

SEWARD COUNTY COMMUNITY COLLEGE

Liberal, Kansas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

BYRON BIRD AND ASSOCIATES, CHARTERED
Certified Public Accountants
224 N. Lincoln
Liberal, Kansas 67901

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Financial Statements
For the Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4

BASIC FINANCIAL STATEMENTS

STATEMENT 1 Statement of Net Position – College	14
STATEMENT 2 Statement of Financial Position – Foundation	15
STATEMENT 3 Statement of Revenues, Expenses, and Changes in Net Position – College	16
STATEMENT 4 Statement of Activities – Foundation	17
STATEMENT 5 Statement of Cash Flows – College	18
STATEMENT 6 Statement of Cash Flows – Foundation	20
Notes to the Financial Statements	21

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1 Schedule of Funding Progress – Other Post-Employment Benefits	47
SCHEDULE 2 Schedule of the College's Proportionate Share of the Net Pension Liability Kansas Public Employees Retirement System	48

SUPPLEMENTARY INFORMATION

SCHEDULE 3 Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis	49
General Fund	50
Post-Secondary Technical Education Fund	51
Adult Supplementary Education Fund	52
Truck Driver Training Course Fund	53
Auxiliary Enterprises	54
Capital Outlay	57
Certificates of Participation Debt Service	58
Notes to Schedule	59

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Financial Statements
For the Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

	<u>Page</u>
<u>SINGLE AUDIT SECTION</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	64
SCHEDULE 4 Schedule of Expenditures of Federal Awards	66
Notes to Schedule of Expenditures of Federal Awards	67
SCHEDULE 5 Summary Schedule of Prior Audit Findings	68
SCHEDULE 6 Schedule of Findings and Questioned Costs	69



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Seward County Community College
Liberal, Kansas 67901

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Seward County Community College (College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 did not audit the financial statements of Seward County Community College Foundation (Foundation), which represent 100% of the assets, net assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Seward County Community College, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the schedule of funding progress – other post-employment benefits on page 47, and the schedule of net pension liability on page 48 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 schedule of receipts and expenditures – actual and budget – regulatory basis 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 schedule of receipts and expenditures – actual and budget – regulatory basis 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 by us. In our opinion, based on our audit and the procedures performed as described above, the schedule of receipts and expenditures – actual and budget – regulatory basis 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 March 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.

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
Liberal, Kansas
March 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

Seward County Community College proudly presents its financial statements for fiscal year ending June 30, 2016. The emphasis of discussions about these statements will be on current year data for the college only. Comparative data for the college is included for fiscal year ending June 30, 2015 per GASB 35 and will be briefly discussed enumerating noteworthy differences between the fiscal years.

Component unit information is provided in the colleges' audited financial statements for the Seward County Community College Foundation, a 501(c)(3) organization organized February 24, 1969. The management of Seward County Community College expresses no opinion, nor analysis of the component unit information. However, it is noted that the Seward County Community College Foundation received an unqualified opinion with no statutory or budgetary violations from their independent audit. The audit period for the Foundation is July 1, 2015 through June 30, 2016. The independent audit firm for the Foundation is Hay, Rice & Associates, 21 Plaza Drive, Liberal, KS 67901. The reader of this management discussion and analysis is encouraged to contact the Seward County Community College Foundation directly for a copy of their audited financial statements when available.

Contact information for the Seward County Community College Foundation is:

SCCC Foundation
Tammy Doll, Secretary
P. O. Box 1137
Liberal, KS 67905-1137
tammy.doll@sccc.edu

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. All following dollar amounts are presented as actual rounded to the nearest dollar. This discussion and analysis of the college's financial statements provides an overview of its financial activities for fiscal year ending June 30, 2016. All readers are encouraged to peruse the three audited financial statements and the accompanying notes. The notes provide insight into the values contained in the financial statements.

Statement of Net Position

The Statement of Net Position presents the Assets (current and non-current), Deferred Outflows, Liabilities (current and non-current), and Deferred Inflows as of the end of the fiscal year. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Seward County Community College. The difference between current and non-current is discussed in the footnotes to the financial statement.

From the data presented, readers of the Statement of Net Position are able to determine the resources available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions.

Finally, the Statement of Net Position provides a picture of the net position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditure by the institution.

Net Position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. Seward County Community College does not have any nonexpendable restricted amounts. Expendable restricted net position are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities, most commonly bond covenants, that have placed time

or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted amounts are available to the institution for any lawful purpose of the institution.

ABBREVIATED STATEMENT OF NET POSITION
JUNE 30

	<u>2015</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets	\$14,347,092	\$15,587,366
Capital Assets	<u>\$23,687,723</u>	<u>\$21,625,788</u>
Total Assets	<u>\$38,034,815</u>	<u>\$37,213,154</u>
Deferred Outflow of Resources	<u>\$236,794</u>	<u>\$196,117</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,779,760	\$1,639,260
Long Term Liabilities	<u>\$4,744,055</u>	<u>\$4,219,129</u>
Total Liabilities	<u>\$6,523,815</u>	<u>\$5,858,389</u>
Deferred Inflows of Resources	<u>\$3,199,058</u>	<u>\$3,328,991</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$19,796,149	\$18,347,747
Restricted for:		
Expendable Capital Projects	\$518,157	\$560,417
Expendable Debt Service	\$1,297,766	\$1,299,543
Expendable Scholarships	\$101,594	\$100,207
Expendable Technology	\$652,414	\$801,552
Expendable Other	0	10,108
Unrestricted	<u>\$6,182,656</u>	<u>\$7,102,317</u>
Total Net Position	<u>\$28,548,736</u>	<u>\$28,221,891</u>

Total net position decreased by \$326,845. A review of the Statement of Net Position reveals the net overall decrease is primarily due to accumulated depreciation on capital assets.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the college. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the college. Non-operating revenues are revenues received for which goods and services are not provided. Examples of non-operating revenues are state appropriations and local ad valorem taxes. These are “non-operating” because state appropriations are provided by the Kansas Board of Regents to the institution with the Kansas Board of Regents directly receiving no commensurate goods and services for those revenues. Local ad valorem taxes are provided by the property owners of Seward County, Kansas with the Seward County property owners directly receiving no commensurate goods and services for those revenues.

ABBREVIATED STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

For Fiscal Years Ended June 30

	2015	2016
Student Tuition and Fees	\$2,233,734	\$2,376,929
Grants and Contracts	\$2,647,809	\$2,668,060
Auxiliary Enterprise Revenue	\$1,675,575	\$1,504,011
Other Operating Revenue	\$173,571	\$232,673
Total Operating Revenues	\$6,730,689	\$6,781,673
Instruction	\$7,597,492	\$7,548,962
Academic Support	\$220,973	\$205,252
Student Services	\$2,499,763	\$2,572,575
Institutional Support	\$4,254,091	\$4,077,492
Operation and Maintenance of Plant	\$2,603,464	\$2,549,096
Depreciation	\$2,973,407	\$2,910,085
Scholarships and Fellowships	\$788,579	\$800,925
Auxiliary Enterprise Expenses	\$1,705,678	\$1,751,412
Total Operating Expenses	\$22,643,447	\$22,415,799
Operating Income (Loss)	(\$15,912,758)	(\$15,634,126)
State Appropriations	\$4,902,388	\$4,957,607
Local Property Taxes	\$9,141,806	\$8,879,620
Pell Grants	\$1,558,518	\$1,577,726
Noncapital Gifts and Contributions	\$12,670	\$4,481
Gain on Sale of Assets	\$0	\$33,850
Interest Income	\$25,131	\$29,815
Interest and Fees on Capital Asset debt	(\$191,594)	(\$175,818)
Net Non Operating Revenues (Expenses)	\$15,448,919	\$15,307,281
Capital gifts and contributions	\$0	\$0
Decrease in Net Position	(\$463,839)	(\$326,845)
Net Position – July 1	\$29,012,575	\$28,548,736
Net Position – June 30	\$28,548,736	\$28,221,891

As presented in the statement, total operating revenues increased \$50,984. This increase is driven by increased grants and tuition rate increases. Operating expenses decreased \$227,648. This decrease was primarily driven by reduced costs in institutional support.

Statement of Cash Flows

The final statement presented by Seward County Community College is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with the operating cash flows and shows the net cash used in the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used in the acquisition and construction of capital assets and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

ABBREVIATED STATEMENT OF CASH FLOWS
For the Fiscal Years Ended June 30

	2015	2016
Net Cash Flows From Operating Activities	(\$11,800,837)	(\$11,871,658)
Net Cash Flows From Non-Capital Financing Activities	\$14,794,133	\$14,579,142
Net Cash Flows from Capital & Related Financing Activities	(\$1,695,250)	(\$1,606,511)
Net Cash Flows from Investing Activities	\$25,131	\$29,815
Net Increase (Decrease) in Cash	\$1,323,177	\$1,130,788
Cash, Beginning of Year, July 1	\$10,348,840	\$11,672,017
Cash, End of Year, June 30	\$11,672,017	\$12,802,805

The reader of the cash flow statement should be aware that the “Cash Provided by Operations” will always be negative due to the definitions of operating revenues and operating expenses as defined by GASB 35.

The increase of end of year cash balance from 2015 to 2016 came largely from increase in tuition rates, reduced costs of institutional support, proceeds from sale of old assets, and decreased purchases of capital assets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Certificates of Participation

Seward County Community College currently has a certificate of participation note outstanding as of June 30, 2016. This certificate is being retired through revenues earned from the colleges Auxiliary Enterprise System and by a fee levied per credit hour on all students enrolled each semester.

Series 20011A

This series of certificates was issued to fund the restructuring of revenue bond debt. The original debt was used to refund prior debt and construct a 168 bed Student Living Center with furnishings. The amount of issue was \$4,290,000. The outstanding principal as of June 30, 2016 is \$3,105,000 with estimated future interest of \$606,056. This series of certificates matures March 1, 2025.

General Obligation Bonds

Seward County Community College has no general obligation bond issues outstanding as of June 30, 2016.

Kansas Finance Authority No Interest Bonds

Seward County Community College has two issues of KFDA No Interest Bonds. The series 2008 PEI Bonds had an original value of \$1,260,000. The outstanding principal on this bond issue has been paid as of December 1, 2015. The series 2009 PEI Bonds had an original value of \$1,244,000. The outstanding principal on this bond issue as of June 30, 2016 is \$155,500. Principal payment for this bond issue is due December 1.

The series 2009 PEI Bonds mature on December 1, 2016.

There is no accrued interest on either series of bonds.

Lease Purchase Agreement

Seward County Community College entered into a lease purchase agreement with First National Bank of Liberal, Kansas in June 2011. The purpose of the agreement was to provide a cash source for the improvement and renovation of a technical instruction building on the technical school site. The original amount of the lease purchase agreement was \$500,000 with an effective interest rate of 5.641%. The outstanding principal as of June 30, 2016 is \$213,131 with estimated future interest of \$22,430. The lease agreement matures on June 3, 2021. Because of extra payments made in prior years, this lease is expected to be paid off in February 2020.

Dennis M. Sander
Vice President of Finance and Operations

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 1

Seward County Community College
Statement of Net Position
June 30, 2016

	<u>College</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 12,802,805
Taxes in process, net of uncollectible	278,602
Accounts receivable, net of allowance for doubtful accounts	2,064,656
Prepaid insurance	9,032
Inventories	<u>432,271</u>
Total Current Assets	<u>15,587,366</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>21,625,788</u>
Total Noncurrent Assets	<u>21,625,788</u>
Total Assets	<u>37,213,154</u>
Deferred Outflow of Resources	
Deferred outflows related to pensions	527
Deferred charge on refunding of debt, net of amortization	<u>195,590</u>
Total Deferred Outflow of Resources	<u>196,117</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	291,877
Deposits held in custody for others	311,521
Accrued compensated absences	252,385
Current portion of early retirement liability	273,321
Current portion of long-term debt	<u>510,156</u>
Total Current Liabilities	<u>1,639,260</u>
Noncurrent Liabilities:	
Early retirement liability, net of current portion	293,170
Net other postemployment benefits payable	939,929
Net pension liability	22,555
Long-term debt, net of current portion	<u>2,963,475</u>
Total Noncurrent Liabilities	<u>4,219,129</u>
Total Liabilities	<u>5,858,389</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	1,486
Unearned revenue	<u>3,327,505</u>
Total Deferred Inflows of Resources	<u>3,328,991</u>
NET POSITION	
Net investment in capital assets	18,347,747
Restricted - expendable	
For capital projects	560,417
For debt service	1,299,543
For scholarships	100,207
For technology	801,552
For other	10,108
Unrestricted	<u>7,102,317</u>
Total Net Position	<u>\$ 28,221,891</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 2

Seward County Community College Foundation - Component Unit
Statement of Financial Position
June 30, 2016

	<u>Foundation</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,685,727
Unconditional promises to give, net	1,103,350
Investments	<u>6,897,966</u>
Total Current Assets	<u>10,687,043</u>
 Total Assets	 \$ <u>10,687,043</u>
 LIABILITIES AND NET ASSETS	
Total Liabilities	\$ <u> -</u>
NET ASSETS	
Unrestricted	201,222
Temporarily restricted	5,478,918
Permanently restricted	<u>5,006,903</u>
Total Net Assets	<u>10,687,043</u>
 Total Liabilities and Net Assets	 \$ <u>10,687,043</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 3

Seward County Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016

	<u>College</u>
Operating Revenues	
Student tuition and fees, net of scholarship allowances of \$1,034,454	\$ 2,376,929
Federal grants and contracts	2,252,854
State and local grants and contracts	415,206
Auxiliary enterprises:	
Food service/dormitory, net of scholarship allowances of \$281,361	677,739
Bookstore, net of scholarship allowances of \$75,301	643,297
Cosmetology, net of scholarship allowances of \$13,989	75,270
Auto parts management	107,705
Other operating revenues	<u>232,673</u>
Total operating revenues	<u>6,781,673</u>
Operating Expenses	
Instruction	7,548,962
Academic support	205,252
Student services	2,572,575
Institutional support	4,077,492
Operation and maintenance of plant	2,549,096
Scholarships and fellowships	800,925
Auxiliary enterprises:	
Food service/dormitory	753,742
Bookstore	764,136
Cosmetology	86,296
Auto parts management	147,238
Depreciation	<u>2,910,085</u>
Total operating expenses	<u>22,415,799</u>
Net Operating Loss	<u>(15,634,126)</u>
Nonoperating Revenues (Expenses)	
State appropriations	4,957,607
Local property taxes	8,879,620
Pell grants	1,577,726
Noncapital gifts and contributions	4,481
Gain from sale of assets	33,850
Interest income	29,815
Interest and fees on capital asset related debt	<u>(175,818)</u>
Net nonoperating revenues (expenses)	<u>15,307,281</u>
Decrease in net position	(326,845)
Net Position - July 1, 2015	<u>28,548,736</u>
Net Position - June 30, 2016	\$ <u>28,221,891</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 4

Seward County Community College Foundation - Component Unit
Statement of Activities
For the Year Ended June 30, 2016

		<u>Foundation</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support:				
Donations				
Individuals	\$ 29,781	633,536	57,056	720,373
Business organizations	8,426	454,367	5,125	467,918
Foundations/Trusts	-	855,650	500	856,150
Clubs/Organizations/Schools	-	320,650	163,981	484,631
State Board of Regents - Grants	-	7,350	-	7,350
Special events	54,097	-	-	54,097
Interest/Dividend income	8,881	227,066	-	235,947
Realized gain (loss) on investments	(1,618)	50,436	-	48,818
Unrealized gain (loss) on investments	(7,944)	(356,056)	-	(364,000)
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments:				
Scholarships and other student support	777,834	(777,834)	-	-
Foundation projects	34,343	(34,343)	-	-
Total revenue and other support	<u>903,800</u>	<u>1,380,822</u>	<u>226,662</u>	<u>2,511,284</u>
Expenses:				
Program Expenses:				
Scholarships and other student support	777,833	-	-	777,833
Special events	17,871	-	-	17,871
Foundation projects	34,343	-	-	34,343
Total program services	<u>830,047</u>	<u>-</u>	<u>-</u>	<u>830,047</u>
Supporting Services:				
General and administrative	115,531	-	-	115,531
Investment expenses	2,506	44,119	-	46,625
Total supporting services	<u>118,037</u>	<u>44,119</u>	<u>-</u>	<u>162,156</u>
Total expenses	<u>948,084</u>	<u>44,119</u>	<u>-</u>	<u>992,203</u>
Transfer	<u>-</u>	<u>(15,895)</u>	<u>15,895</u>	<u>-</u>
Changes in Net Assets	(44,284)	1,320,808	242,557	1,519,081
Net Assets - June 30, 2015	<u>245,506</u>	<u>4,158,110</u>	<u>4,764,346</u>	<u>9,167,962</u>
Net Assets - June 30, 2016	<u>\$ 201,222</u>	<u>5,478,918</u>	<u>5,006,903</u>	<u>10,687,043</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 5
Page 1 of 2

Seward County Community College
Statement of Cash Flows
For the Year Ended June 30, 2016

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 2,342,900
Grants and contracts	3,362,199
Payments to vendors and suppliers	(8,596,106)
Payments to employees	(9,153,889)
Payments for scholarships	(1,545,171)
Auxiliary enterprise charges	1,485,736
Other receipts	<u>232,673</u>
Net cash used for operating activities	<u>(11,871,658)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local property taxes	8,885,888
State appropriations	4,042,652
Pell grants	1,535,412
Noncapital donations and special events	4,481
Student organization agency transactions	<u>110,709</u>
Net cash provided by noncapital financing activities	<u>14,579,142</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(848,150)
Proceeds from sale of assets	33,850
Principal paid on capital debt	(654,737)
Interest and fees paid on capital debt	<u>(137,474)</u>
Net cash used for capital and related financing activities	<u>(1,606,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>29,815</u>
Net cash provided by investing activities	<u>29,815</u>
Net increase in cash and cash equivalents	1,130,788
Cash and cash equivalents, Beginning of year	<u>11,672,017</u>
Cash and cash equivalents, End of the year	<u>\$ 12,802,805</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 5
Page 2 of 2

Seward County Community College
Statement of Cash Flows
For the Year Ended June 30, 2016

	<u>College</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Net Operating Loss	\$ (15,634,126)
Adjustments to reconcile net operating loss to net cash flow from operating activities:	
Depreciation expense	2,910,085
State on-behalf payments for employee benefits (KPERs)	914,955
Changes in assets and liabilities:	
Accounts receivable, net	(127,501)
Inventories	32,585
Prepaid expenses	109,763
Accounts payable and accrued expenses	(85,624)
Deferred revenue	<u>8,205</u>
Net cash used for operating activities	\$ <u>(11,871,658)</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 6

Seward County Community College Foundation - Component Unit
Statement of Cash Flows
For the Year Ended June 30, 2016

	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest and dividend income	\$ 235,947
Donations and special events	2,199,921
Scholarships and other student support	(777,833)
Special events	(17,871)
Foundation projects	(34,343)
General and administrative	(115,531)
Investment expenses	<u>(46,625)</u>
Net cash provided by operating activities	<u>1,443,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(248,203)</u>
Net cash used by investing activities	<u>(248,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for permanent investment	<u>226,662</u>
Net cash provided by financing activities	<u>226,662</u>
Net decrease in cash and cash equivalents	1,422,124
Cash and cash equivalents, Beginning of year	<u>1,263,603</u>
Cash and cash equivalents, End of the year	\$ <u>2,685,727</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE

Seward County Community College (the College) is located in Liberal, Kansas and serves the surrounding area. The Two-year College was organized in 1967 and is governed by an elected six member board. The College receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the College is not included in any other governmental “reporting entity” as defined in Governmental Accounting Standards Board (GASB) pronouncements, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies of the College.

Financial Reporting Entity

These financial statements present Seward County Community College (the primary government) and its component unit.

Discretely Presented Component Unit

The Seward County Community College Foundation is considered to be a related organization to the college. The Foundation is a legally separate, tax-exempt organization that 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. During the year ended June 30, 2016, the College received scholarships totaling \$691,130 and expenditure reimbursements of \$124,959.

The foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3). The Foundation reports its financial results under Financial Accounting Standard Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences; however, significant note disclosures (see Note 15) to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements.

Separately issued audited financial statements for the Foundation may be obtained from: SCCC Foundation, Tammy Doll, Secretary, P.O. Box 1137, Liberal, KS 67905-1137.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

For financial statement reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of the timing of related cash flows. All significant inter-fund transactions have been eliminated.

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

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances at year-end were \$615,755, which represent the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2016 are completed. Encumbrances outstanding at June 30, 2016 do not constitute expenses or liabilities and are not reflected in these financial statements. Encumbered appropriations expire at year-end but are typically renewed in the next fiscal year.

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.

Use of Estimates

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

Income Taxes

The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)

Current and Non-current

Current liabilities are those that will be paid within one year of the date of the statement of net assets. Non-current liabilities include principal amounts of capital lease obligations and bond obligations with contractual maturities greater than one year. Current assets are those that are available to satisfy current liabilities. They include assets that will be converted to cash within one year of the date of the statement of net assets. Typically other assets and liabilities expected to become due beyond one year are considered non-current.

Cash and Cash Equivalents

Cash equivalents include all investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff and general public. Accounts receivable also include amounts due from the federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the college's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future reporting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expense when consumed rather than when purchased.

Inventories

Inventories consist primarily of items held for resale by the bookstore, cosmetology, and auto parts management and are stated at the lower of cost (determined on a first-in, first-out basis) or market. The cost is recorded as expense as the inventories are consumed.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets such as roads and sidewalks. Capital assets are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. For equipment, the College's capitalizations policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, 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.

Property and equipment of the College are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 20-30 years for buildings, 5-30 years for improvements other than buildings, and 3-10 years for equipment and library materials.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)

Compensated Absences

The College records a liability for employees' vacation leave earned, but not taken. The employees earn vacation time during the current school year and use it the following school year with no accumulation. The liability and expense incurred are recorded at year-end as accrued expenses in the statements of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports the deferred charges on the prior refunding of the debt in this category. This amount results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt. The College also reports a collective deferred outflow of resources related to pensions, which is described further in Note 8.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The College reports unearned revenues in this category. Unearned revenue includes tax levies received and accrued that are restricted for future fiscal years and amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent reporting year. The College also reports a collective deferred inflow of resources related to pensions, which is described further in Note 8.

Net Position

The College's net position is 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.

Restricted net position – nonexpendable – This consists of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity. The College has no restricted nonexpendable net assets as of June 30, 2016.

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

Unrestricted net position – This includes 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 lawful purpose.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE (Continued)

Net Position Flow Assumption

Sometimes the College will fund outlays for a particular purpose from both restricted 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.

Property Taxes

In accordance with governing statutes, property taxes are levied each calendar year on all taxable real property located in the taxing district. The County Treasurer is the tax collection agent for all taxing entities within the County. One-half of the property taxes are due December 20th and distributed to the College by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the College by June 5th. This distribution to the College is for its next budget year and is reflected as deferred revenues.

As of June 30, 2016, the county treasurer had distributed to the College approximately 94% of the 2015 taxes levied. A portion of the 2015 and 2016 taxes levied will be used to finance the year ending June 30, 2017.

Classification of Revenues

The College has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most federal, state and local grants and contracts. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as (1) local property taxes, (2) state appropriations, (3) Pell grants, and (4) gifts and contributions.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating 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.

On-Behalf Payments for Employee Benefits

The College recognizes as revenues and expenses, contributions made by the State of Kansas to the Kansas Public Employee Retirement System (KPERS) on behalf of the College's employees. See Note 8 for disclosures regarding the collective net pension liability.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - COLLEGE

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the current unrestricted funds, capital outlay fund, and retirement of indebtedness funds. Although directory rather than mandatory, 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 calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
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 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 the year ended June 30, 2016.

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

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

A legal operating budget is not required for current restricted funds and agency 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.

Budgetary Compliance – Regulatory Basis

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - COLLEGE (Continued)

Cash-Basis Law

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. Some sub-funds of the Restricted Funds have a negative cash balance at June 30, 2016, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed from federal grants, state grants, and other contracts in the following fiscal year. This combined receivable has been recognized for GAAP purposes on these financial statements.

NOTE 3: DEPOSITS AND INVESTMENTS – COLLEGE

As of June 30, 2016, the College did not have any activity in investment-type assets.

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

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College has not designated a "peak period". All deposits were legally secured at June 30, 2016.

At June 30, 2016, the College's carrying amount of the deposits was \$12,802,805 and the bank balance was \$12,819,334. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$545,764 was covered by federal depository insurance; \$12,273,570 was collateralized with securities held by the pledging financial institutions' agents in the College's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 4: ACCOUNTS RECEIVABLE, NET – COLLEGE

Accounts receivable consisted of the following at June 30, 2016:

Student tuition and fees	\$ 1,784,124
Auxiliary enterprises and other operating activities	845,213
Federal and state agencies	<u>219,319</u>
Gross accounts receivable	2,848,656
Less allowance for doubtful accounts	(784,000)
Net accounts receivable	\$ <u>2,064,656</u>

NOTE 5: CAPITAL ASSETS, NET – COLLEGE

Following are the changes in capital assets for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ <u>294,019</u>	<u>-</u>	<u>-</u>	<u>294,019</u>
Total non-depreciable capital assets	<u>294,019</u>	<u>-</u>	<u>-</u>	<u>294,019</u>
Depreciable capital assets:				
Land improvements	1,017,693	-	-	1,017,693
Buildings	43,200,974	430,787	-	43,631,761
Furniture and equipment	10,288,045	417,363	(522,840)	10,182,568
Library materials	<u>1,081,170</u>	<u>-</u>	<u>-</u>	<u>1,081,170</u>
Total depreciable capital assets	<u>55,587,882</u>	<u>848,150</u>	<u>(522,840)</u>	<u>55,913,192</u>
Total capital assets	<u>55,881,901</u>	<u>848,150</u>	<u>(522,840)</u>	<u>56,207,211</u>
Less accumulated depreciation:				
Land improvements	1,016,780	843	-	1,017,623
Buildings	22,108,682	2,224,324	-	24,333,006
Furniture and equipment	7,987,546	684,918	(522,840)	8,149,624
Library materials	<u>1,081,170</u>	<u>-</u>	<u>-</u>	<u>1,081,170</u>
Total accumulated depreciation	<u>32,194,178</u>	<u>2,910,085</u>	<u>(522,840)</u>	<u>34,581,423</u>
Total capital assets, net	<u>\$23,687,723</u>	<u>(2,061,935)</u>	<u>-</u>	<u>21,625,788</u>

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 6: UNEARNED REVENUES – COLLEGE

Unearned revenues consisted of the following at June 30, 2016:

Property taxes levied for future period	\$ 3,196,665
Grant and contract funds received in advance	87,143
Tuition and fees received in advance	<u>43,697</u>
 Total unearned revenues	 \$ <u>3,327,505</u>

NOTE 7: LONG-TERM LIABILITIES – COLLEGE

Changes in long-term liabilities for the College for the year ended June 30, 2016, were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Amounts due within one year</u>	<u>Fees & Interest Paid</u>
Debt payable and capital lease obligations:						
KBOR PEI Loans	\$ 468,500	-	313,000	155,500	155,500	1,172
Capital lease obligations	264,868	-	51,737	213,131	54,656	13,277
Certificates of Participation	<u>3,395,000</u>	<u>-</u>	<u>290,000</u>	<u>3,105,000</u>	<u>300,000</u>	<u>123,025</u>
	4,128,368	-	654,737	3,473,631	510,156	137,474
Other liabilities:						
Early retirement benefits	649,526	173,975	257,010	566,491	273,321	-
Post-employment healthcare	878,266	243,663	182,000	939,929	-	-
Net pension liability	-	22,555	-	22,555	-	-
Compensated absences	<u>219,466</u>	<u>32,919</u>	<u>-</u>	<u>252,385</u>	<u>252,385</u>	<u>-</u>
 Total Long-term liabilities	 \$ <u>5,875,626</u>	 <u>473,112</u>	 <u>1,093,747</u>	 <u>5,254,991</u>	 <u>1,035,862</u>	 <u>137,474</u>

Loans and certificates payable and capital lease obligations consist of the following:

<u>Debt Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Balance June 30, 2016</u>
KBOR PEI Infrastructure Loan					
Series 2008	3/26/08	1,260,000	12/1/15	0.00%	-
Series 2009	3/31/09	1,244,000	12/1/16	0.00%	155,500
Lease purchase obligation	5/6/11	500,000	6/3/21	5.50%	213,131
Certificates of Participation					
Series 2011A	9/1/11	4,290,000	3/1/2025	3.00% to 4.00%	3,105,000

The Board of Regents loans and the capital lease obligations are usually paid through the General Fund. The Certificates of Participation will be liquidated by the COP Debt Service Fund. The early retirement benefits, post-employment healthcare, and compensated absences are generally liquidated by the General Fund.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 7: LONG-TERM LIABILITIES – COLLEGE (Continued)

Kansas Board of Regents PEI Loan

The College entered into two loan agreements with the Kansas Board of Regents (KBOR) at a zero percentage interest rate with an annual financing fee of 0.25%. The loans are to finance certain costs of infrastructure improvement projects. Payments are due annually on December 1.

The annual debt service requirements for the KBOR PEI Infrastructure loans are as follows:

Year ending June 30,	<u>Principal</u>	<u>Fees</u>	<u>Total</u>
2017	\$ <u>155,500</u>	<u>389</u>	<u>155,889</u>
Total	\$ <u>155,500</u>	<u>389</u>	<u>155,889</u>

Lease Purchase Agreement

In June 2011, the College entered into a lease purchase agreement with First National Bank, Liberal, Kansas for the construction of an addition to the ATS campus for the corrosion and process technician programs. Payments are due monthly.

Assets under capital leases as of June 30, 2016 are as follows:

Building	\$ 500,000
Less accumulated depreciation	<u>(153,586)</u>
Net	\$ <u>346,414</u>

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 54,656	10,358	65,014
2018	57,739	7,275	65,014
2019	60,996	4,018	65,014
2020	<u>39,740</u>	<u>779</u>	<u>40,519</u>
Total	\$ <u>213,131</u>	<u>22,430</u>	<u>235,561</u>

Refunding Certificates of Participation

In August 2011, the College issued Certificates of Participation to refund the Series 2008 and 2001B Revenue Bonds. Net proceeds of \$4,273,505 (after the payment of underwriting fees and other costs) plus \$618,378 from the College were deposited into an irrevocable escrow account with an escrow agent to provide for future debt service. The defeased bonds were paid off March 1, 2015.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$411,883. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2025 using the effective-interest method. The college completed the advance refunding to reduce its total debt service payments over the next 16 years by \$463,291 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$138,715.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 7: LONG-TERM LIABILITIES – COLLEGE (Continued)

Refunding Certificates of Participation (Continued)

The Certificates are collateralized by the campus student union and dormitory facilities.

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 300,000	113,000	413,000
2018	310,000	101,000	411,000
2019	320,000	92,100	412,100
2020	330,000	80,200	410,200
2021	340,000	69,475	409,475
2022-2025	<u>1,505,000</u>	<u>150,281</u>	<u>1,655,281</u>
Total	<u>\$ 3,105,000</u>	<u>606,056</u>	<u>3,711,056</u>

NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE

Description of Pension Plan

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

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

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected. Those employees participating in the Pension Plan for the College are included in the State /School employee group.

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

Special Funding Situation

The employer contributions for non-retired employees of community colleges, as defined in K.S.A. 74-4931(2) and (3), are funded by the State of Kansas on behalf of the College. Therefore, the College is 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 the College does not contribute directly to the System for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements associated with the non-retired employees.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Special Funding Situation (continued)

The College also makes contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, “working after retirement” employees. The resulting proportional share of these agencies “working after retirement” contributions and resulting net position liability are attributable to the College. These amounts are reflected separately and recorded in the financial statements.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member’s combined age and years of service equal 85 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 K.S.A. 74-4922.

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

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with 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

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Contributions (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 1.0% of total payroll for the fiscal year ended June 30, 2015.

The actuarially determined employer contribution rates (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rates for school employees are 15.41 % and 11.27%, respectively. During the last two quarters of fiscal year 2015, the governor, using the budgetary allotment process, reduced the KPERS school employer rate from 11.27% to 8.65%, due to budgetary constraints. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for State/School employees.

Employer and Nonemployer Allocations

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

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

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

The allocation percentages for the College's share of the collective pension amounts as of June 30, 2015 and 2014, were based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal year ended June 30, 2015 and 2014, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the College's total allocated proportion was 0.198%, which was an increase of 0.006% from the proportion measured at June 30, 2014. At June 30, 2015, the State's allocated nonemployer proportion of the contributions paid was 99.835% and the remaining 0.165% was actual contributions paid by the College.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Net Pension Liability

At June 30, 2016, the College reported a liability of \$22,555 for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the College. The proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College at June 30, 2015 was \$13,656,854.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2014 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.30%
Fixed income	13.00%	0.80%
Yield driven	8.00%	4.20%
Real return	11.00%	1.70%
Real estate	11.00%	5.40%
Alternative	8.00%	9.40%
Short-term investments	<u>2.00%</u>	(0.50%)
Total	<u>100.00%</u>	

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (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 actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

<u>1% Decrease (7.00%)</u>	<u>Discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
\$29,035	\$22,555	\$17,051

Revenue and Pension Expense Recorded by the College

For the year ended June 30, 2016, the College recognized revenue and pension expense in an equal amount of \$914,955, for support provided by the State in the form on non-employer contributions to KPERS on the College's behalf. The College recognized pension expense of \$23,514 for June 30, 2016, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period for employer contributions to KPERS for working after retirement employees.

Pension Plan Fiduciary Net Position

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	676
Net differences between projected and actual earnings on pension plan investments	-	588
Changes in assumptions	-	50
Changes in proportion	<u>527</u>	<u>172</u>
Total	<u>\$ 527</u>	<u>\$ 1,486</u>

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

<u>Fiscal Year</u>	
2017	\$ (409)
2018	(409)
2019	(409)
2020	238
2021	30
Thereafter	-

Subsequent Events

Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce or defer the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2016, approximately \$93 million in State funded employer contributions to the state/school group were deferred. It is unknown at this time whether this reduction will have a significant effect on the College's proportionate share of the KPERS' collective net pension liability, or an effect on any actuarial assumptions used by KPERS to calculate the collective net pension liability.

During the 2015 state legislative session, Senate Bill 228 was passed authorizing the issuance of one or more series of revenue bonds to provide deposits to KPERS in a total amount no to exceed \$1 billion. The purpose of such bond issuance would be for financing a portion of the unfunded actuarial pension liability of KPERS, which would also have an effect on the collective net pension liability. On August 20, 2015, the State issued \$1,005,180,000 of bonds in accordance with this bill. The effect of this bond issuance on the State's proportionate share of the KPERS collective net pension liability associated with the College is unknown at this time.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 9: DEFINED CONTRIBUTION PLAN – COLLEGE

Employees of the College can participate in a 403(b) tax sheltered annuity. The plan is administered by TIAA-CREF and Oppenheimer. The college will match employee contributions up to \$1,100 in FY 2016. During the year ended June 30, 2016, the employees contributed \$173,430 and the College contributed \$127,612.

NOTE 10: EARLY RETIREMENT PROGRAM – COLLEGE

The College provides an early retirement program for certain eligible employees. Those eligible under the program may receive benefits for up to 5 years. Eligible employees will receive health insurance coverage (single membership) equal to that of a full-time employee from the time the employee chooses to take early retirement and will continue until the early retirement employee becomes eligible for Medicare or reaches age 65, whichever occurs first. The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. Per GASB Statement No. 47 the College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Payments for the retired employees under this plan were \$257,010 for the year ended June 30, 2016.

NOTE 11: OTHER POST EMPLOYMENT HEALTHCARE BENEFITS – COLLEGE

Plan description

The College provides for medical, dental and prescription drug insurance coverage to qualifying retirees and their dependents. When retirement occurs at minimum age 60, retirees may receive fully paid single coverage to Medicare eligibility. Otherwise, retirees are required to pay group plan premiums to maintain coverage. In all cases, the retiree contribution for spousal coverage is equal to the family rate less the single rate. Coverage is provided through a fully-insured group insurance program. Retirees receive a benefit since they are not charged the full age adjusted cost. Plan coverage is provided for under KSA 12-0540.

Funding Policy

Benefits are paid from general operating assets of the College on a pay-as-you-go basis. This arrangement does not qualify as Other Post Employment Benefit (OPEB) plan under Governmental Accounting Standards Board (GASB) requirements and thus these assets may not be reported as an offset to GASB liabilities. The contribution requirements of Plan members and the College are established and may be amended by the Board of Trustees.

Plan Report

The plan does not issue a stand-alone financial report.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 11: OTHER POST EMPLOYMENT BENEFITS – COLLEGE (Continued)

Annual OPEB Cost and Net OPEB Obligation

The College’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, using the projected unit credit actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the College’s annual OPEB cost for the year:

Normal cost	\$ 168,207
Amortization of unfunded actuarial accrued liability	<u>80,607</u>
Annual required contribution (ARC)	248,814
Interest on net OPEB obligation	30,739
Adjustment to the ARC	<u>(35,890)</u>
Annual OPEB cost	243,663
Less: Employer contributions	<u>(182,000)</u>
Increase in net OPEB obligation	61,663
Net OPEB obligation, July 1	<u>878,266</u>
Net OPEB obligation, June 30	\$ <u>939,929</u>

Schedule of Employer Contributions (for fiscal year ended June 30)

Fiscal <u>Year</u>	Annual <u>OPEB Cost</u>	Net Employer <u>Contributions</u>	Percentage <u>Contributed</u>	End of Year Net OPEB <u>Obligation</u>
2014	\$ 204,271	\$ 141,000	69%	\$ 804,168
2015	\$ 244,098	\$ 170,000	70%	\$ 878,266
2016	\$ 243,663	\$ 182,000	75%	\$ 939,929

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The College’s unfunded actuarial accrued liability (UAAL) for benefits was \$1,905,814. The covered payroll (annual payroll of active employees covered by the plan) was \$7,775,948, and the ratio of the UAAL to the covered payroll was 24.5%.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided under the substantive plan (the plan as understood by the employer and the plan members) at the time of each valuation and the historical pattern of sharing 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 calculations

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 11: OTHER POST EMPLOYMENT BENEFITS – COLLEGE (Continued)

In the July 1, 2014 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 3.5 percent annual interest rate, 2 percent per year aggregate payroll growth, and an annual health care cost trend of 7 percent reduced by 0.5 percent annually to an ultimate rate of 5.0 percent. The AAL is being amortized as a level percentage of pay. The amortization of UAAL is done over a period of 30 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 12: RENT REVENUE – COLLEGE

The College rents dorm rooms. The dorm rooms are rented on a semester basis and have a signed contract. The College also charges fees for the use of its facilities. These fees vary according to the area being used. A contract is signed. There are no minimum future payments required.

NOTE 13: RISK MANAGEMENT – COLLEGE

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omission; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE 14: COMMITMENTS, AND CONTINGENCIES – COLLEGE

The College conducts certain programs pursuant to various grants and contracts, which are subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies from various sources of the College. Management is of the opinion that no material liability will result from such audits.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES

Nature of Activities

Seward County Community College Foundation is a non-profit corporation under Internal Revenue Code Section 501(c)(3), organized February 24, 1969 for the purpose of promoting and fostering the educational and cultural interests of Seward County Community College.

The Foundation maintains and administers the resources available for college projects, equipment and scholarships. The revenue is generated by bequests, gifts, and private contributions. This money is expended based upon the requirements established by the donor.

Financial Statement Presentation

The Foundation's financial statements were prepared on the accrual basis of accounting to conform with accounting principles generally accepted in the United States of America.

The Foundation separates its net assets as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets with no donor-imposed restrictions.

Advertising costs are expensed when incurred.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the nonprofit corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents with the exception of money market funds which are for long-term investment purposes.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Contributions

Contributions are recorded when received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are release to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is in substance unconditional.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. SCCC Foundation is not classified as a private foundation under the Internal Revenue Code.

The Organization's U.S. federal income tax returns and the Organization's tax returns for the state of Kansas prior to fiscal year 2013 are closed to IRS examination.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reconciliation of Net Change in Assets to Net Cash Provided by Operating Activities

Net Change in Assets	\$ 1,519,081
Adjustments:	
(Gain) loss on sale of assets	(48,818)
Contributions – permanently restricted	(226,662)
Unrealized (gain) loss on investments	364,000
Increase in unconditional promises to give	<u>(163,936)</u>
Net Cash Provided by Operating Activities	\$ <u>1,443,665</u>

For the year ended June 30, 2016, there was a non-cash gift received. This consisted of mutual funds valued at \$112,527.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Restricted on Net Assets

Net assets temporarily restricted for the following purposes:

Scholarship and other student support	\$ 2,310,026
Library and music department needs	52,043
Capital projects	2,968,475
Athletic programs	146,539
Professional development	<u>1,835</u>
	<u>\$ 5,478,918</u>

Net assets were permanently restricted for the following purposes:

Professional development	\$ 25,129
Scholarship and other student support	4,895,623
Library and music department needs	<u>86,151</u>
	<u>\$ 5,006,903</u>

Deposits

At June 30, 2016, SCCC Foundation's carrying amount of deposits was \$2,702,424 and the bank balance was \$2,702,958. Of the bank balance, \$1,003,487 was covered by federal depository insurance and \$1,699,471 was collateralized with securities held by the pledging financial institutions' agents in SCCC Foundation's name.

Risks and Uncertainties

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

Donated Services

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The fair market value of the contributed services were not recognized in the financial statements as they did not meet the criteria for recognition under FASB ASC 958-605-25-16.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Corporate Bonds – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds – Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

U.S. Government Securities – Valued using the pricing models maximizing the use of observable inputs for similar securities.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	Assets at Fair Value as of June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit with maturities over three months	\$ 503,487	-	-	503,487
Marketable equity mutual funds	6,383,065	-	-	6,383,065
Bonds	-	11,414	-	11,414
Total assets at fair value	<u>\$6,886,552</u>	<u>11,414</u>	<u>-</u>	<u>6,897,966</u>

Fair Value of Financial Instruments

The carrying amount of cash and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The carrying amount of investments (which is fair value) is based upon quoted market prices. The fair value of unconditional promises to give to be received in more than one year is based on future cash flows discounted at 6%.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$2,685,727	2,685,727
Unconditional promises to give	1,103,350	1,103,350
Investments	6,897,966	6,897,966

Promises to Give

Unconditional promises to give at June 30, 2016 are as follows:

Promises to give expected to be collected in:

Less than one year	\$ 364,857
One to five years	<u>838,160</u>
Total unconditional promises to give	\$1,203,017
Less – Discounts to net present value	<u>99,667</u>
Net unconditional promises to give at June 30, 2016	<u>\$1,103,350</u>

Promises to give receivable in more than one year are recognized at fair value using present value techniques and a discount rate of 6%, when the donor makes an unconditional promise to give to the Foundation.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Endowment Fund

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by that standard. In accordance with that standard, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. Endowment assets are invested in well diversified asset mix, which includes equity and debt securities. The Foundation attempts to build endowment assets through additional contributions. The endowment funds realized and unrealized income is considered temporarily restricted income.

Spending Policy

The current spending policy is not expected to allow the Foundation's endowment fund to grow. The original gift is preserved while the income is considered temporary and can be spent on professional development, scholarships, student support, library and music department needs.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2016

NOTE 15: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Permanently <u>Restricted</u>	Total Endowment <u>Net Assets</u>
Donor-restricted endowment funds	\$5,006,903	5,006,903
Board-designated endowment funds	<u>-</u>	<u>-</u>
Total Funds	<u>\$5,006,903</u>	<u>5,006,903</u>

Changes in endowment net assets as of June 30, 2016 are as follows:

Endowment net assets, beginning of year	\$4,764,346	4,764,346
Contributions	226,662	226,662
Transfer	<u>15,895</u>	<u>15,895</u>
Endowment net assets, end of year	<u>\$5,006,903</u>	<u>5,006,903</u>

Interfund Transfers

Assets were transferred for the following reasons for the fiscal year ended June 30, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>
Temporarily restricted Don Owens to permanently restricted Don Owens Memorial	\$ -	(10,050)	10,050
Temporarily restricted Class of 1963 to permanently restricted Class of 1963	-	(5,000)	5,000
Temporarily restricted miscellaneous special projects - Leon Onions to permanently restricted Leon Onions Title V	-	(345)	345
Temporarily restricted miscellaneous special projects Cary Utz to permanently restricted Cary Utz Title V	<u>-</u>	<u>(500)</u>	<u>500</u>
	<u>\$ -</u>	<u>(15,895)</u>	<u>15,895</u>

Subsequent Events

Foundation's management has evaluated subsequent events through January 18, 2017, the date which the Foundation's financial statements were available to be issued.

Contingent Liabilities

Management has evaluated the possibility of contingent liability issues affecting SCCC Foundation. They are not aware of any situation that could lead to a contingent liability.

REQUIRED SUPPLEMENTARY INFORMATION

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Required Supplementary Information
June 30, 2016

Schedule 1

Schedule of Funding Progress for Other Post-Employment Benefits

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 Percentage of Covered Payroll ((b-a)/(c))
7/1/2008	\$ -	\$ 1,504,416	\$ 1,504,416	0.00%	\$ 5,436,098	27.7%
7/1/2011	\$ -	\$ 1,552,902	\$ 1,552,902	0.00%	\$ 7,111,451	21.8%
7/1/2014	\$ -	\$ 1,905,814	\$ 1,905,814	0.00%	\$ 7,775,948	24.5%

The major items of impact in the actuarial valuation dated July 1, 2014 relative to the prior valuation are as follows:

- Retirement and turnover assumptions were updated when applicable to reflect the latest statistics from KPERs.
- The assumed proportion of future retirees with a covered spouse was lowered from 15% to 10%
- The assumed proportion of future employees retiring at less than age 60 who will enroll in the plan was lowered from 70% to 50%.
- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Total Dataset Mortality table with full generational improvement.

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Required Supplementary Information
June 30, 2016

Schedule 2

Schedule of the College's Proportionate Share of the Net Pension Liability
 Kansas Public Employees Retirement System
 Last Three Fiscal Years*

	2015	2014	2013
College's proportion of the collective net pension liability	0.16%	0.00%	0.00%
College's proportionate share of the collective net pension liability	\$ 22,555	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the College	13,656,854	12,284,585	14,123,787
Total collective net pension liability	\$13,679,409	\$12,284,585	\$14,123,787
College's covered-employee payroll	\$ 8,644,951	\$ 8,413,915	\$ 8,304,745
College's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0.26%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	64.94%	66.60%	59.94%

Schedule of the College's Contributions

Contractually required contribution	\$ 1,415	\$ -	\$ -
Contributions in relation to the contractually required contribution	(1,415)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 8,644,951	\$ 8,413,915	\$ 8,304,745
Contributions as a percentage of covered-employee payroll	0.02%	0.00%	0.00%

* GASB 68 requires presentation of ten years. As of June 30, 2016, only three years of information is available.

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.

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

(See Auditors' Report)

SUPPLEMENTARY INFORMATION

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2016

Schedule 3 is prepared in accordance with Kansas cash basis laws (Regulatory Basis), which differs from generally accepted accounting principles (GAAP Basis). Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund in which the cash is transferred. Expenditures include cash disbursements, transfers, accounts payable and encumbrances – that is, commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 General Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

	General Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Taxes and Shared Receipts			
Prior year ad valorem property tax	\$ 58,730	\$ 164,628	\$ (105,898)
Current year ad valorem property tax	8,041,344	8,242,325	(200,981)
Motor vehicle tax	666,315	675,715	(9,400)
Recreational vehicle tax	4,584	5,851	(1,267)
Delinquent tax	112,100	86,706	25,394
In lieu of tax - IRB	2,815	-	2,815
Student tuition and fees	1,435,457	1,186,971	248,486
Federal sources	2,105	-	2,105
State sources	2,857,882	2,644,671	213,211
Interest income	29,774	20,000	9,774
Other income	<u>216,705</u>	<u>180,000</u>	<u>36,705</u>
Total Receipts	<u>13,427,811</u>	<u>\$ 13,206,867</u>	<u>\$ 220,944</u>
Expenditures:			
Instruction	2,524,426	\$ 3,154,619	\$ (630,193)
Academic support	150,053	188,507	(38,454)
Student services	1,806,964	2,172,244	(365,280)
Institutional support	2,839,230	3,059,512	(220,282)
Operation and maintenance of plant	1,639,561	2,061,490	(421,929)
Scholarships	202,286	220,000	(17,714)
Operating transfers out	<u>3,522,172</u>	<u>4,096,116</u>	<u>(573,944)</u>
Total Expenditures	<u>12,684,692</u>	<u>\$ 14,952,488</u>	<u>\$ (2,267,796)</u>
Receipts Over (Under) Expenditures	743,119		
Unencumbered Cash, Beginning of Year	6,806,909		
Prior Year Cancelled Encumbrances	<u>21,463</u>		
Unencumbered Cash, End of Year	<u>\$ 7,571,491</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Post Secondary Technical Education Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

	<u>Post Secondary Technical Education Fund</u>		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 760,627	\$ 817,780	\$ (57,153)
State sources	1,184,770	1,161,075	23,695
Operating transfers in	<u>3,322,172</u>	<u>3,896,116</u>	<u>(573,944)</u>
Total Receipts	<u>5,267,569</u>	\$ <u>5,874,971</u>	\$ <u>(607,402)</u>
Expenditures:			
Instruction	3,447,241	\$ 3,978,924	\$ (531,683)
Academic Support	65,438	63,889	1,549
Student services	291,747	286,509	5,238
Institutional support	582,251	639,242	(56,991)
Operation and maintenance of plant	<u>889,694</u>	<u>911,436</u>	<u>(21,742)</u>
Total Expenditures	<u>5,276,371</u>	\$ <u>5,880,000</u>	\$ <u>(603,629)</u>
Receipts Over (Under) Expenditures	(8,802)		
Unencumbered Cash, Beginning of Year	5,008		
Prior Year Cancelled Encumbrances	<u>8,794</u>		
Unencumbered Cash, End of Year	\$ <u>5,000</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Adult Supplementary Education Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

	Adult Supplementary Education Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 93,044	\$ 600,000	\$ (506,956)
Other income	<u>24,891</u>	<u>88,302</u>	<u>(63,411)</u>
Total Receipts	<u>117,935</u>	\$ <u>688,302</u>	\$ <u>(570,367)</u>
Expenditures:			
Instruction	<u>161,670</u>	\$ <u>800,000</u>	\$ <u>(638,330)</u>
Total Expenditures	<u>161,670</u>	\$ <u>800,000</u>	\$ <u>(638,330)</u>
Receipts Over (Under) Expenditures	(43,735)		
Unencumbered Cash, Beginning of Year	111,698		
Prior Year Cancelled Encumbrances	<u> -</u>		
Unencumbered Cash, End of Year	\$ <u>67,963</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Truck Driver Training Course Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

	<u>Truck Driver Training Course Fund</u>		
	<u>Actual - Regulatory Basis</u>	<u>Original and Final Budget</u>	<u>Variance- Over (Under)</u>
Receipts:			
Student tuition and fees	\$ 71,794	\$ 103,919	\$ (32,125)
State sources	32,500	20,000	12,500
Operating transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Receipts	<u>204,294</u>	\$ <u>223,919</u>	\$ <u>(19,625)</u>
Expenditures:			
Instruction	<u>187,558</u>	\$ <u>264,341</u>	\$ <u>(76,783)</u>
Total Expenditures	<u>187,558</u>	\$ <u>264,341</u>	\$ <u>(76,783)</u>
Receipts Over (Under) Expenditures	16,736		
Unencumbered Cash, Beginning of Year	40,422		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>57,158</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Auxiliary Enterprises
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

Schedule 3
 Page 5 of 12

	Bookstore			Dorm/Cafeteria		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:						
Sales	\$ 700,676	\$ 970,000	\$ (269,324)	\$ 923,230	\$ 1,200,000	\$ (276,770)
Other income	<u>16,663</u>	<u>-</u>	<u>16,663</u>	<u>18,447</u>	<u>20,000</u>	<u>(1,553)</u>
Total Receipts	<u>717,339</u>	<u>\$ 970,000</u>	<u>\$ (252,661)</u>	<u>941,677</u>	<u>\$ 1,220,000</u>	<u>\$ (278,323)</u>
Expenditures:						
Salaries and benefits	134,092	\$ 150,000	\$ (15,908)	234,386	\$ 230,000	\$ 4,386
General operating expenses	37,979	40,000	(2,021)	20,225	7,000	13,225
Supplies	7,820	15,000	(7,180)	-	40,000	(40,000)
Cost of goods sold	525,740	700,000	(174,260)	482,843	550,000	(67,157)
Equipment	16,090	-	16,090	3,212	20,000	(16,788)
Travel	4,179	5,000	(821)	-	-	-
Utilities	-	-	-	13,151	16,000	(2,849)
Mandatory transfers	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>52,925</u>	<u>250,000</u>	<u>(197,075)</u>
Total Expenditures	<u>725,900</u>	<u>\$ 960,000</u>	<u>\$ (234,100)</u>	<u>806,742</u>	<u>\$ 1,113,000</u>	<u>\$ (306,258)</u>
Receipts Over (Under) Expenditures	(8,561)			134,935		
Unencumbered Cash, Beginning of Year	295,303			1,237,324		
Prior Year Cancelled Encumbrances	<u>-</u>			<u>-</u>		
Unencumbered Cash, End of Year	<u>\$ 286,742</u>			<u>\$ 1,372,259</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Auxiliary Enterprises
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2016

Schedule 3
 Page 6 of 12

	Cosmetology			Auto Parts Management		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:						
Sales	\$ 89,483	\$ 135,000	\$ (45,517)	\$ 107,705	\$ 190,000	\$ (82,295)
Other income	<u>292</u>	<u>1,200</u>	<u>(908)</u>	<u>4,000</u>	<u>1,000</u>	<u>3,000</u>
Total Receipts	<u>89,775</u>	<u>\$ 136,200</u>	<u>\$ (46,425)</u>	<u>111,705</u>	<u>\$ 191,000</u>	<u>\$ (79,295)</u>
Expenditures:						
Salaries and benefits	-	\$ -	\$ -	-	\$ -	\$ -
General operating expenses	618	4,721	(4,103)	-	-	-
Supplies	73,607	81,763	(8,156)	33	321	(288)
Cost of goods sold	10,509	11,551	(1,042)	180,288	180,000	288
Equipment	-	-	-	-	-	-
Travel	2,389	102	2,287	-	-	-
Utilities	-	-	-	-	-	-
Mandatory transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>87,123</u>	<u>\$ 98,137</u>	<u>\$ (11,014)</u>	<u>180,321</u>	<u>\$ 180,321</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	2,652			(68,616)		
Unencumbered Cash, Beginning of Year	96,108			75,104		
Prior Year Cancelled Encumbrances	<u>-</u>			<u>-</u>		
Unencumbered Cash, End of Year	<u>\$ 98,760</u>			<u>\$ 6,488</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Auxiliary Enterprises
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2016

	Total Auxiliary Enterprises		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Sales	\$ 1,821,094	\$ 2,495,000	\$ (673,906)
Other income	<u>39,402</u>	<u>22,200</u>	<u>17,202</u>
Total Receipts	<u>1,860,496</u>	\$ <u>2,517,200</u>	\$ <u>(656,704)</u>
Expenditures:			
Salaries and benefits	368,478	\$ 380,000	\$ (11,522)
General operating expenses	58,822	51,721	7,101
Supplies	81,460	137,084	(55,624)
Cost of goods sold	1,199,380	1,441,551	(242,171)
Equipment	19,302	20,000	(698)
Travel	6,568	5,102	1,466
Utilities	13,151	16,000	(2,849)
Mandatory transfers	<u>52,925</u>	<u>300,000</u>	<u>(247,075)</u>
Total Expenditures	<u>1,800,086</u>	\$ <u>2,351,458</u>	\$ <u>(551,372)</u>
Receipts Over (Under) Expenditures	60,410		
Unencumbered Cash, Beginning of Year	1,703,839		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>1,764,249</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Capital Outlay
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

	Capital Outlay		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
State sources	\$ 126,787	\$ 126,787	\$ -
Other income	500	114,583	(114,083)
Mandatory transfers	91,521	-	91,521
Total Receipts	218,808	\$ 241,370	\$ (22,562)
Expenditures:			
Plant Equipment and Facility	227,234	\$ 279,387	\$ (52,153)
Total Expenditures	227,234	\$ 279,387	\$ (52,153)
Receipts Over (Under) Expenditures	(8,426)		
Unencumbered Cash, Beginning of Year	57,026		
Prior Year Cancelled Encumbrances	12,842		
Unencumbered Cash, End of Year	\$ 61,442		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Certificates of Participation Debt Service Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2016

	Certificates of Participation Debt Service		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Mandatory transfers	\$ <u>413,242</u>	\$ <u>412,950</u>	\$ <u>292</u>
Total Receipts	<u>413,242</u>	\$ <u>412,950</u>	\$ <u>292</u>
Expenditures:			
Principal on COP	290,000	\$ 290,000	\$ -
Interest and fees	<u>122,950</u>	<u>122,950</u>	<u>-</u>
Total Expenditures	<u>412,950</u>	\$ <u>412,950</u>	\$ <u>-</u>
Receipts Over (Under) Expenditures	292		
Unencumbered Cash, Beginning of Year	1,113,895		
Prior Year Cancelled Encumbrances	<u>-</u>		
Unencumbered Cash, End of Year	\$ <u>1,114,187</u>		

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 Notes to Schedule
For the Year Ended June 30, 2016

Reconciliation of Revenue and Expenditures on a budgetary basis to GAAP basis.

	<u>General</u>	<u>Post Sec Tech Ed</u>	<u>Adult Supplemental</u>
Revenues:			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$ 13,427,811	5,267,569	117,935
Adjustments			
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.	118,250	5,416	982
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting	(92,176)	-	-
Transfers reported separately for GAAP reporting	<u>-</u>	<u>(3,322,172)</u>	<u>-</u>
Total revenues on GAAP basis	\$ <u>13,453,885</u>	<u>1,950,813</u>	<u>118,917</u>
Expenditures:			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$ 12,684,692	5,276,371	161,670
Adjustments			
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.	32,919	-	-
Net OPEB obligations and other retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.	1,742	-	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.	(262,605)	(8,367)	-
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.	109,763	-	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.	-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting	-	-	-
Transfers reported separately for GAAP reporting	<u>(3,522,172)</u>	<u>-</u>	<u>-</u>
Total Expenditures on GAAP basis	\$ <u>9,044,339</u>	<u>5,268,004</u>	<u>161,670</u>

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 Notes to Schedule
For the Year Ended June 30, 2016

Reconciliation of Revenue and Expenditures on a budgetary basis to GAAP basis.

		<u>Truck Driver</u>	<u>Auxiliary Enterprises</u>	<u>Capital Outlay</u>
Revenues:				
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	204,294	1,860,496	218,808
Adjustments				
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.		(6,373)	18,166	-
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting		-	-	-
Transfers reported separately for GAAP reporting		<u>(100,000)</u>	<u>-</u>	<u>(91,521)</u>
Total revenues on GAAP basis	\$	<u>97,921</u>	<u>1,878,662</u>	<u>127,287</u>
Expenditures:				
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	187,558	1,800,086	227,234
Adjustments				
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.		-	-	-
Net OPEB obligations and other retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.		-	-	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.		-	2,030	13,368
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.		-	(15,735)	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.		-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting		-	32,585	-
Transfers reported separately for GAAP reporting		<u>-</u>	<u>(52,925)</u>	<u>-</u>
Total Expenditures on GAAP basis	\$	<u>187,558</u>	<u>1,766,041</u>	<u>240,602</u>

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 Notes to Schedule
For the Year Ended June 30, 2016

Reconciliation of Revenue and Expenditures on a budgetary basis to GAAP basis.

		<u>COP</u> <u>Debt Service</u>
Revenues:		
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	413,242
Adjustments		
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.		-
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting		-
Transfers reported separately for GAAP reporting		<u>(413,242)</u>
Total revenues on GAAP basis	\$	<u><u>-</u></u>
 Expenditures:		
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 2 pages 1 to 9)	\$	412,950
Adjustments		
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.		-
Net OPEB obligations and other retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.		-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.		-
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.		-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.		(2,860)
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting		-
Transfers reported separately for GAAP reporting		<u>-</u>
Total Expenditures on GAAP basis	\$	<u><u>410,090</u></u>

(See Auditors' Report)

SINGLE AUDIT SECTION



BYRON BIRD AND ASSOCIATES, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

620 - 624 - 1994
224 N. LINCOLN
LIBERAL, KANSAS 67901

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

Independent Auditor's Report

The Board of Trustees
Seward County Community College
Liberal, Kansas 67901

We have audited, in accordance with the 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*, the financial statements of the business-type activities and the discretely presented component unit of Seward County Community College (College), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 6, 2017. Our report includes a reference to other auditors who audited the financial statements of Seward County Community College Foundation (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
Liberal, Kansas
March 6, 2017



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

Independent Auditor's Report

To The Board of Trustees
Seward County Community College
Liberal, Kansas 67901

Report on Compliance for Each Major Federal Program

We have audited Seward County Community College's (College) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. 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 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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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.

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
Liberal, Kansas
March 6, 2017

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

Schedule 4

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Assistance Cluster			
Department of Education Direct Programs			
Federal PLUS Loans			\$ 8,905
Federal Direct Unsubsidized Stafford Loans			356,504
Federal Direct Subsidized Stafford Loans			<u>378,837</u>
Total Federal Direct Student Loans	84.268		744,246
Federal Pell Grant Program	84.063		1,579,831
Federal Work-Study Program	84.033		52,213
Federal Supplemental Educational Opportunity Grants	84.007		<u>46,187</u>
Total Department of Education Direct Programs			<u>2,422,477</u>
Total Student Financial Assistance Cluster			<u>2,422,477</u>
Other Programs			
Department of Education Direct Programs			
Higher Education - Inst Aid / Title V - Developing Hispanic- Serving Institutions	84.031S		485,441
Higher Education - Inst Aid / Building Access and Success	84.031C		<u>1,036,464</u>
Total Higher Education Institutional Aid			1,521,905
TRIO - Student Support Services	84.042A		<u>213,715</u>
Subtotal Department of Education Direct Programs			<u>1,735,620</u>
Department of Education Pass-Through Programs From:			
Kansas Board of Regents			
Adult Basic Education	84.002	3042-3000	161,482
Career and Technical Education - Carl Perkins	84.048	3539	<u>82,115</u>
Subtotal Department of Education Pass Through Programs			<u>243,597</u>
Total Department of Education			<u>1,979,217</u>
National Science Foundation Pass-Through Programs From:			
Kansas State University			
Education and Human Resources	47.076	NS9757	<u>59,275</u>
Total National Science Foundation			<u>59,275</u>
Department of Health and Human Services Pass-Through Programs From:			
Kansas State University			
Biomedical Research and Research Training	93.859	HH9895	<u>6,798</u>
Total Department of Health and Human Services			<u>6,798</u>
Department of Agriculture Pass-Through Programs From:			
Kansas Department of Agriculture			
Specialty Crop Block Grant Program	10.170	15-SCBG-KS-0031	<u>34,245</u>
Total Department of Agriculture			<u>34,245</u>
Small Business Administration Pass-Through Programs From:			
Fort Hays State University			
Small Business Development Center	59.037		<u>72,814</u>
Total Small Business Administration			<u>72,814</u>
Total Expenditures of Federal Awards			\$ <u>4,574,826</u>

(The Accompanying Notes are an Integral Part of This Schedule)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note A: **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Seward County Community College under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Seward County Community College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

Note B: **Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note C: **De Minimis Indirect Cost Rate**

The College has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SEWARD COUNTY COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Schedule 5

None

SEWARD COUNTY COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Schedule 6

Section I – Summary of Auditor’s Results

Financial Statements

The auditor’s report expresses an unmodified opinion on the financial statements of Seward County Community College.

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes ___X___ none reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal Control over federal major programs:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes ___X___ none reported

The auditor’s report issued on compliance for the major federal award programs for Seward County Community College expresses an unmodified opinion.

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, & 84.268 84.031S	Student Financial Assistance Cluster Higher Education – Institutional Aid / Title V – Developing Hispanic-Serving Institutions
84.031C	Higher Education – Institutional Aid / Building Access and Success

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

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported