-
Other expense	2,419,650	2,419,650	-	(2,419,650)
Transfer to other funds	-	-	10,000	(10,000)
Total Expenditures Subject to Budget	$ 3,554,225	$ 3,554,225	1,727,396	$ (1,846,829)
Receipts Over (Under) Expenditures			556,274	
Unencumbered Cash, July 1			1,146,353	
Unencumbered Cash, June 30			$ 1,702,627	
Unencumbered Cash, June 30			$ 1,702,627	
Receivables			-	
GAAP fund balance			$ 1,702,627	

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, 2017

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over
	Original	Final	Basis	(Under)
Cash Receipts				
Sales	$ 90,000	$ 90,000	$ 7,131	$ (82,869)
Other income	-	-	14,500	14,500
Total Cash Receipts	$ 90,000	$ 90,000	21,631	$ (68,369)
Expenditures Subject to Budget				
General operating expenses	$ -	$ -	200	$ 200
Cost of goods sold	89,000	89,000	2,991	(86,009)
Transfer to other funds	-	-	2,006	2,006
Total Expenditures Subject to Budget	$ 89,000	$ 89,000	5,197	$ (83,803)
Receipts Over (Under) Expenditures			16,434	
Unencumbered Cash, July 1			(16,135)	
Unencumbered Cash, June 30			$ 299	
Unencumbered Cash, June 30			$ 299	
Receivables			-	
GAAP fund balance			$ 299	

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, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
Cash Receipts				
Student sources	$ 40,000	$ 40,000	$ 12,260	$ (27,740)
Sales	30,470	30,470	17,592	(12,878)
Other income	-	-	111,000	111,000
Total Cash Receipts	$ 70,470	$ 70,470	140,852	$ 70,382
Expenditures Subject to Budget				
Salaries and benefits	$ 78,652	$ 78,652	69,781	$ (8,871)
General operating expenses	10,912	10,912	4,763	(6,149)
Supplies	-	-	2,150	2,150
Cost of goods sold	-	-	188	188
Equipment	1,000	1,000	-	(1,000)
Transfer to other funds	-	-	6,215	(6,215)
Total Expenditures Subject to Budget	$ 90,564	$ 90,564	83,097	$ (19,897)
Receipts Over (Under) Expenditures			57,755	
Unencumbered Cash, July 1			(56,872)	
Unencumbered Cash, June 30			$ 883	
Unencumbered Cash, June 30			$ 883	
Receivables			-	
GAAP fund balance			$ 883	

Cowley County Community College and Area Vocational-Technical School

Schedule of Cash Receipts, Expenditures, and Changes in Unencumbered Cash
Budget and Actual - Budgetary Basis
Deli Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over
	Original	Final	Basis	(Under)
Cash Receipts				
Sales	$ 63,500	$ 63,500	$ 43,539	$ (19,961)
Expenditures Subject to Budget				
General operating expenses	$ 7,220	$ 7,220	4,943	$ (2,277)
Supplies	-	-	35,768	35,768
Cost of goods sold	50,000	50,000	-	(50,000)
Total Expenditures Subject to Budget	$ 57,220	$ 57,220	40,711	$ (16,509)
Receipts Over (Under) Expenditures			2,828	
Unencumbered Cash, July 1			34,647	
Unencumbered Cash, June 30			$ 37,475	
Unencumbered Cash, June 30			$ 37,475	
Inventory			-	
GAAP fund balance			$ 37,475	

SINGLE AUDIT SECTION

Cowley County Community College and Area Vocational-Technical School

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Identifying Number	Disbursements/ Expenditures
Department of Education			
Direct Programs:			
Student Financial Aid (SFA) Cluster			
Federal Work-Study Program	84.033	P033A161504	$ 107,230
Supplemental Education Opportunity Grant	84.007	P007A161504	111,562
Federal Direct Student Loan	84.268	P268K171454	5,016,653
PELL Grant	84.063	P063P161454	4,318,549
Total Student Financial Aid (SFA) Cluster			9,553,994
TRIO Student Support Services 15-16	84.042A	P042A110052-15	92,566
TRIO Student Support Services 16-17	84.042A	P042A160110	286,962
TRIO Upper Bound Program 15-16	84.047A	P047A121104-15	50,859
TRIO Upper Bound Program 16-17	84.047A	P047A121104-16	160,111
Total TRIO Cluster			590,498
Passed Through Kansas Board of Regents:			
Adult Education - Basic Grants to States	84.002		79,910
Carl Perkins	84.048A		110,136
TOTAL DEPARTMENT OF EDUCATION			10,334,538
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			$ 10,334,538

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Cowley County Community College of Arkansas City, Kansas, under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2 - Summary of Significant Account Policies

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

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

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

Board of Trustees
Cowley County Community College 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 business-type activities, and the aggregate discretely presented component unit of Cowley County Community College and Area Vocational-Technical School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Cowley County Community College and Area Vocational-Technical School's basic financial statements, and have issued our report thereon dated December 6, 2017.

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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cowley County Community College 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 two certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2017-001, 2017-002, 2017-003).

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*.

Cowley County Community College and Area Vocational-Technical School's Response to Findings

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

Purpose of this Report

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

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

December 6, 2017

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

Board of Trustees
Cowley County Community College 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 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, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Hutchinson Office
200 N Main • Hutchinson, KS 67504
P: 888.414.0123 • F: 620.662.3350

McPherson Office
123 S. Main • McPherson, KS 67460
P: 888.241.1826 • F: 620.241.6926

Wichita Office
220 W. Douglas, Ste. 300 • Wichita, KS 67202
P: 316.265.5600 • F: 316.265.8021

Report on Internal Control Over Compliance

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

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

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

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

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

December 6, 2017

Cowley County Community College and Area Vocational-Technical School

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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, Arkansas City, Kansas were prepared in accordance with GAAP.

2. Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of Cowley County Community College 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 Required by Uniform Guidance.

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. There is one audit finding that is required to be reported in accordance with 2CFR section 200.516(a).

7. The programs tested as major programs include:

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

8. The threshold for distinguishing Types A and B program was $750,000.

9. Cowley County Community College and Area Vocational-Technical School, Arkansas City, Kansas was determined to be a low-risk auditee.

FINDINGS--FINANCIAL STATEMENTS AUDIT

2017-001 SIGNIFICANT DEFICIENCY- BANK RECONCILATION

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

Criteria: Part of a strong internal control system in the area of cash is ensuring that the bank account reconciles to the cash accounts in the general ledger.

Cause: There are multiple potential causes. In our professional judgement, we believe that the software conversion, and subsequently learning how the new software processes transactions, played the biggest part. It is during the month of conversion, that the difference appeared. In our judgement, as part of the conversion, the change in how student revenue was being recorded, was the most significant part. The new system records revenue when posting to student's accounts, versus recording when cash was received. In addition, the bank reconciliation process is primarily done manually via spreadsheets, with the exception of clearing checks. The new software has a module that will allow the College to start performing the entire reconciliation electronically, once it has been fully set-up. Finally, this process historically takes many hours. The College has hired a Staff Accountant that is primarily dedicated to performing this task.

FINDINGS--FINANCIAL STATEMENTS AUDIT (Continued)

2017-001 SIGNIFICANT DEFICIENCY- BANK RECONCILATION (Continued)

Effect: Cash could potentially be materially understated. Non-reconciled accounts are susceptible to misuse and potentially theft.

Information to provide proper perspective: It is important to note that in fiscal year 17-18, the bank reconciliation has not produced significant differences, so we believe, based on current evidence, that this is not an ongoing issue, and it further supports the assertion of the software conversion as a large portion of the cause. In addition, the difference was in the direction that the bank had more cash than what was recorded on the general ledger.

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees with this finding and are actively pursuing set-up of the new bank reconciliation module. In addition, they have hired a Staff Accountant to assist the accountant. This position is first dedicated to the bank reconciliation process, and monitors this on a daily basis.

2017-002 SIGNIFICANT DEFICIENCY- ACCOUNTS RECEIVABLE RECONCILATION

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

Criteria: Part of a strong internal control system in the area of cash and receipts is ensuring that the accounts receivable subsidiary ledger reconciles to the accounts receivable in the general ledger.

Cause: In the past, the old software did not record transactions and post to an accounts receivable. This was always an annual adjustment to record the student accounts receivable. The new software is now set up to track and post activity to the receivable. There would have been differences due to software conversion and recording activity that related to prior years.

Effect: Accounts receivable could potentially be materially understated/overstated. Non-reconciled accounts are susceptible to misuse and potentially theft.

Information to provide proper perspective: The adjustment needed was to reduce accounts receivable, which is saying that receipts had not been removed from the receivable and posted to cash. This would directly affect the bank reconciliation and is also believed to be a part the difference in the above bank reconciliation point.

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees with this finding and are actively pursuing set-up of a formal reconciliation process. In addition, they have hired a Staff Accountant to assist in the receipting area and to perform reconciliation.

FINDINGS--FINANCIAL STATEMENTS AUDIT (Continued)

2017-003 SIGNIFICANT DEFICIENCY- CAPITAL ASSETS

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

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: Noncash donations of land are not commonly donated directly to the College.

Effect: Capital assets and corresponding revenue could potentially be materially understated.

Prior Year Finding: There has been a capital asset finding in prior years, but the noncash land donation is new. See the Summary Schedule of Prior Year Audit Findings for status on previous capital asset findings.

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

Views of Responsible Officials and Planned Corrective Actions: Management agrees with this finding and are actively pursuing a better tracking process. This includes continual education of the staff of the College on the policies and procedures regarding capital assets, and the development of a policy on recording noncash donations of property and equipment.

FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

Student Financial Aid Programs

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

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

Cowley County Community College and Area Vocational-Technical School

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

FINDINGS--FINANCIAL STATEMENTS AUDIT

2016-001 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.

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 concurred with the recommendation and indicated that the procedures would be implemented.

Current Status: The recommended procedures were implemented. The College did not have similar findings for 2017.

FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

Student Financial Aid Programs

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

There were no reportable findings for the year ended June 30, 2016.