

**ALLEN COUNTY  
COMMUNITY COLLEGE**

Iola, Kansas

Independent Auditors' Report and  
Financial Statements with  
Supplementary Information

For the Year Ended June 30, 2017

**ALLEN COUNTY COMMUNITY COLLEGE**  
Iola, Kansas

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# ALLEN COUNTY COMMUNITY COLLEGE

## Management's Discussion and Analysis

### **Overview of the Financial Statements and Financial Analysis**

The discussion and analysis of Allen County Community College's financial statements focuses on the College as a whole and provides an overview of the College's financial activities for the year ended June 30, 2017 with selected comparative information for the year ended June 30, 2016. The emphasis of discussion about these statements is on current year data and based on currently known facts. This discussion should be read along with the College's basic financial statements and the footnotes to those statements. A separate audit is issued for the Allen County Community College Endowment Association and is available for review at 1801 North Cottonwood, Iola, Kansas 66749.

Allen County Community College is required to present annual financial statements in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB), the authoritative body for establishing U.S. generally accepted accounting principles for state and local governments, including public institutions of higher education. These pronouncements (GASB 34 and 35) permit public colleges and universities to use the guidance for special purpose governments engaged only in business-type activities in their separately issued financial statements. As a result, the presentation format was shifted from a columnar fund group format to a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements issued by a typical business enterprise or a not-for-profit organization.

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.

### **Statement of Net Position**

The Statement of Net Position presents the assets, liabilities and net position of the College as of the end of the fiscal year. Net position, an accounting concept, is defined as total assets less total liabilities and reflects those values and the equity (ownership) in the total assets of the College at a specific point in time.

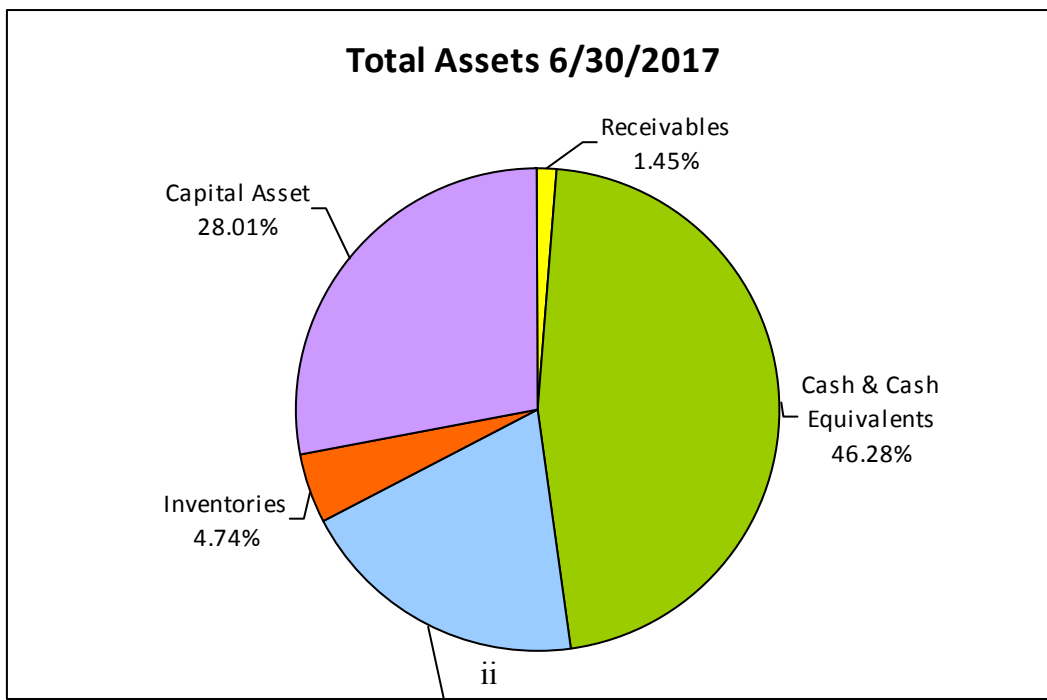
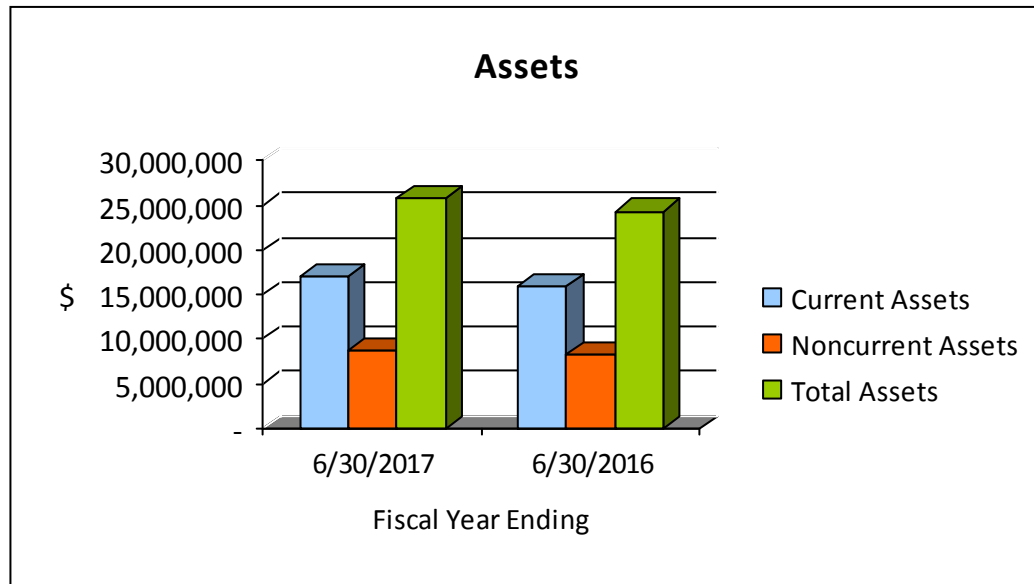
From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their availability for expenditure by the institution.

Net position is divided into four categories. The first category, "Invested in Capital Assets, Net of Related Debt", provides the institution's equity in property, plant and equipment owned by the institution. The second category, "Restricted-Expendable", are funds that must be spent by the institution as determined by donors and/or external entities that have placed time or purposerestrictions on the use of the assets. The third category, "Restricted-Nonexpendable", are resources available only for investment purposes. The final category, "Unrestricted", are funds available to spend for any lawful purpose of the institution.

## Analysis of Assets, Liabilities and Net Position

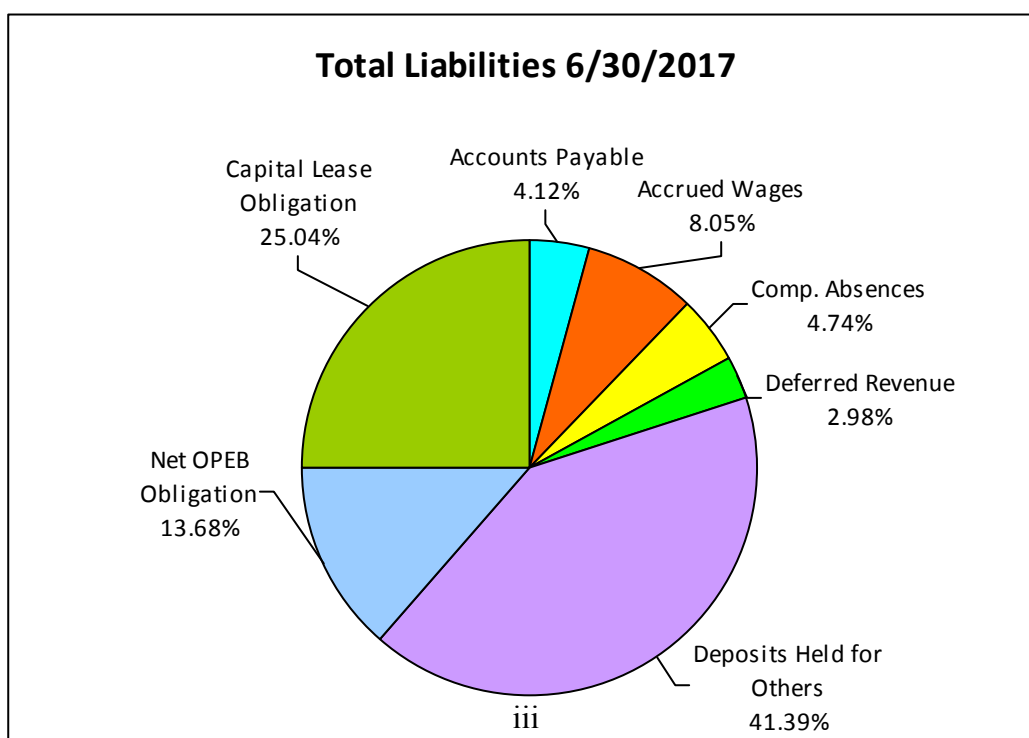
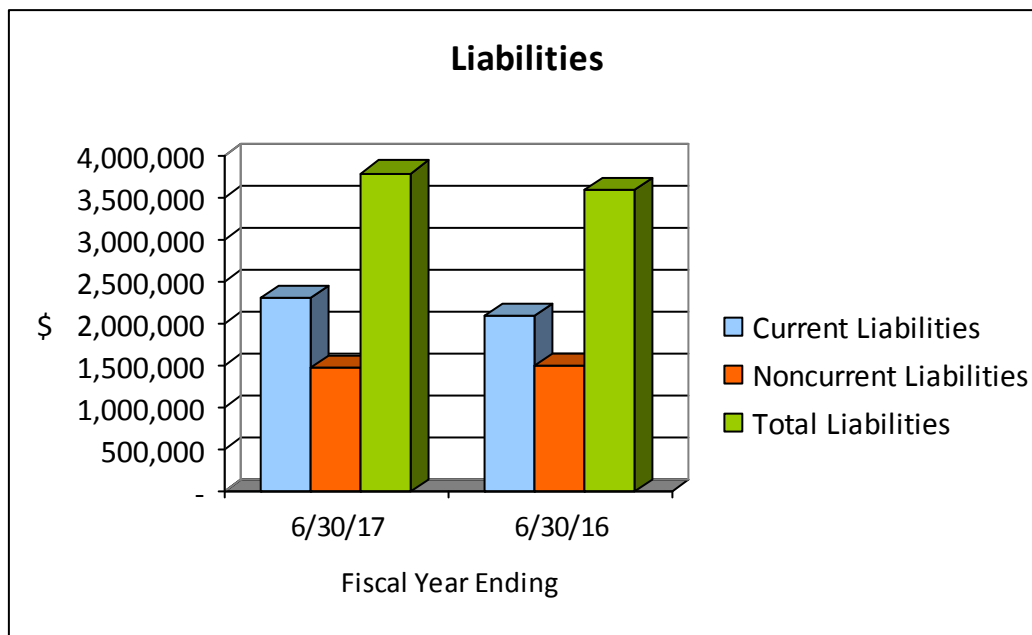
### Assets

For the year ended June 30, 2017, total assets increased \$1,447,382 [6.0%] over the previous fiscal year. The net increase in total assets included an increase in Cash and Cash Equivalents of \$4,216,012 [54.8%], an decrease in Capital Assets (Net of Depreciation) of (\$630,498), a decrease in Inventories of (\$163,927) [-11.8%], a decrease in Investments of (\$1,981,468) and an increase in Receivables of \$7,263 [-1.19%].



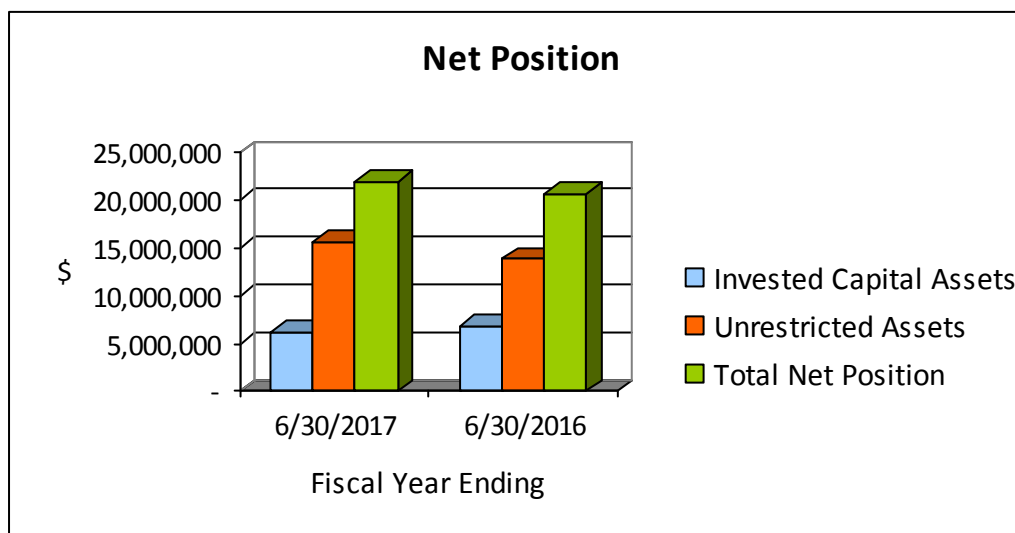
## Liabilities

For the year ended June 30, 2017, total liabilities increased \$195,046 [5.4%] over the previous year. The net change in total liabilities can be attributed to an increase in Accounts Payable of \$18,849 [13.78%], a decrease in accrued wages of (\$17,908) [-5.56%], an increase in Deposits Held for Others of \$152,369 [10.81%], an increase in compensated absences of \$11,422 [6.82%], an increase in Deferred Revenue of \$56,289 [49.6%], an increase in Net OPEB Obligation of \$40,962 [7.94%], and a decrease in Capital Lease Obligations in the amount of (\$75,000) [-7.35%].



## Net Position

Total Net Position increased \$1,252,336 [+6.05%] for the year ending June 30, 2017. The change was mainly due to the decrease in Operating Expenses, year over year, of \$525,243. Specific liabilities that had a major impact on the increase in net position are listed in the liabilities section of this management discussion.



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

The Statement of Revenues, Expenses and Changes in Net Position reflect the results of operations and other changes for the fiscal year. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains or losses received or spent by the institution. 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.

Operating Revenues are generally generated by providing goods and services to the various customers and constituencies of the institution. 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 institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods or services for those revenues.

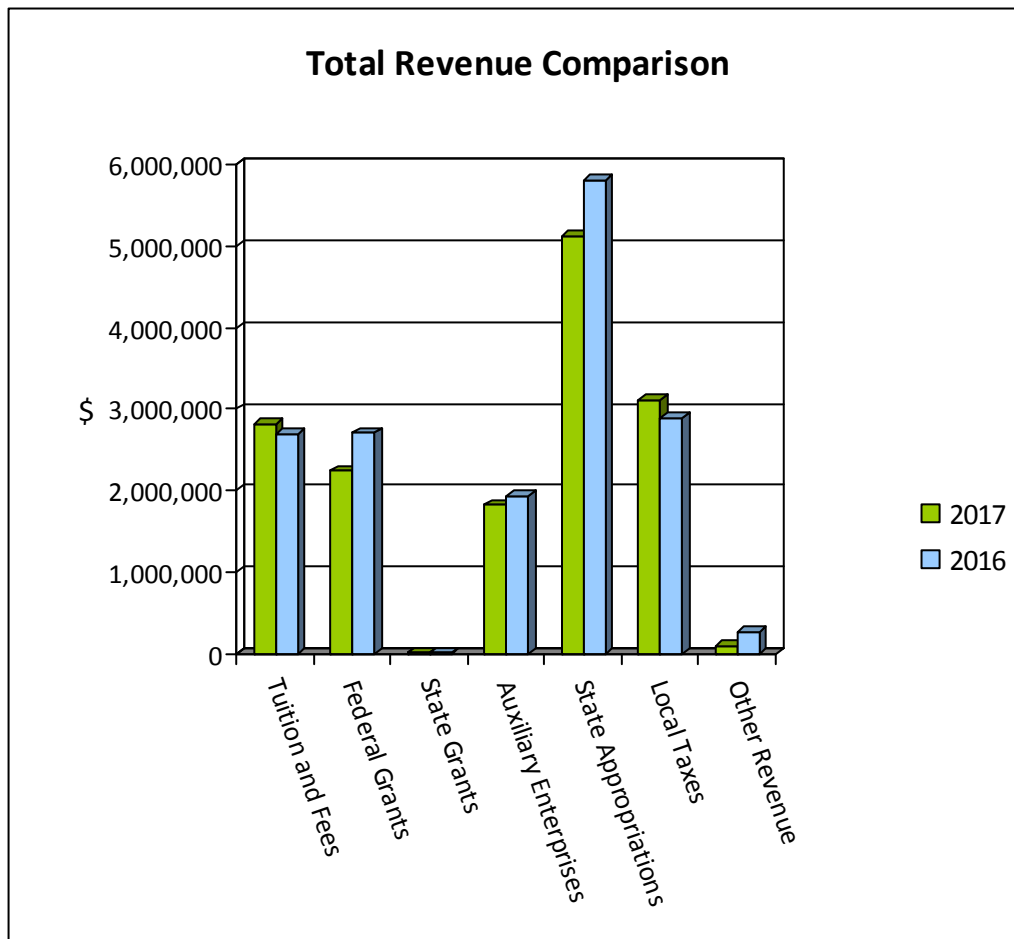
## Analysis of Revenues and Expenses

### Revenues

Total revenue for the 2016-2017 fiscal year decreased (\$755,662) [-4.64%].

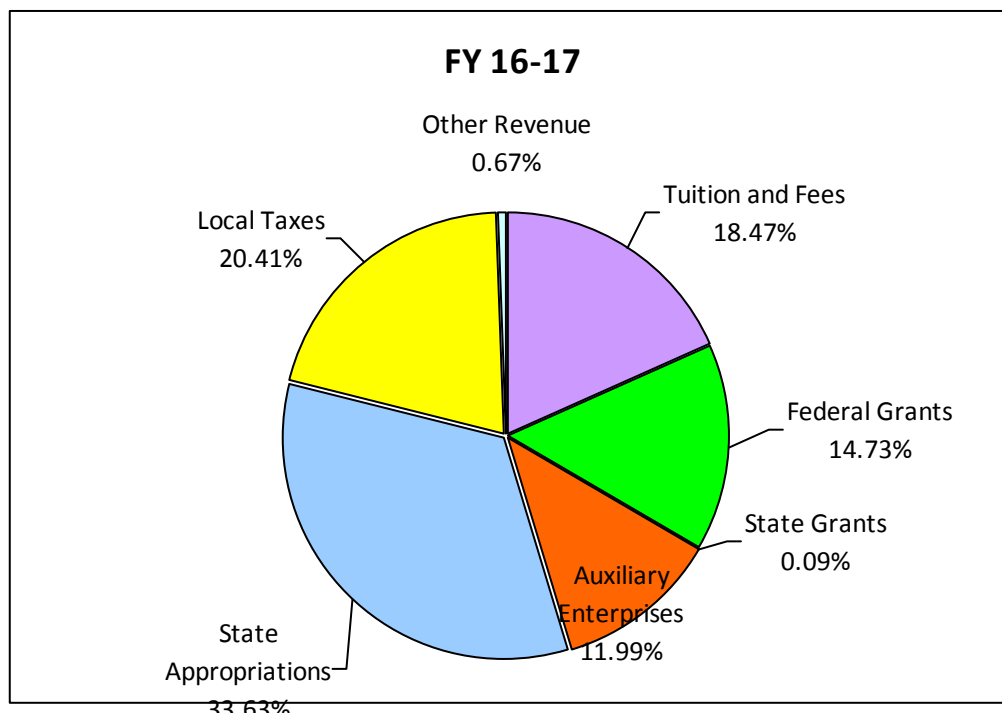
Operating revenues decreased (\$160,812) [-3.22%]. The change consisted of an increase in Student Tuition and Fees (net of scholarship discounts and allowances) of \$107,097 [3.96%], an increase in Federal Grants and Contracts of \$8,710 [11.70%], a decrease in Auxiliary Enterprises Sales of (\$109,824) [-5.68%] and a decrease in Other Operating Revenue of (\$166,228) [61.91%].

Non-operating revenues (expenses) decreased (\$594,850) [-5.26%]. The change consisted of a decrease in State Appropriations of (\$693,172) [-11.93%], an increase in County Appropriations of \$203,771 [7.03%], a decrease in Federal Pell Grants of (\$475,596) [-18.06%], an increase in investment income of \$61,970 [238.98%], a decrease in debt service of \$7,391, and an increase in Gain on Sale of Assets of \$300,786 [26.66%].



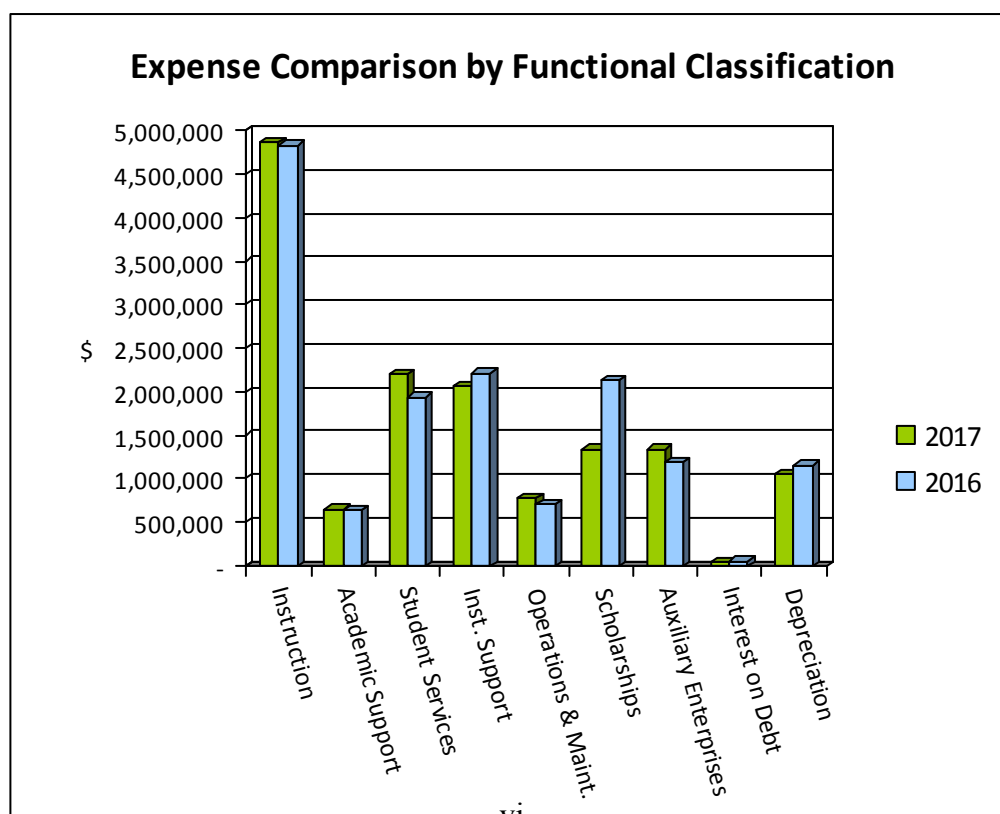


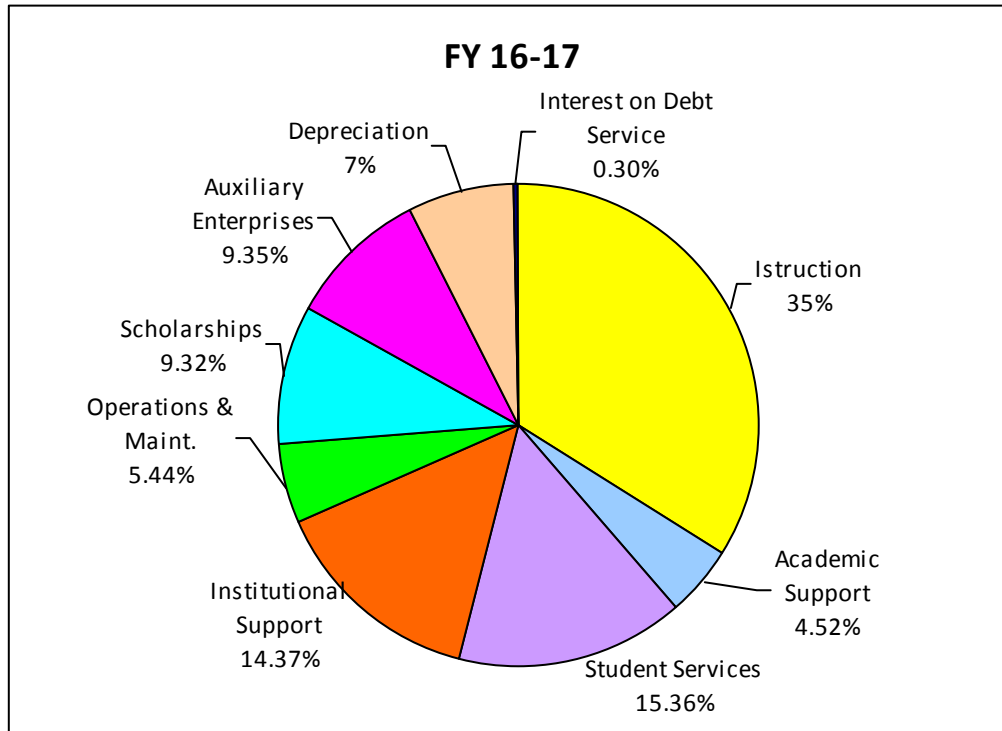
Allen County Community College receives revenue from seven sources:



### Expenses

Total operating expenses for 2016-2017 decreased (\$525,243) [-3.55%]. The overall decrease resulted from lower Scholarship and Awards costs of (\$798,235). The reduction in those costs was due to a decrease in enrollment and a lower number of Pell Grants awarded during the year.



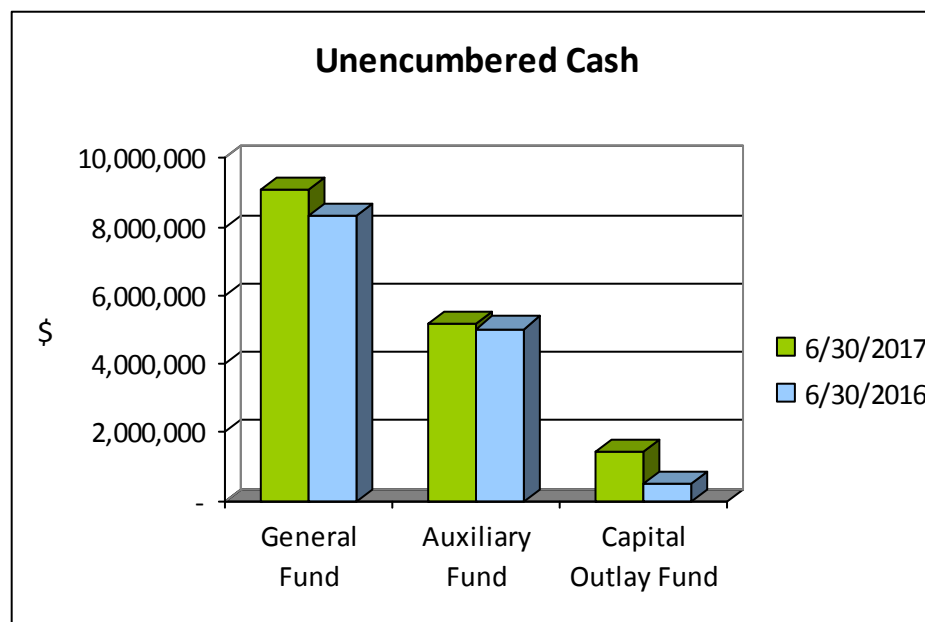


### Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the institution during the fiscal year. The statement is divided into five parts:

- 1) Operating Activities-This section deals with operating cash flows and shows the net cash used by the operating activities of the institution.
- 2) Noncapital Financing Activities-This section shows the cash received and spent for nonoperating, noninvesting and noncapital financing purposes.
- 3) Capital Financing Activities-This section deals with the cash used for the acquisition and construction of capital and related items.
- 4) Investing Activities-This section shows the interest received from investing activities.
- 5) Net Change in Cash-The final section reconciles the net cash used in relation to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

## Comparative Cash Position



## Capital Assets and Debt Administration

During the fiscal year ended June 30, 2017, the College continued implementing projects associated with a Master Facility developed in fiscal year 2012-2013. Deferred maintenance and preventative maintenance items such as roof replacements, shower and plumbing upgrades, exterior brick repairs, parking lot repairs, boiler upgrades and parking lot lighting repairs totaled \$156,578. Funding for facility projects came from the General Fund, Auxiliary Fund and Capital Outlay Fund. The College currently has outstanding capital lease debt of \$945,000. Remaining term of debt is 9 years with annual debt service requirements of \$117,837.50.

## Economic Outlook

The College remains strong financially with adequate cash reserves. We expect aid from the State of Kansas to remain steady in 2017-2018. We do not expect increases in state aid for academic programs in the near future. Substantial increases in assessed valuation of property in Allen County has stalled, but current valuations remain at their increased levels. With the increase in local revenue, tuition costs could remain stable even with the increased amount of money being spent from the general fund to pay for capital projects around an aging campus. The College remains profitable through close management of expenditures. Allen continues to be one of the most efficiently operated community colleges in the State of Kansas.

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Allen County Community College  
Iola, Kansas

**Report on the Financial Statements**

We have audited the accompanying financial statements of Allen County Community College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Allen County Community 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.

**Auditors' Responsibility**

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

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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Allen County Community College, as of June 30, 2017, 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 i-viii and schedule of funding progress on page 27 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Allen County Community College's basic financial statements. The supplementary information, as listed in the table of contents as pages 28 to 39, 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The fiscal year ended June 30, 2016 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedules 4 to 9 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the June 30, 2017 basic financial statement upon which we rendered an unmodified opinion dated January 3, 2017. The June 30, 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such June 30, 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 basic financial statement. The June 30, 2016 comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the June 30, 2016 basic financial statement or to the June 30, 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the June 30, 2016 comparative information is fairly stated in all material respects in relation to the June 30, 2016 basic financial statement as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of Allen County Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Allen County Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allen County Community College's internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
November 28, 2017

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

## Statement of Net Position

June 30, 2017

	Primary Institution	Component Unit- Endowment Association
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 10,458,222	\$ 180,322
Accounts Receivable, Net	363,957	165,805
Inventories	1,219,889	-
Investments	5,023,607	5,701,743
Total Current Assets	17,065,675	6,047,870
Noncurrent Assets		
Cash and Cash Equivalents	1,447,634	-
Accounts Receivable, Net	15,372	12,920
Capital Assets, Net of Accumulated Depreciation	7,206,271	171,873
Total Noncurrent Assets	8,669,277	184,793
 TOTAL ASSETS	 \$ 25,734,952	 \$ 6,232,663
<b>LIABILITIES AND NET POSITION</b>		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 155,571	\$ 150,578
Accrued Wages	303,900	-
Compensated Absences	178,994	-
Deferred Revenue	112,269	-
Deposits Held in Custody for Others	1,561,822	-
Total Current Liabilities	2,312,556	150,578
Noncurrent Liabilities		
Net OPEB Obligation	516,170	-
Capital Lease Obligations	945,000	-
Deferred Revenue	15,372	-
TOTAL LIABILITIES	3,789,098	150,578
NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,261,271	-
Restricted - Expendable	-	1,170,808
Restricted - Nonexpendable	-	1,975,411
Unrestricted	15,684,583	2,935,866
 TOTAL NET POSITION	 21,945,854	 6,082,085
 TOTAL LIABILITIES AND NET POSITION	 \$ 25,734,952	 \$ 6,232,663

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

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2017

	Primary Institution	Component Unit- Endowment Association
REVENUES		
Operating Revenues		
Student Tuition and Fees, Net of Scholarship		
Discounts and Allowances of \$1,326,831	\$ 2,808,972	\$ -
Federal Grants and Contracts	83,140	-
State Grants and Contracts	13,601	-
Sales and Services of Auxiliary Enterprises	1,823,756	-
Other Operating Revenues	102,270	9,080
Total Operating Revenues	4,831,739	9,080
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	4,873,258	-
Academic Support	647,672	-
Student Services	2,201,052	3,321
Institutional Support	2,059,586	101,862
Operation and Maintenance	779,619	-
Scholarships and Awards	1,336,483	150,578
Auxiliary Enterprises	1,340,764	-
Depreciation Expense	1,052,013	-
Total Operating Expenses	14,290,447	255,761
Operating Income (Loss)	(9,458,708)	(246,681)
Nonoperating Revenues (Expenses)		
State Appropriations	5,115,278	-
County Appropriations	3,103,822	-
Federal Pell Grants	2,157,375	-
Debt Service	(42,837)	-
Gifts	-	509,346
Investment Income	87,901	283,066
Gain (Loss) on Sale of Assets	289,505	(70,000)
Unrealized Gain (Loss) on Investments	-	209,202
Net Nonoperating Revenues (Expenses)	10,711,044	931,614
Increase (Decrease) in Net Position	1,252,336	684,933
Net Position - Beginning of Year	20,693,518	5,397,152
Net Position - End of Year	\$ 21,945,854	\$ 6,082,085

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



# ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

## Statement of Cash Flows

For the Year Ended June 30, 2017

	Primary Institution	Component Unit- Endowment Association
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 2,866,061	\$ -
Federal Grants and Contracts	83,140	-
State Grants and Contracts	13,601	-
Sales and Services of Auxiliary Enterprises	1,823,756	-
Miscellaneous Income	102,270	9,080
Payments on Behalf of Employees	(6,536,568)	-
Payments for Supplies and Materials	(550,065)	-
Payments for Other Expenses	(5,782,180)	(196,338)
Net cash provided by (used in) operating activities	(7,979,985)	(187,258)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	5,115,278	-
County Appropriations	3,103,822	-
Federal Pell Grant	2,157,375	
Federal Direct Loans	1,521,912	-
Federal Direct Loans Awarded	(1,521,912)	-
Gifts	-	115,052
Net cash provided by (used in) noncapital financing activities	10,376,475	115,052
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments for Purchase of Capital Assets	(553,353)	-
Principal Payments for Long-Term Debt	(75,000)	-
Debt Service Payments for Long-Term Debt	(42,837)	-
Proceeds from the Sale of Assets	421,343	50,000
Cash Collections from Endowment Contributions	-	47,939
Net cash provided by (used in) capital financing activities	(249,847)	97,939
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	15,991,279	1,709,783
Purchase of Investments	(14,009,811)	(1,807,942)
Interest Earned on Investments	87,901	106,398
Net cash provided by (used in) investing activities	2,069,369	8,239
Net Increase (Decrease) in Cash and Cash Equivalents	4,216,012	33,972
Cash and Cash Equivalents, Beginning of Year	7,689,844	146,350
Cash and Cash Equivalents, End of Year	\$ 11,905,856	\$ 180,322

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

# ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

## Statement of Cash Flows (Continued)

For the Year Ended June 30, 2017

	Primary Institution	Component Unit- Endowment Association
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (9,458,708)	\$ (246,681)
Adjustments to Reconcile Change in Net Position to Net Cash Used in Operating Activities:		
Depreciation Expense	1,052,013	1,485
Noncash Contributions	-	88,351
(Increase) Decrease in Receivables	(7,263)	-
(Increase) Decrease in Prepaid Expense	-	475
(Increase) Decrease in Inventory	163,927	-
Increase (Decrease) in Accounts Payable	18,849	(30,888)
Increase (Decrease) in Accrued Wages	(17,908)	-
Increase (Decrease) in Compensated Absences	11,422	-
Increase (Decrease) in OPEB Obligations	40,962	-
Increase (Decrease) in Deferred Revenue	64,352	-
Increase (Decrease) in Deposits Held for Others	152,369	-
Net cash provided by (used in) operating activities	<u>\$ (7,979,985)</u>	<u>\$ (187,258)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF Net Position		
Cash and Cash Equivalents classified as current assets	\$ 10,458,222	\$ 180,322
Cash and Cash Equivalents classified as non-current assets	1,447,634	-
Total Cash and Cash Equivalents	<u>\$ 11,905,856</u>	<u>\$ 180,322</u>

### Supplemental Information:

Non Cash Contributions - Management and General	\$ -	\$ 73,059
Non Cash Contributions - Items for Annual Auction	-	15,292
Non Cash Contributions - Capital Assets	-	120,000
Cash Paid for Interest	42,837	-

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

## **ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Notes to the Financial Statements  
For the Year Ended June 30, 2017

### **1. NATURE OF ACTIVITIES**

The financial statements of Allen County Community College, Iola, Kansas, have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies follow.

#### Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

#### Component Units

The component unit section of the financial statements includes the financial data of the discretely presented component unit, the Allen County Community College Endowment Association. The component unit is reported separately to emphasize that it is legally separate from the College. The economic resources received or held by the component unit are held almost entirely for the direct benefit of the College. The Allen County Community College Endowment Association was formed to promote and foster the educational purposes of the College, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the College. The Association acts largely as a fundraising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Association serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Association board of directors. The Association can sue and be sued, and can buy, sell, or lease real property. The Association's financial statements should be included with the College's financial statements. Separate audited financial statements are prepared and are available at the Association, and can be requested from the College's controller. The Association is considered a component unit.

The College's component unit is a private not-for-profit organization that reports under FASB standards. 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 component unit's financial information in the College's financial report for these differences. The component unit's financial data has, however, been aggregated into like categories for presentation purposes.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Accounting

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

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

### Investments

The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in Net Position.

### Inventories

Inventories consist of books and supplies held for resale and rental in the bookstore and are valued at lower of cost or fair value, using the first-in, first-out method (FIFO).

### Noncurrent Cash, Investments, and Noncurrent Accounts Receivable

Cash, investments, and accounts receivable that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of Net Position.

### Capital Assets

Capital assets are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than 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. Depreciation is provided on straight-line method over the estimated useful lives of the respective classes of property. Estimated useful lives are as follows:

Buildings and Additions	15 to 35 Years
Machinery and Equipment	3 to 7 Years

### Accounts Receivable and Deferred Revenue

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Kansas. Accounts receivable also includes amounts due from the Federal government, 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 also include taxes in process of collection for property taxes assessed and collected for the calendar year ending December 31, 2016.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year.

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### Accounts Receivable and Deferred Revenue (Continued)

Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. Property taxes levied in December 2016 are recorded as taxes receivable. Approximately 33% of these taxes are normally distributed after May 10th, and are presented as accounts receivable–taxes in process and deferred revenue to indicate that they are not appropriable. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

### Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; or (3) other liabilities that although payable within one year, are to be paid from funds that are classified as noncurrent assets.

### Net Position

The College's Net Position are classified as follows:

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

Restricted Net Position – Expendable: Restricted expendable Net Position include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Unrestricted Net Position: Unrestricted Net Position represent resources derived from student tuition and fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

### 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. The Endowment Association is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### Classification of Revenues

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

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

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities that use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

### Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge and the 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 nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

### Accounting 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Pension Plan

Substantially all full-time College employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. The College's policy is the State of Kansas will fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

### Accounts Receivable and Allowance for Doubtful Accounts

The College regularly extends unsecured credit to various students. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The College provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of others to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the College's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for current funds - unrestricted and plant funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The 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. The College made no such amendments during the year ended June 30, 2017.

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

Annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenue is recognized when cash is received. Expenditures include cash disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for Current Funds - Restricted and Agency Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

## 3. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### Compliance with Kansas Statutes

Supplementary Schedules 4 to 9 have been prepared in order to show compliance with the cash basis and budget laws of Kansas.

## 4. **DEPOSITS AND INVESTMENTS**

### Deposits and Investments - Primary Institution

As of June 30, 2017, the College has the following investments and maturities.

Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1 - 2	Rating
Kansas Municipal Investment Pool				
30 Day Fixed	\$ 9,060,341	\$ 9,060,341	- -	S&P AAf/S1+
365 Day Fixed	5,023,067	5,023,067	- -	S&P AAf/S1+

#### 4. **DEPOSITS AND INVESTMENTS** (Continued)

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 branch or branch bank in the county in which the College is located and the bank 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 Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The College's allocation of investments as of June 30, 2017, is as follows:

<u>Investment Type</u>	<u>Percentage of Investment</u>
Kansas Municipal Investment Pool	100%

*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. All deposits were legally secured at June 30, 2017.

*Deposits:* At year-end, the College's carrying amount of deposits, including certificates of deposit is \$2,844,667 and the bank balance was \$3,622,743. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$310,071 was covered by FDIC insurance and \$3,312,672 was collateralized with pledged 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 of collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At year-end, the College had invested \$14,083,948 in the Kansas Municipal Investment Pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

##### Deposits and Investments – Component Unit

At year-end the carrying amount of the Endowment Association's deposits were \$180,322. The bank balance was held by one bank resulting in a concentration of credit risk. The bank balance was \$180,322. Of the bank balance \$180,322 was covered by FDIC insurance.



#### **4. DEPOSITS AND INVESTMENTS (Continued)**

##### Investment Policy – Component Unit

The Primary objective of the Endowment Association's investment policy is to provide for long-term growth of principal and income within reasonable risk on continuing and consistent basis. Emphasis shall be on maintaining growth of assets, net of inflation and fees. Over a period of time, the minimum goal for the total return of the fund should be the current rate of inflation plus 3 to 7%.

The investment objective requires a disciplined and consistent management philosophy. The objectives do not call for a philosophy which represents extreme positions or opportunistic styles. The portfolio shall be diversified with both fixed income and equity holdings. The purpose of such diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact of the total portfolio.

Investments are made under the direction of the Board of Trustees. Equity investments and other investments are recorded at fair values subject to comments on Investments under the summary of accounting practices. Investments at June 30, are comprised of the following:

Investments at June 30, 2017, are comprised of the following:

	<u>FAIR VALUE</u>
Common Stock	\$ 3,587,361
Fixed Income Securities	1,755,076
Money Market Funds	359,306
	<u>\$ 5,701,743</u>

#### **5. 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 Endowment Association 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.

## 5. **FAIR VALUE MEASUREMENTS** (Continued)

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 used need to maximize the use of 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, 2017.

Common Stock: Valued at the closing price reported on the New York Stock Exchange.

Fixed Income: Valued using pricing models maximizing the use of observable inputs for similar securities.

Money Market Fund: Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.

June 30, 2017				
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,587,361	\$ - -	\$ --	\$ 3,587,361
Fixed Income	- -	1,755,076	--	1,755,076
Money Market Funds	<u>359,306</u>	<u>- -</u>	<u>--</u>	<u>359,306</u>
Total	<u>\$ 3,946,667</u>	<u>\$ 1,755,076</u>	<u>\$ - -</u>	<u>\$ 5,701,743</u>

There were no transfers between level 1 and level 2 investments during the year ended June 30, 2017.

## 6. **ACCOUNTS RECEIVABLE, NET**

Accounts receivable at June 30, 2017, consisted of the amounts due under the following grant programs:

	<u>Primary Institution</u>
Current:	
Taxes in Process	\$ 70,455
Federal Grants	126,662
Scholarship Reimbursement	142,578
Student Accounts - current	<u>24,262</u>
Total Accounts Receivable - Current	<u>\$ 363,957</u>
Noncurrent:	
Taxes in Process	<u>\$ 15,372</u>

The College uses the allowance method to account for uncollectible accounts receivable. Accounts receivable are presented net of an allowance for uncollectible accounts of \$67,708 at June 30, 2017. Uncollectible amounts for unconditional promises to give of the Association are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

## 7. UNCONDITIONAL PROMISES TO GIVE

### Component Unit:

Unconditional promises to give at June 30, 2017 consist of the following:

Less than one year	\$ 165,805
One to five years	11,805
More than five years	<u>1,115</u>
Total unconditional promises to give	<u>\$ 178,725</u>

## 8. INVENTORIES

Inventories consisted of the following at June 30, 2017:

Book Store Inventory	
Rental Books	\$ 1,138,679
Books	26,512
Soft Goods	25,298
Supplies	16,377
Gifts	<u>13,023</u>
Total Inventories	<u>\$ 1,219,889</u>

## 9. CAPITAL ASSETS

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

### Primary Institution:

	Balance 06/30/2016	Additions	Retirements	Balance 06/30/2017
Capital assets not being depreciated				
Land	\$ 145,550	\$ -	\$ 108,000	\$ 37,550
Other Capital Assets				
Buildings and Improvements	15,513,323	283,532	336,225	15,460,630
Building Under Capital Lease	2,170,366	-	-	2,170,366
Equipment	3,742,735	269,821	123,208	3,889,348
Total Other Capital Assets	<u>21,426,424</u>	<u>553,353</u>	<u>459,433</u>	<u>21,520,344</u>
Accumulated Depreciation				
Buildings and Improvements	(10,046,094)	(626,245)	(321,856)	(10,350,483)
Buildings and Improvements Under Capital Lease				
Building Under Capital Lease	(781,332)	(86,815)	-	(868,147)
Equipment	(2,907,779)	(338,953)	(113,739)	(3,132,993)
Total Accumulated Depreciation	<u>(13,735,205)</u>	<u>(1,052,013)</u>	<u>(435,595)</u>	<u>(14,351,623)</u>
Total Net Capital Assets	<u>\$ 7,836,769</u>	<u>\$ (498,660)</u>	<u>\$ 131,838</u>	<u>\$ 7,206,271</u>

**9. CAPITAL ASSETS** (Continued)

Component Unit:

	Balance 06/30/2016	Additions	Retirements	Balance 06/30/2017
Capital assets not being depreciated				
Land	\$ 159,000	\$ -	\$ -	\$ 159,000
Total Capital Assets not being depreciated	159,000	-	-	159,000
Other Capital Assets				
Buildings and Improvements	22,280	-	-	22,280
Total Other Capital Assets	22,280	-	-	22,280
Accumulated Depreciation				
Buildings and Improvements	(7,922)	(1,485)	-	(9,407)
Total Accumulated Depreciation	(7,922)	(1,485)	-	(9,407)
Capital Asset Summary				
Net Land, Buildings, and Improvements	173,358	(1,485)	-	171,873
Total Net Capital Assets	\$ 173,358	\$ (1,485)	\$ -	\$ 171,873

**10. CAPITAL LEASES**

Capital leases/certificates of participation with UMB BANK, N.A., dated March 15, 2007; requiring semi- annual principal and interest payments of between 3.70% and 4.45% through March 2027, secured by Masterson Hall.

Capital Lease – Masterson Hall	
Debt requirements are as follows:	
June 30,	
2018	\$ 114,838
2019	116,737
2020	118,448
2021	119,816
2022	116,081
2023-2027	591,359
Total Net Minimum Lease Payments	1,177,279
Less: Imputed Interest	(232,279)
Net Present Value of Capital Lease	945,000
Less: Current Maturities	(75,000)
Long-Term Capital Lease Obligations	\$ 870,000

## 11. LEASE AGREEMENTS

The College has entered into a ten-year lease agreement with Unified School District No. 454, Burlingame, Kansas, to lease buildings for outreach classes, effective January 1, 2011. The agreement calls for rental payments that shall include a base rent of \$500 each year. The lease payments are due in full by January 15 of each lease year. In addition, the College is responsible for custodial services and preventive maintenance, as well as major structural and/or facility equipment repair or replacement. This lease is subject to change or termination at any time by the Kansas legislature. In the event of a change in the Kansas statutory or case law which makes this lease agreement illegal, this lease shall be terminated with no recourse by either party. The total payments made under this lease agreement during the year ended June 30, 2017, was \$28,505. Future minimum rental payments are as follows:

2018	\$ 500
2019	500
2020	500
2021	500

The College has leased a postage meter for the period of 36 months with quarterly rent of \$162. Total payments made under this lease agreement during the year ended June 30, 2017, was \$648. Future minimum rental payments are as follows:

2018	\$ 648
------	--------

The College has leased 24 MAC computers for a classroom for the period of 36 months with annual rent of \$15,895. Total payments made under this lease agreement during the year ended June 30, 2017, was \$15,895.

The College has entered into various other rental agreements for the rental of classrooms on a monthly non-binding basis. Total rent payments made under these agreements during the year ended June 30, 2017, was \$6,038.

The College has entered into a two-year lease agreement with Parkford Apartments, Iola, Kansas, to lease three apartments for student housing, effective June 1, 2017. The total payments made under this lease agreement during the year ended June 30, 2017, was \$2,715. Future minimum rental payments are as follows:

2018	\$ 22,680
2019	19,965

The College has entered into a two-year lease agreement with Parkford Apartments, Iola, Kansas, to lease three apartments for student housing, effective July 1, 2017. The total payments made under this lease agreement during the year ended June 30, 2017, was \$2,715. Future minimum rental payments are as follows:

2018	\$ 19,965
2019	22,680

## **12. OTHER POST EMPLOYMENT BENEFITS**

### *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 includes:
  - State/School employees
  - Local employees
- Police and Firemen
- Judges

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

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

### *Special Funding Situation*

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68. Accordingly, the State is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources and expense for the pension plan attributable to the College. The College records revenue and pension expense in an amount equal to the expense recognized by the State on behalf of the College.

### *Benefits*

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

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

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. 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.

## **12. OTHER POST EMPLOYMENT BENEFITS (Continued)**

### *Contributions*

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the fiscal year ended June 30, 2016.

The actuarially determined employer contribution rates and the statutory contribution rates for school employees are 16.00 % and 10.91%, respectively. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members.

### *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 individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group.

At June 30, 2016, the proportion recognized by the State of Kansas on behalf of the College was .1084%, which was an increase of .0033% from the proportion measured at June 30, 2015.

### *Net Pension Liability*

At June 30, 2016 and 2015, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$7,286,003 and \$7,278,023, respectively.

**12. OTHER POST EMPLOYMENT BENEFITS** (Continued)

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016, using the following actuarial assumptions:

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 Healthy Annuitant Mortality Table for Males and Females, with adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F and Judges).

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

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

<b>Asset Class</b>	<b>Long-Term Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47.00%	6.80%
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
Total	100.00%	

*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 current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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.

*Revenue and Pension Expense Recorded by the College:* For the year ended June 30, 2017, the College recognized revenue and pension expense in an equal amount of \$506,219.



**12. OTHER POST EMPLOYMENT BENEFITS (Continued)**

Early Retirement Benefits: The College has adopted a policy providing early retirement benefit options. The policy allows professional employees with 20 years of full-time service to the College the option to retire early. Benefits which are provided are computed as a percentage of final salary paid annually; final salary is the average of the highest three years in the five years preceding date of retirement. The amount paid is based on age at retirement as follows:

1. For employees that retire prior to 61 years of age = 20% of final salary not to exceed \$6,500 a year for five years.
2. For employees that retire at 61 years of age = 17% of final salary not to exceed \$6,000 a year for four years.
3. For employees that retire at 62 years of age = 15% of final salary not to exceed \$5,200 a year for three years.
4. For employees that retire at 63 years of age = 13% of final salary not to exceed \$4,500 a year for two years.
5. For employees that retire at 64 years of age = 10% of final salary not to exceed \$3,500 a year for one year.

The College has reserved the option of renewing or not renewing the early retirement option on an annual basis. The College funds these benefits on a pay-as-you-go basis. The Plan does not issue a separate, publicly available report.

Funded Status and Funding Progress: Since the year of implementation, the Plan was not funded, therefore, there is no funded status of the Plan. The Plan is funded as obligations occur.

The following is a schedule of benefits paid and payable for eligible employees which have taken early retirement as of June 30, 2017:

<u>Paid or Payable</u>	<u>Year Ended June 30<sup>th</sup></u>	<u>Amount</u>
Paid	2017	<u>\$ 29,833</u>
Payable	2018	29,536
Payable	2019	21,118
Payable	2020	11,500
Payable	2021	6,500

For the year ended June 30, 2017, the College has estimated a net unfunded obligation for future OPEB's of \$183,054 for employees not already taken early retirement as of June 30, 2017.

Health Insurance: Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

**12. OTHER POST EMPLOYMENT BENEFITS (Continued)**

Early Retiree Health Insurance: The College sponsors a single-employer other post-employment benefit plan that provides medical, dental, and prescription drug benefits to qualifying retirees and their dependents. Employees, who qualify for pension benefits under the Kansas Public Employee Retirement System (KPERS) and are enrolled in the College's insurance benefits during the benefit plan year prior to retirement, are eligible for benefits. Under KPERS, a participant must be at least age 55 with at least 10 years of service or meet Rule of 85 (age + service >= 85) at any age to be eligible. Also, a retiring employee who waives continuing participation in the College's health plan at the time of retirement is not eligible to participate at a later date. Employees who qualify for a total disability benefit under the KPERS Disability Benefits Program are eligible for benefits until they qualify for Medicare. Spouses may continue coverage upon retiree death or attainment of Medicare eligibility age under Cobra for up to 36 months not to exceed the spouse's own age 65. The Plan does not issue a separate, publicly available report.

Funding policy: The College establishes and amends contribution requirements. The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. Retirees, who either meet the Rule of 85 or are age 55 with 10 years of service upon retirement, and spouses may continue coverage with the College until their Medicare eligibility (i.e. age 65) by paying the carrier premium rate that applies to active employees.

Annual OPEB cost and net OPEB obligation: The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities or funding excess) over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB obligation.

Annual Required Contribution	\$ 104,523
Interest on Net OPEB Obligation	15,094
Adjustment to Annual Required Contribution	<u>(22,655)</u>
Annual OPEB Cost	96,962
Net Contributions Made	<u>56,000</u>
Increase in net OPEB Obligation	40,962
Net OPEB Obligation – June 30, 2016	<u>475,208</u>
Net OPEB Obligation – June 30, 2017	<u>\$ 516,170</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 follows.

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Expected Net Employer Contributions	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2017	\$96,962	\$56,000	57.8%	\$516,170

## **12. OTHER POST EMPLOYMENT BENEFITS (Continued)**

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation, the plan was zero percent funded. The College's actuarial accrued liability for benefits was \$794,932 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$794,932. The results of the July 1, 2015 valuation were rolled forward to June 30, 2016. The actuarial accrued liability for benefits was \$794,932, and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$794,932 as of June 30, 2016. The covered payroll (annual payroll of active employees covered by the plan) was \$4,139,679 and the ratio of the UAAL to the covered payroll was 19.2%.

Actuarial Methods and Assumptions: Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the College's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for the Plan as of July 1, 2015, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets and on the College's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements to an ultimate rate of 5.0% over six years. The actuarial value of assets will be determined using fair value. The UAAL will be amortized over a 30 year open period in level dollar amounts.

## **13. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

**14. COMPENSATED ABSENCES**

A total of up to 10 to 15 days of vacation per year can be accumulated by administrators and support staff up to a maximum of 30 days. At June 30, 2017, the maximum potential liability for unused vacation had been determined to be \$178,995. Each year a total of twelve days of sick leave can be accumulated by each employee up to a maximum of 90 days. Unused sick leave is lost upon termination of employment, except at retirement the employee will receive \$10 for each unused sick leave day.

The College accrues a liability for compensated absences which meet the following criteria:

1. The College's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the College has accrued a liability for vacation and not accrued a liability for sick leave earned, but not taken, by College employees, in accordance with guidance provided, as the amounts cannot be reasonably estimated at this time.

**15. NET POSITION - EXPENDABLE**

Component Unit

Net Position – Expendable includes principal totaling \$500,000 from the U.S. Department of Education in connection with Federal grants. The principal and one-half of the earned interest cannot be expended until twenty years after receipt of the grant money. Local matching funds of \$250,000 were also obtained in connection with the Federal grants. One-half of the interest can be used from matching funds to pay scholarships. Temporarily restricted grants, matching and growth at June 30, 2017 was \$1,170,808.

**16. CONCENTRATION OF RISK**

61% of the Endowment Association's monies at June 30, 2017, are invested in equities in the stock market. The effect in the future on the Endowment Association's equity portfolio is unknown and is subject to market economic conditions.

**17. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employee; employees' health and life; and natural disasters. The College manages these risks of loss through the purchase of various insurance policies.

The College has established an Athletic Insurance Fund. The purpose is to provide for an athletic injury plan for students of Allen County Community College. Contributions from the College are deposited in the name of the plan, subject to withdrawal for purposes of paying approved claims and expenses. The College has contracted with Bob McCloskey Agency, Inc. to be the claims administrator. The administrator reviews all claims for allowability and issues monthly reports to the College. The College has a stop-gap policy which pays any aggregate claims over \$25,000.

**18. RELATED PARTY TRANSACTIONS**

The Allen County Community College Endowment Association was formed to promote and foster the educational purposes of the College, and to create a fund to be used for any program, project, or enterprise undertaken in the interest of the College. The Association acts largely as a fundraising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Association serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Association's board of directors. The Endowment Association disbursed to, or on behalf of, the College for the year ended June 30, 2017 \$150,578. The College disbursed on behalf of the Foundation donated services and facilities for the year ended June 30, 2017 \$73,079.

During the year ended June 30, 2017, the Endowment Association received a non-cash donation of a house, which was subsequently sold to the College for \$50,000.

**19. SEGMENT INFORMATION**

A segment is an identifiable activity reported as a stand alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains, losses, assets, and liabilities that are required by an external party to be accounted for separately. The College does not have any segments that meets the reporting requirements of GASB Statement No. 35.

**20. INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Amount</u>
General Fund	Federal Work Study Fund	\$ 13,879
General Fund	Supplemental Education Opportunity Grant Fund	11,377

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**21. SUBSEQUENT EVENTS**

The College evaluated events and transactions occurring subsequent to June 30, 2017, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

**ALLEN COUNTY COMMUNITY COLLEGE  
IOLA, KANSAS**

**REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2017

**Schedule 1****ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

## Schedule of Funding Progress

For the Year Ended June 30, 2017

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 follows.

Fiscal Year <u>Ended</u>	<u>OPEB Cost</u>	Expected Net Employer <u>Contributions</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2017	\$96,692	\$56,000	57.8%	\$516,170

**ALLEN COUNTY COMMUNITY COLLEGE**  
IOLA, KANSAS

**SUPPLEMENTARY INFORMATION**



**ALLEN COUNTY COMMUNITY COLLEGE**  
Iola, Kansas  
Combining Schedule of Net Position - Primary Institution  
June 30, 2017

	GENERAL	POSTSECONDARY TECHNICAL EDUCATION	ADULT SUPPLEMENTAL EDUCATION	AUXILIARY ENTERPRISE	FEDERAL WORK STUDY	SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT	PELL GRANT	DIRECT LOAN PROGRAM
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ 7,173,738	\$ 22,382	\$ 6,501	\$ 1,982,493	\$ (17,248)	\$ (8,481)	\$ (83,374)	\$ (10,943)
Investments	3,023,607	-	-	2,000,000	-	-	-	-
Receivables	70,455	-	-	-	-	-	-	-
Taxes in Process	-	-	-	-	17,248	8,781	82,813	17,579
Federal	-	-	-	-	-	-	-	-
Other	24,503	-	-	-	-	-	-	-
Inventories	-	-	-	1,219,889	-	-	-	-
Total Current Assets	10,292,303	22,382	6,501	5,202,382	-	300	(561)	6,636
Noncurrent Assets								
Cash and Cash Equivalents	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-
Taxes in Process	-	-	-	-	-	-	-	-
Capital Assets	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 10,292,303	\$ 22,382	\$ 6,501	\$ 5,202,382	\$ -	\$ 300	\$ (561)	\$ 6,636
LIABILITIES AND NET POSITION								
LIABILITIES								
Current Liabilities								
Accounts Payable	\$ 149,196	-	-	-	-	-	(561)	6,636
Accrued Wages	273,191	22,380	-	8,329	-	-	-	-
Compensated Absences	176,110	-	-	2,884	-	-	-	-
Deferred Revenue	112,269	-	-	-	-	-	-	-
Deposits Held in Custody for Others	-	-	-	26,090	-	-	-	-
Total Current Liabilities	710,766	22,380	-	37,303	-	300	(561)	6,636
Noncurrent Liabilities								
Net OPEB Obligation	516,170	-	-	-	-	-	-	-
Capital Lease Obligation	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1,226,936	22,380	-	37,303	-	300	(561)	6,636
NET POSITION								
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	-
Unrestricted	9,065,367	2	6,501	5,165,079	-	-	-	-
TOTAL NET POSITION	9,065,367	2	6,501	5,165,079	-	-	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 10,292,303	\$ 22,382	\$ 6,501	\$ 5,202,382	\$ -	\$ 300	\$ (561)	\$ 6,636

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Combining Schedule of Net Position - Primary Institution

June 30, 2017

	STATE GRANTS	CAPITAL OUTLAY	INVESTMENT IN PLANT	AGENCY FUNDS	TOTALS - PRIMARY INSTITUTION
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,393,154	\$ 10,458,222
Investments	-	-	-	-	5,023,607
Receivables					
Taxes in Process	-	-	-	-	70,455
Federal	-	-	-	-	126,421
Other	-	-	-	142,578	167,081
Inventories	-	-	-	-	1,219,889
Total Current Assets	-	-	-	1,535,732	17,065,675
Noncurrent Assets					
Cash and Cash Equivalents	-	1,447,634	-	-	1,447,634
Receivables					
Taxes in Process	-	15,372	-	-	15,372
Capital Assets	-	-	21,557,894	-	21,557,894
Accumulated Depreciation	-	-	(14,351,623)	-	(14,351,623)
Total Noncurrent Assets	-	1,463,006	7,206,271	-	8,669,277
TOTAL ASSETS	\$ -	\$ 1,463,006	\$ 7,206,271	\$ 1,535,732	\$ 25,734,952
LIABILITIES AND NET POSITION					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 155,571
Accrued Wages	-	-	-	-	303,900
Compensated Absences	-	-	-	-	178,994
Deferred Revenue	-	-	-	-	112,269
Deposits Held in Custody for Others	-	-	-	1,535,732	1,561,822
Total Current Liabilities	-	-	-	1,535,732	2,312,556
Noncurrent Liabilities					
Net OPEB Obligation	-	-	-	-	516,170
Capital Lease Obligation	-	-	945,000	-	945,000
Deferred Revenue	-	15,372	-	-	15,372
TOTAL LIABILITIES	-	15,372	945,000	1,535,732	3,789,098
NET POSITION					
Invested in Capital Assets, Net of Related Debt	-	-	6,261,271	-	6,261,271
Unrestricted	-	1,447,634	-	-	15,684,583
TOTAL NET POSITION	-	1,447,634	6,261,271	-	21,945,854
TOTAL LIABILITIES AND NET POSITION	\$ -	\$ 1,463,006	\$ 7,206,271	\$ 1,535,732	\$ 25,734,952

## ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution  
For the Year Ended June 30, 2017

	POSTSECONDARY		ADULT		AUXILIARY		FEDERAL	SUPPLEMENTAL		PELL	DIRECT
	GENERAL	TECHNICAL	EDUCATION	SUPPLEMENTAL	EDUCATION	ENTERPRISE	WORK	EDUCATION	OPPORTUNITY		
							STUDY	GRANT	GRANT	GRANT	LOAN
											PROGRAM
REVENUES											
Operating Revenues											
Student Tuition and Fees	\$ 3,313,660	\$ 822,143	\$ -	- \$	- \$	- \$	41,637	- \$	- \$	-	- \$
Federal Grants and Contracts	7,372	-	-	-	-	-	-	34,131	-	-	1,521,912
State Grants and Contracts	-	-	-	-	-	-	-	-	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-	-	-	1,823,756	-	-	-	-	-
Other Revenues	102,270	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	3,423,302	822,143	-	-	1,823,756	41,637	34,131	-	-	-	1,521,912
EXPENSES											
Operating Expenses											
Educational and General											
Instruction	3,630,977	1,248,427	-	-	-	-	-	-	-	-	-
Academic Support	596,486	88,462	-	-	-	-	-	-	-	-	-
Student Services	2,039,943	161,109	-	-	-	-	-	-	-	-	-
Institutional Support	2,005,626	220,905	-	-	-	-	-	-	-	-	-
Operation and Maintenance	763,883	113,881	-	-	-	-	-	-	-	-	-
Scholarships and Awards	140,982	263,933	-	-	-	55,516	-	45,508	2,157,375	1,521,912	-
Auxiliary Enterprises	-	-	-	-	-	1,570,884	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	9,177,897	2,096,717	-	-	1,570,884	55,516	45,508	2,157,375	1,521,912	-	-
Operating Income (Loss)	(5,754,595)	(1,274,574)	-	-	252,872	(13,879)	(11,377)	(2,157,375)	-	-	-
Nonoperating Revenues (Expenses)											
State Appropriations	3,840,703	1,274,575	-	-	-	-	-	-	-	-	-
County Appropriations	2,573,770	-	-	-	-	-	-	-	-	-	-
Federal Pell Grant	-	-	-	-	-	-	-	-	2,157,375	-	-
Interest Income	87,901	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	(117,837)	-	-	-	-	-
Gain (loss) on Sale of Assets	-	-	-	-	-	-	-	-	-	-	-
Operating Transfers	(25,256)	-	-	-	-	-	13,879	11,377	-	-	-
Net Nonoperating Revenues (Expenses)	6,477,118	1,274,575	-	-	(117,837)	13,879	11,377	2,157,375	-	-	-
Increase (Decrease) in Net Position	722,523	1	-	-	135,035	-	-	-	-	-	-
Net Position - Beginning of Year	8,342,844	1	-	6,501	5,030,044	-	-	-	-	-	-
Net Position - End of Year	\$ 9,065,367	\$ 2	\$ 6,501	\$ 5,165,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution  
For the Year Ended June 30, 2017

	STATE GRANTS	CAPITAL OUTLAY	INVESTMENT IN PLANT	SUB-TOTAL PRIMARY INSTITUTION	ELIMINATING INTER-COMPANY SCHOLARSHIPS	TOTALS - PRIMARY INSTITUTION
REVENUES						
Operating Revenues						
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ 4,135,803	\$ (1,326,831)	\$ 2,808,972
Federal Grants and Contracts	-	-	-	1,605,052	(1,521,912)	83,140
State Grants and Contracts	13,601	-	-	13,601	-	13,601
Sales and Services of Auxiliary Enterprises	-	-	-	1,823,756	-	1,823,756
Other Revenues	-	-	-	102,270	-	102,270
Total Operating Revenues	13,601	-	-	7,680,482	(2,848,743)	4,831,739
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	-	-	(6,146)	4,873,258	-	4,873,258
Academic Support	-	-	(37,276)	647,672	-	647,672
Student Services	-	-	-	2,201,052	-	2,201,052
Institutional Support	-	-	(166,945)	2,059,586	-	2,059,586
Operation and Maintenance	-	1,120	(112,866)	779,619	-	779,619
Scholarships and Awards	-	-	-	4,185,226	(2,848,743)	1,336,483
Auxiliary Enterprises	-	-	(230,120)	1,340,764	-	1,340,764
Depreciation Expense	-	-	1,052,013	1,052,013	-	1,052,013
Total Operating Expenses	13,601	1,120	498,660	17,139,190	(2,848,743)	14,290,447
Operating Income (Loss)	-	(1,120)	(498,660)	(9,458,708)	-	(9,458,708)
Nonoperating Revenues (Expenses)						
State Appropriations	-	-	-	5,115,278	-	5,115,278
County Appropriations	-	530,052	-	3,103,822	-	3,103,822
Federal Pell Grant	-	-	-	2,157,375	-	2,157,375
Interest Income	-	-	-	87,901	-	87,901
Debt Service	-	-	75,000	(42,837)	-	(42,837)
Gain (loss) on Sale of Assets	-	421,343	(131,838)	289,505	-	289,505
Operating Transfers	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	951,395	(56,838)	10,711,044	-	10,711,044
Increase (Decrease) in Net Position	-	950,275	(555,498)	1,252,336	-	1,252,336
Net Position - Beginning of Year,	-	497,359	6,816,769	20,693,518	-	20,693,518
Net Position - End of Year	\$ -	\$ 1,447,634	\$ 6,261,271	\$ 21,945,854	\$ -	\$ 21,945,854

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Schedule of Revenues, Expenditures, and  
Changes in Unencumbered Cash – Budget and Actual

For the Year Ended June 30, 2017

Schedules 4 to 9 are prepared in accordance with Kansas cash basis and budget laws (Budget 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.

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

General Fund (Budget Basis)

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Year Ended June 30, 2016)

		Current Year				
	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over (Under)
REVENUES						
Student Tuition and Fees						
In State	\$ 2,387,647	\$ 2,287,725	\$ 81,978	\$ 2,369,703	\$ 2,417,150	\$ (47,447)
Out-of-State and Foreign	189,549	257,574	-	257,574	-	257,574
Course Fees	699,884	755,831	-	755,831	637,500	118,331
Other Student Fees	13,584	12,530	-	12,530	-	12,530
Total Student Tuition and Fees	3,290,664	3,313,660	81,978	3,395,638	3,054,650	340,988
Federal						
Grant Administration	963	7,372	(241)	7,131	-	7,131
State						
Operating Grant	3,473,421	3,334,484	-	3,334,484	3,334,484	-
Other Appropriations	-	506,219	(506,219)	-	-	-
Total State	3,473,421	3,840,703	(506,219)	3,334,484	3,334,484	-
Local						
Ad Valorem Tax	2,104,065	2,323,810	-	2,323,810	2,417,791	(93,981)
Motor Vehicle Tax	220,112	218,445	-	218,445	227,195	(8,750)
Recreational Vehicle Tax	2,308	2,745	-	2,745	2,163	582
Delinquent Tax	29,806	26,025	-	26,025	29,203	(3,178)
In Lieu of Taxes	2,616	2,745	-	2,745	-	2,745
Total Local	2,358,907	2,573,770	-	2,573,770	2,676,352	(102,582)
Other Revenue						
Interest	25,931	87,901	-	87,901	22,000	65,901
Miscellaneous	237,649	49,907	-	49,907	62,051	(12,144)
Bad Debt Collections	25,372	52,363	(26,532)	25,831	-	25,831
Total Other	288,952	190,171	(26,532)	163,639	84,051	79,588
TOTAL REVENUES	9,412,907	9,925,676	(451,014)	9,474,662	9,149,537	325,125

**Schedule 4 (Continued)****ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Schedule of Revenues, Expenditures, and Changes

in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

General Fund (Budget Basis)

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Year Ended June 30, 2016)

	Prior Year Budget Basis	Current Year				
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over (Under)
EXPENDITURES						
Instruction	\$ 3,516,638	\$ 3,630,977	\$ (43,506)	\$ 3,587,471	\$ 4,043,443	\$ (455,972)
Academic Support	554,255	596,486	2,751	599,237	592,703	6,534
Student Services	1,906,776	2,039,943	(5,876)	2,034,067	2,235,780	(201,713)
Institutional Support	1,538,094	2,005,626	(509,218)	1,496,408	1,670,357	(173,949)
Operation and Maintenance	971,594	763,883	(2,519)	761,364	712,563	48,801
Scholarships and Awards	137,158	140,982	-	140,982	196,323	(55,341)
Debt Service	125,519	-	-	-	-	-
TOTAL EXPENDITURES	8,750,034	9,177,897	(558,368)	8,619,529	9,451,169	(831,640)
OTHER ADDITIONS (DEDUCTIONS)						
Operating Transfers from (to)						
Federal Work Study	(13,589)	(13,879)	-	(13,879)	(25,336)	(11,457)
SEOG Fund	(10,900)	(11,377)	-	(11,377)	-	11,377
Postsecondary Technical Education Fund	(70,945)	-	-	-	(325,620)	(325,620)
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	567,439	722,523	107,354	829,877	(652,588)	1,482,465
Unencumbered Cash Beginning of Year	8,398,318	8,342,844	622,913	8,965,757	9,229,445	(263,688)
End of Year	\$ 8,965,757	\$ 9,065,367	\$ 730,267	\$ 9,795,634	\$ 8,576,857	\$ 1,218,777

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

## Schedule of Revenues, Expenditures, and Changes

in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

Postsecondary Technical Education Fund (Budget Basis)

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Year Ended June 30, 2016)

		Current Year				
	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over Under)
REVENUES						
Student Tuition and Fees						
In State	\$ 818,274	\$ 822,143	\$ -	\$ 822,143	\$ 400,000	\$ 422,143
Total Student Tuition and Fees	818,274	822,143	-	822,143	400,000	422,143
State						
Operating Grant	1,327,682	1,274,575	-	1,274,575	1,673,775	(399,200)
Total State	1,327,682	1,274,575	-	1,274,575	1,673,775	(399,200)
TOTAL REVENUES	2,145,956	2,096,718	-	2,096,718	2,073,775	22,943
EXPENDITURES						
Instruction	1,280,918	1,248,427	-	1,248,427	1,600,015	(351,588)
Academic Support	83,784	88,462	-	88,462	160,435	(71,973)
Student Services	156,113	161,109	-	161,109	203,327	(42,218)
Institutional Support	251,481	220,905	-	220,905	277,087	(56,182)
Operation and Maintenance	197,344	113,881	-	113,881	113,101	780
Scholarships and Awards	247,260	263,933	-	263,933	31,161	232,772
TOTAL EXPENDITURES	2,216,900	2,096,717	-	2,096,717	2,385,126	(288,409)
OTHER ADDITIONS (DEDUCTIONS)						
Operating Transfers from (to)						
General Fund	70,945	-	-	-	197,773	(197,773)
Excess of Revenues Over (Under) Expenditures and Other						
Additions (Deductions)	1	1	-	1	(113,578)	113,579
Unencumbered Cash						
Beginning of Year	-	1	-	1	166,239	(166,238)
End of Year	\$ 1	\$ 2	\$ -	\$ 2	\$ 52,661	\$ (52,659)



**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual  
Current Funds - Unrestricted

Adult Supplemental Education Fund (Budget Basis)

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Year Ended June 30, 2016)

	Prior Year Budget Basis	Current Year				Variance Over (Under)
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	
REVENUES						
Student Tuition and Fees						
Local Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Revenue						
Miscellaneous	-	-	-	-	-	-
TOTAL REVENUES	-	-	-	-	-	-
EXPENDITURES						
Instruction	-	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-	-
Unencumbered Cash						
Beginning of Year	6,501	6,501	-	6,501	6,501	-
End of Year	\$ 6,501	\$ 6,501	\$ -	\$ 6,501	\$ 6,501	\$ -

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual  
Current Funds - Unrestricted

Auxiliary Enterprise Fund (Budget Basis)

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Year Ended June 30, 2016)

	Prior Year Budget Basis	Current Year				
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over Under
REVENUES						
Sales and Services of Auxiliary Enterprises						
Bookstore	\$ 160,245	\$ 62,356	\$ (20,676)	\$ 41,680	\$ 1,879,040	\$ (1,837,360)
Room and Board	1,185,135	1,158,237	-	1,158,237	-	1,158,237
Book Rentals	572,325	564,177	-	564,177	-	564,177
Other Revenue						
Miscellaneous	15,875	38,986	-	38,986	7,000	31,986
TOTAL REVENUES	1,933,580	1,823,756	(20,676)	1,803,080	1,886,040	(82,960)
EXPENDITURES						
Auxiliary Enterprise						
Book Store						
General Operating	725,334	548,193	(164,162)	384,031	-	384,031
Dormitory and Student Union						
Salaries	141,459	144,992	-	144,992	232,333	(87,341)
General Operating	617,086	712,712	-	712,712	1,283,325	(570,613)
Capital Outlay	52,458	164,987	-	164,987	153,820	11,167
Debt Service	147,619	117,837	-	117,837	139,837	(22,000)
TOTAL EXPENDITURES	1,683,956	1,688,721	(164,162)	1,524,559	1,809,315	(284,756)
OTHER ADDITIONS (DEDUCTIONS)						
Operating Transfers to General Fund	-	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	249,624	135,035	143,486	278,521	76,725	(201,796)
Unencumbered Cash						
Beginning of Year	3,399,253	5,030,044	(1,381,167)	3,648,877	3,618,315	(30,562)
End of Year	\$ 3,648,877	\$ 5,165,079	\$ (1,237,681)	\$ 3,927,398	\$ 3,695,040	\$ (232,358)

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

Schedule of Revenues, Expenditures, and Changes  
in Unencumbered Cash - Budget and Actual  
Plant Funds

Unexpended (Capital Outlay) Fund (Budget Basis)

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Year Ended June 30, 2016)

		Current Year					
	Prior Year	Actual	Adjustments	Actual	Original	Variance	
	Budget	GAAP	Budget	Budget	and Final	Over	
	Basis	Basis	Basis	Basis	Budget	(Under)	
REVENUES							
Local							
Ad Valorem Tax	\$ 482,255	\$ 472,474	\$ -	\$ 472,474	\$ 490,902	\$ (18,428)	
Motor Vehicle Tax	50,477	50,071	-	50,071	52,073	(2,002)	
Recreational Vehicle Tax	529	629	-	629	496	133	
Delinquent Tax	7,283	6,257	-	6,257	6,693	(436)	
In Lieu of Taxes	600	621	-	621	-	621	
Other Revenue							
Sale of Property	-	421,343	-	421,343	-	421,343	
TOTAL REVENUES	541,144	951,395	-	951,395	550,164	401,231	
EXPENDITURES							
Plant Equipment							
and Facility	1,300,000	1,120	-	1,120	700,000	(698,880)	
Debt Service	65,000	-	-	-	-	-	
TOTAL EXPENDITURES	1,365,000	1,120	-	1,120	700,000	(698,880)	
Excess of Revenues and Transfers							
Over (Under) Expenditures	(823,856)	950,275	-	950,275	(149,836)	1,100,111	
Unencumbered Cash							
Beginning of Year	1,321,215	497,359	-	497,359	497,359	-	
End of Year	\$ 497,359	\$ 1,447,634	\$ -	\$ 1,447,634	\$ 347,523	\$ 1,100,111	

**ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

## Schedule of Changes in Assets and Liabilities

All Agency Funds - Primary Institution

For the Year Ended June 30, 2017

Account Name	Primary Institution			Balance June 30, 2017
	Balance June 30, 2016	Additions	Deductions	
<b>ACTIVITY FUND</b>				
Gate Receipts				
Athletic	\$ 14,697	\$ 4,004	\$ 7,811	\$ 10,890
Total Gate Receipts	14,697	4,004	7,811	10,890
School Project Accounts				
Concessions	9,120	4,258	5,697	7,681
Scholarship Pool	1,219,920	1,386,264	1,250,040	1,356,144
Symmes Loan	140	-	-	140
Total School Project Accounts	1,229,180	1,390,522	1,255,737	1,363,965
Student Organization Accounts				
Aggie Club	124	4,156	2,213	2,067
Art Club	1,932	429	143	2,218
Athletic Director	-	1,875	1,875	-
Athletics	22	-	-	22
Athletic Training	25	-	-	25
Band	562	240	736	66
Baseball	29,469	42,158	20,373	51,254
Bgame Tech	-	300	-	300
Cheerleaders	4,617	3,037	1,791	5,863
Choir	11,453	1,958	709	12,702
Drama	8,904	8,490	4,487	12,907
Early Childhood	-	600	-	600
ECE - Community	-	1,600	1,489	111
Golf	1,312	2,624	497	3,439
KAAP	536	-	-	536
Library	285	2,180	1,410	1,055
Livestock	1,514	10,948	9,227	3,235
Meats Judging	9,127	-	9,127	-
Men's Basketball	7,636	2,813	6,079	4,370
Women's Basketball	2,031	8,710	10,240	501
Phi Theta Kappa	5,882	4,569	213	10,238

**Schedule 9 (Continued)****ALLEN COUNTY COMMUNITY COLLEGE**

Iola, Kansas

## Schedule of Changes in Assets and Liabilities

All Agency Funds - Primary Institution

For the Year Ended June 30, 2017

Account Name	Primary Institution			Balance June 30, 2017
	Balance June 30, 2016	Additions	Deductions	
Student Organization Accounts (Continued)				
Pig/Calf	\$ 4,224	\$ -	\$ -	\$ 4,224
PTK - Burlingame	287	1,471	1,470	288
Residence Hall Social Fund	-	9,240	8,735	505
Science	-	50	-	50
Softball	12,827	16,503	10,951	18,379
Student Senate	3,548	20,448	17,891	6,105
Track and Field	665	11,531	11,684	512
Volleyball	11,161	5,822	2,439	14,544
Soccer	2,196	6,463	4,145	4,514
SEK Library Council	582	-	500	82
Wellness	165	-	-	165
Total Student Organization Accounts	121,086	168,215	128,424	160,877
Other Student Accounts				
Incidental Fees	-	286,175	286,175	-
Outreach Fees	-	1,066,344	1,066,344	-
Total Other Student Accounts	-	1,352,519	1,352,519	-
TOTAL ACTIVITY FUND	\$ 1,364,963	\$ 2,915,260	\$ 2,744,491	\$ 1,535,732
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Investments	\$ 1,190,337	\$ 2,947,308	\$ 2,744,491	\$ 1,393,154
Other Receivables	174,626	142,578	174,626	142,578
TOTAL ASSETS	\$ 1,364,963	\$ 3,089,886	\$ 2,919,117	\$ 1,535,732
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deposits Held For Others	1,364,963	2,915,260	2,744,491	1,535,732
TOTAL LIABILITIES	\$ 1,364,963	\$ 2,915,260	\$ 2,744,491	\$ 1,535,732

**ALLEN COUNTY COMMUNITY COLLEGE**  
IOLA, KANSAS

**FEDERAL COMPLIANCE SECTION**

For the Year Ended June 30, 2017

EIN NUMBER: 480697480  
OPE ID NUMBER: 00191600  
DUNS NUMBER: 030648901

COMPLIANCE ATTESTATION EXAMINATION  
INCLUDING TITLE IV STUDENT FINANCIAL ASSISTANCE PROGRAMS

IOLA, KANSAS  
BURLINGAME, KANSAS

FEDERAL PELL GRANT PROGRAM (PELL) (84.063)  
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (FSEOG) (84.007)  
FEDERAL DIRECT STUDENT LOAN PROGRAM (DIRECT LOAN) (84.268)  
FEDERAL WORK-STUDY PROGRAM (FWS) (84.033)

## AUDITOR INFORMATION SHEET

### ALLEN COUNTY COMMUNITY COLLEGE

1801 N. COTTONWOOD  
IOLA, KANSAS 66749

EIN NUMBER: 480697480  
OPE ID NUMBER: 00191600  
DUNS NUMBER: 030648901

TELEPHONE: (620) 365-5116  
FAX: (620) 365-7406

PRESIDENT: John Masterson

CONTACT PERSON & TITLE: Brian Counsil, Vice-President for Finance & Operations

LEAD AUDITOR: Neil L. Phillips, CPA

EMAIL ADDRESS: [nphillips@jgppa.com](mailto:nphillips@jgppa.com)

LICENSE NUMBER & HOME STATE: 5705 KS

FIRM'S NAME & ADDRESS: JARRED, GILMORE & PHILLIPS, PA

Certified Public Accountants

1815 S. Santa Fe

PO Box 779

Chanute, Kansas 66720

FIRM'S FEDERAL ID NUMBER : 20-3906022

TELEPHONE: (620) 431-6342

FAX: (620) 431-0724

PROGRAMS EXAMINED:	PELL	84.063
	FSEOG	84.007
	DIRECT LOAN	84.268
	FWS	84.033

For the Award Year that ended during the institution's fiscal year, the percentage of:

Correspondence courses to total courses	NONE
Regular students enrolled in correspondence courses	NONE
Regular students that are incarcerated	NONE
Regular students enrolled based on ability to benefit	<.001%
For short term programs—	
Completion	N/A
Placement	N/A

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

ALL LOCATIONS	> 50% OF PROGRAM OFFERED @ SITE	LOCATION ON ELIGIBILITY LETTER	NOTICE TO ED PRIOR TO OFFERING INSTRUCTION	DATE OPENED	DATE CLOSED	DATE OF CPA'S LAST VISIT	EXCLUSION REASON
Iola, KS	Yes	Yes	Yes	1923	N/A	2017	N/A
Burlingame, KS	Yes	Yes	Yes	1991	N/A	2017	N/A

Institution's Primary Accrediting Organization: North Central Association of Colleges and Schools

The College does not use a servicer.

Records for the accounting and administration of the SFA Programs are located at:

ALLEN COUNTY COMMUNITY COLLEGE  
1801 N COTTONWOOD  
IOLA, KANSAS 66749

For Close-Out Examination only:  
None



**ALLEN COUNTY COMMUNITY COLLEGE**  
Iola, Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/PROGRAM TITLE	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements/ Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Education Opportunity Grant	N/A	84.007	\$ 34,131
Federal Supplemental Education Opportunity Grant - Admin	N/A	84.007	241
		Total 84.007	34,372
Federal Direct Student Loans	N/A	84.268	1,521,912
Federal Work-Study	N/A	84.033	41,637
Federal Pell Grant Program	N/A	84.063	2,157,375
Federal Pell Grant Program - Admin	N/A	84.063	6,770
		Total 84.063	2,164,145
Total Student Financial Aid Cluster			3,762,066
Total U.S. Department of Education			3,762,066
FEDERAL ASSISTANCE TOTALS			\$ 3,762,066

**NOTE A -- BASIS OF PRESENTATION**

This schedule has been prepared in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned. Expenditures are recorded when goods or services are received.

**NOTE B --INDIRECT COST RATE**

Allen County Community College did not elect to use the 10% de minimis cost rate.

(1) These are subsidized and unsubsidized loans to students and parents at the College and are not included in the College's revenues and expenditures.

(M) Major Program

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees  
Allen County Community College  
Iola, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Allen County Community College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Allen County Community College's basic financial statements, and have issued our report thereon dated November 28, 2017.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 Allen County Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
November 28, 2017

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees  
Allen County Community College  
Iola, Kansas

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

We have audited Allen County Community College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Allen County Community College's major federal programs for the year ended June 30, 2017. Allen County Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, Allen County Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

Accordingly, we do not express an opinion on the effectiveness of Allen County Community College's internal control over compliance.

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

**Purpose of this Report**

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.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
November 28, 2017

**ALLEN COUNTY COMMUNITY COLLEGE**  
Iola, Kansas

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

**I. SUMMARY OF AUDITORS' RESULTS****Financial Statements:**

The auditors' report expresses an unmodified opinion on the basic financial statements of Allen County Community College.

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	_____	Yes	_____X_____	No
Significant deficiency(ies) identified?	_____	Yes	_____X_____	None Reported
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	_____X_____	No

**Federal Awards:**

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	_____X_____	No
Significant deficiency(ies) identified?	_____	Yes	_____X_____	None Reported

The auditors' report on compliance for the major federal award programs for Allen County Community College expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? \_\_\_\_\_ Yes \_\_\_\_\_X\_\_\_\_\_ No

Identification of major programs:

**U.S. DEPARTMENT OF EDUCATION**

Student Financial Aid Cluster

Federal Pell Grant Program – CFDA No. 84.063

Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007

Federal Work-Study Program – CFDA No. 84.033

Federal Direct Student Loan Program – CFDA No. 84.268

The threshold for distinguishing Types A and B programs was \$750,000.00.

Auditee qualified as a low risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_X\_\_\_\_\_ No

**II. FINANCIAL STATEMENT FINDINGS**

NONE

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**ALLEN COUNTY COMMUNITY COLLEGE**  
Iola, Kansas

Schedule of Resolution of Prior Year's Findings and Questioned Costs  
For the Year Ended June 30, 2017

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**Finding: 2016-001** – Special Tests and Provisions - Verification

*Condition:* During our testing of the verification process, it was noted that Allen County Community College does not have adequate controls in place to document compliance with the verification process.

*Status:* Current year testing has shown the College has implemented policies and procedure to ensure compliance.