

**SALINA AREA TECHNICAL COLLEGE**

**Salina, Kansas**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
June 30, 2017**

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

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# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

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Vice President of Administrative Services  
Vice President of Instruction  
Vice President of Student Services  
Associate VP of Instruction  
Director of Inst. Research/Registrar

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Salina Area Technical College  
Salina, Kansas

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of Salina Area Technical College, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 statement.

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

### *Opinions*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit 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 1 through 9 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 regarding 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 assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the net position of the business activities and aggregate discretely presented component unit of the College as a whole. The supplementary information which includes the schedule of revenues and expenses compared to budget and the schedule of expenses by function and object for the year ended June 30, 2017 (as listed in the table of contents) are presented for analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedules listed in the table of contents and the schedule of expenditures of federal awards are 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. The 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 information is fairly stated in all material respects in relation to the 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 December 31, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Agler & Gaeddert, Chartered  
February 14, 2018

## **MANAGEMENT DISCUSSION AND ANALYSIS**

# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2017

## INTRODUCTION

Our discussion and analysis of Salina Area Technical College (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2017. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's financial statements, which follow this section.

## USING THIS ANNUAL REPORT

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. This financial statement format (implemented in the fiscal year ended June 30, 2010) focuses on the College as a whole.

The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus on the Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities, which are supported substantially by state aid, state and federal grants, student tuition and fees. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

## FINANCIAL HIGHLIGHTS

Total net position was \$3,960,137 on June 30, 2017 which is a decrease of \$422,345 from the previous year. This decrease was due to a decline in enrollment and the net impact of prior capital expenditures compared to current fiscal year capital expenditures. The College completed less capital expenditure projects than in past fiscal years. This caused a decrease in net assets due to accumulated depreciation being higher than newly capitalized assets.

Overall revenues were \$4,710,287 which was less than expenses of \$5,132,633 by \$422,346. Revenue from post-secondary tuition was similar to the previous year, but is still very low when compared to years prior. Salina Tech also experienced a higher than prior year secondary enrollment boosting revenue in the state appropriates. The \$40,000 state appropriations cut enacted in FY 16 remained for FY 17 with an additional \$120,000 cut in Excel in CTE state appropriations for secondary enrollment. Salina Area Technical College attributes this decrease in post-secondary enrollment to the improving economic picture and increased competition from other post-secondary institutions. Technical College enrollment and the economy historically have had an inverse relationship.

## OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the College. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first three statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the College operations in more detail. The College has only one fund as of June 30, 2017.

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2017

## **OVERVIEW OF FINANCIAL STATEMENTS – continued**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the financial statements.

### **Government-Wide Statements**

The government-wide statements report information about the College as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the College's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in fund balance regardless of when cash is received or paid.

The government-wide statements report the College's net position and how it has changed. Net position, the difference between the assets and liabilities, are one way to measure the College's financial health.

- ❑ Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the College, one needs to consider additional non-financial factors such as changes in enrollment, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the College include all activities. The College's basic services are included here, such as regular education, maintenance, and general administration. Tuition, state aid and federal and state grants finance most of these activities.

### **Fund Financial Statements**

- ❑ The fund financial statements provide more detailed information about the College's most significant funds -- not the College as a whole. Funds are accounting devices that the College uses to keep track of specific sources of funding and spending for particular programs. As of June 30, 2017 the College only has one fund.

## **FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

### **FINANCIAL HIGHLIGHTS**

As the College completed the year, its operations reported a net decrease of \$419,286, which was a decrease over last year's operations. Tuition and state appropriations are the primary source of funding for the College's academic programs.

### **Net Position**

The College's combined net position was \$3,960,137 at June 30, 2017. See Table 1 which follows.

### **Operating Fund Budgetary Highlights**

Over the course of the year, the College revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the College's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.



**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Management's Discussion and Analysis (MD&amp;A)

June 30, 2017

**Changes in Net Position**

The College's total revenues were \$4,710,287. Revenue sources are as follows: state aid of \$2,643,480 or 56%, student tuition and fees of \$1,320,231 or 28%, grants and contracts of \$733,549 or 16% and interest income of \$14,027 or less than 1%. See Table 2 which follows. The total cost of all programs and services was \$5,132,633. The College's expenses are predominately related to instruction of students of \$2,113,798 or 41%, academic support expenses of \$232,173 or 5% and student services expenses of \$371,043 or 7%. Administrative expenses accounted for \$711,635 or 14% of total costs. The maintenance expenses accounted for \$1,012,975 or 20%. Other expenses accounted for \$691,009 or 13%. There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net Position) or results of operations (revenues, expenses, and changes in net Position).

**Table 1 -- Net Position**

This schedule is prepared from the College's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

	2017	2016	
	Business-type	Business-type	
ASSETS	Activities	Activities	Net change
Currents Assets			
Cash and demand deposits	\$ 1,404,865	\$ 1,171,236	\$ 233,629
Cash - Student accounts	14,834	15,257	(423)
Accounts receivable net of allowance for doubtful accounts	169,363	158,698	10,665
Prepaid expenses	0	13,775	(13,775)
Inventory	81,361	322,641	(241,280)
Total current assets	<u>1,670,423</u>	<u>1,681,607</u>	<u>(11,184)</u>
Noncurrent Assets			
Capital assets, net	<u>2,535,061</u>	<u>2,922,407</u>	<u>(387,346)</u>
Total noncurrent assets	<u>2,535,061</u>	<u>2,922,407</u>	<u>(387,346)</u>
Total assets	<u>\$ 4,205,484</u>	<u>\$ 4,604,014</u>	<u>\$ (398,530)</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 34,338	\$ 22,975	\$ 11,363
Accrued liabilities	180,045	165,800	14,245
Due to student accounts	14,834	15,257	(423)
Deferred revenue	16,130	17,500	(1,370)
Total current liabilities	<u>245,347</u>	<u>221,532</u>	<u>23,815</u>
NET POSITION			
Invested in capital assets, net of any related debt	2,535,061	2,922,407	(387,346)
Unrestricted	<u>1,425,076</u>	<u>1,460,075</u>	<u>(34,999)</u>
Total net position	<u>\$ 3,960,137</u>	<u>\$ 4,382,482</u>	<u>\$ (422,345)</u>

# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2017

**Table 2 -- Changes in Net Position**

	2017 Business-type Activities	2016 Business-type Activities	Net Change
<b>REVENUES</b>			
Operating Revenues			
Student tuition	\$ 935,086	\$ 933,726	\$ 1,360
Institution fees	148,919	147,563	1,356
Program fees	44,165	94,713	(50,548)
Testing Fee	23,005	25,806	(2,801)
Administrative	19,148	11,116	8,032
Bookstore sales	109,350	97,887	11,463
Other	40,558	21,902	18,656
Total operating revenues	<u>1,320,231</u>	<u>1,332,713</u>	<u>(12,482)</u>
<b>EXPENSES</b>			
Operating Expenses			
Instruction	2,113,798	2,103,151	10,647
Academic support	232,173	217,166	15,007
Student services	371,043	399,485	(28,442)
Administration	711,635	712,250	(615)
Maintenance	1,012,975	1,008,007	4,968
Cost of books sold	93,245	89,409	3,836
Total operating expenses	<u>4,534,869</u>	<u>4,529,468</u>	<u>5,401</u>
Operating income (loss)	<u>(3,214,638)</u>	<u>(3,196,755)</u>	<u>(17,883)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	2,643,480	2,667,156	(23,676)
Capital outlay grant	123,892	130,625	(6,733)
Capital outlay expenses	(44,015)	(59,676)	15,661
Carl Perkins grant	110,936	104,146	6,790
Carl Perkins expenses	(74,597)	(55,420)	(19,177)
Delta Kappa Gamma grant	0	0	0
Delta Kappa Gamma expenses	0	(215)	215
Trac-7 grant	0	10,855	(10,855)
Trac-7 expenses	0	(10,855)	10,855
Vehicle Extravaganza income	8,321	5,469	2,852
Vehicle Extravaganza expenses	(5,109)	(5,469)	360
ATT grant	187	250	(63)
ATT expenses	(3,214)	(3,446)	232
Dental grant	8,700	0	8,700
Dental expenses	(8,699)	0	(8,699)
Other grants	37,091	20,370	16,721
Other expenses	(9,213)	(2,145)	(7,068)
Work orders revenue	443,422	71,016	372,406
Work orders expenses	(448,546)	(80,871)	(367,675)
Investment income	14,027	10,262	3,765
Skills USA expenses	(4,370)	0	(4,370)
Net nonoperating revenues	<u>2,792,293</u>	<u>2,802,052</u>	<u>(9,759)</u>
Increase in net position	<u>(422,345)</u>	<u>(394,703)</u>	<u>(27,642)</u>
Net position - beginning of year	<u>4,382,482</u>	<u>4,777,185</u>	<u>(394,703)</u>
Net position - end of year	<u>\$ 3,960,137</u>	<u>\$ 4,382,482</u>	<u>\$ (422,345)</u>

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Management's Discussion and Analysis (MD&amp;A)

June 30, 2017

**CAPITAL ASSETS****Table 3 -- Capital Assets**

	2017	2016	
	Business-type	Business-type	Net
	Activities	Activities	Change
Capital Assets			
Leasehold improvements	\$ 2,891,814	\$ 2,901,814	\$ (10,000)
Furniture	120,831	107,395	13,436
Equipment	1,606,121	1,541,059	65,062
Vehicles	95,644	95,644	0
Computer software	150,761	150,761	0
Computer	570,448	522,308	48,140
Construction in Progress	17,965	0	17,965
<b>TOTAL COSTS</b>	<b>5,453,584</b>	<b>5,318,981</b>	<b>134,603</b>
Less Accumulated Depreciation			
Leasehold improvements	914,101	719,028	195,073
Furniture	68,043	55,753	12,290
Equipment	1,195,865	942,181	253,684
Vehicles	69,238	61,121	8,117
Computer software	148,386	143,206	5,180
Computer	522,890	475,285	47,605
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>2,918,523</b>	<b>2,396,574</b>	<b>521,949</b>
<b>Net Capital Assets</b>	<b>\$ 2,535,061</b>	<b>\$ 2,922,407</b>	<b>\$ (387,346)</b>

The College did not report capital assets and accumulated depreciation until 2010 when the College switched from a cash basis reporting in 2009 to full accrual basis. The College believes that capital assets not capitalized in prior years would be fully depreciated and thus has not made any adjustments for capital assets and accumulated depreciation for years prior to July 1, 2009.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As the economy continues to improve, the College expects to have a more difficult time recruiting post-secondary students for technical education. Accreditation has boosted public appearance and student enrollment is on a steady upward trend. Enrollment increases are expected in dual enrollment with local school districts as well as on campus general education courses. Marketing campaigns and continued community exposure are at the utmost importance to enhance the image of the College.

The governor of the State of Kansas is a strong advocate of technical education. The governor's campaign to increase the amount of high school students graduating from high school with a technical education degree has been very successful. To promote this campaign, he has allocated public dollars towards this campaign to reduce the amount of barriers high school students run into as well as entice secondary schools to encourage this potential avenue. Salina Tech continues to increase the number of high school students it serves. This funding stream was cut 14% at the end of the fiscal year and will continue to be cut in future years.

The State funding appropriations continue to be cut due to State budget shortfalls.

## **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Management's Discussion and Analysis (MD&A)

June 30, 2017

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – continued**

The College has continued to expand their general education course offering to give students a more diverse education. With accreditation, the College is expanding its inventory of general education courses and now offers a wide array on campus, online, and with our concurrent partners. These courses are low enrolled but continue to expand and grow.

The College is financially sound. Expenditures are carefully monitored and managed to maximize effective use of available fiscal resources. The College has no debt and continues to have adequate reserve funds if needed for one-time expenditures and projects.

Industry donations of equipment and funds, the initiation of an Alumni Association, the SATC Foundation, and the writing of significant grants will provide improvements to instruction and fiscal resources to improve the College's ability to meet the needs of its stakeholders.

#### **Looking to the Future**

The College is currently experiencing rapid growth due to receiving its initial accreditation from the Higher Learning Commission. This trend falls in line with research from other like-sized institutions once they received initial accreditation. Salina Tech continues to expand in their general education offerings in preparation for this increase. More students are taking advantage of these low-cost general education offerings as they now transfer to most all institutions in the State of Kansas.

To realize new avenues for expansion, the College is seeking different ways to utilize the campus. Most of the full time programs the College offers are held during the daytime, with minimal activity occurring during nights, weekends, and the summer months. Salina Tech is investigating ways of offering courses during these times, if applicable.

#### **Contingencies and Commitments**

Accreditation – The Kansas Board of Regents requires that all technical colleges be accredited by the Higher Learning Commission. Salina Area Technical College is accredited by the Higher Learning Commission, a regional accreditation agency recognized by the U.S. Department of Education.

### **CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, Kansas Board of Regents, taxpayers, parents, participants, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. For further information please contact Greg Nichols, President, 2562 Centennial Rd. Bldg. A, Salina, Kansas 67401.

## FINANCIAL STATEMENTS

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## Statements of Net Position

June 30, 2017

	<b>Business-type Activities</b>	<b>Component Unit Foundation</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and demand deposits	\$ 1,404,865	\$ 141,631
Cash - Student accounts	14,834	0
Total cash & cash equivalents	1,419,699	141,631
Investments - available for sale	0	316,967
Accounts receivable, net of allowance for doubtful accounts	169,363	1,140
Prepaid expenses	0	0
Inventories	81,361	0
Total other current assets	250,724	318,107
Total current assets	1,670,423	459,738
<b>NONCURRENT ASSETS</b>		
Capital assets, net	2,535,061	0
Total noncurrent assets	2,535,061	0
Total assets	\$ 4,205,484	\$ 459,738
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 34,338	\$ 0
Accrued liabilities	180,045	0
Due to students and student activity	14,834	0
Deferred revenue	16,130	0
Total current liabilities	245,347	0
<b>NET POSITION</b>		
Invested in capital assets	\$ 2,535,061	\$ 0
Restricted for		
Expendable		
Scholarships and fellowships	0	30,822
Unrestricted - unassigned	1,425,076	428,916
Total net position	\$ 3,960,137	\$ 459,738

The accompanying notes are an integral part of these statements.

# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

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

	<u>Business-type Activities</u>	<u>Component unit Foundation</u>
<b>REVENUES</b>		
Operating Revenues		
Student tuition	\$ 935,086	\$ 0
Institution fees	148,919	0
Program fees	44,165	0
Testing fees	23,005	0
Administrative	19,148	0
Bookstore	109,350	0
Contributions	0	284,023
Other	40,558	0
	<hr/>	<hr/>
Total operating revenues	1,320,231	284,023
	<hr/>	<hr/>
<b>EXPENSES</b>		
Operating Expenses		
Instruction	2,113,797	0
Academic support	232,173	0
Student Services	371,043	0
Administration	711,637	0
Maintenance	1,012,975	0
Bookstore	93,245	0
Scholarships	0	30,822
Other	0	19,125
	<hr/>	<hr/>
Total operating expenses	4,534,870	49,947
	<hr/>	<hr/>
Operating income (loss)	(3,214,639)	234,076
	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	2,642,480	0
Capital outlay grant	123,892	0
Capital outlay expenses	(44,015)	0
Carl Perkins grant	111,936	0
Carl Perkins expenses	(74,597)	0
Vehicle Extravaganza income	8,321	0
Vehicle Extravaganza expenses	(5,109)	0
ATT grant	187	0
ATT expenses	(3,214)	0
Dental Grant	8,700	0
Dental Grant Expenses	(8,699)	0
Other grants	37,091	0
Other expenses	(9,213)	0
Work orders revenue	443,422	0
Work orders expenses	(448,546)	0
Investment income	14,027	7,587
Investment fees	0	(950)
Skills USA expenses	(4,370)	0

The accompanying notes are an integral part of these statements

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Statements of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2016

	<b><u>Business-type Activities</u></b>	<b><u>Component unit Foundation</u></b>
Unrealized appreciation (depreciation) on investments	\$ 0	\$ 18,899
Realized gains and (losses)	<u>0</u>	<u>612</u>
Net nonoperating revenues	<u>2,792,293</u>	<u>26,148</u>
Increase (Decrease) in net assets	(422,346)	260,224
<b>NET POSITION</b>		
Net position - beginning of year	<u>4,382,483</u>	<u>199,514</u>
Net position - end of year	\$ <u><u>3,960,137</u></u>	\$ <u><u>459,738</u></u>

The accompanying notes are an integral part of these statements



**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Statements of Cash Flows  
For the Year Ended June 30, 2017

	<u>Business-type Activities</u>	<u>Component unit Foundation</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition	\$ 907,418	\$ 0
Institution fees	148,919	0
Program fees	44,165	0
Testing fees	23,005	0
Administrative	19,148	0
Bookstore sales	109,350	0
Contributions	0	285,374
Other	40,558	0
Employee expenses	(2,898,398)	0
Vendor payments	(818,503)	(50,847)
	<u>(2,424,338)</u>	<u>234,527</u>
Net cash provided (used) by operating activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	2,643,480	0
Grant income	732,549	0
Grant expenses	(597,763)	0
	<u>2,778,266</u>	<u>0</u>
Net cash provided by noncapital financing activities		
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(134,749)	0
	<u>(134,749)</u>	<u>0</u>
Net cash used by capital financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest/dividends on investments	14,027	7,587
Investment fees	0	(950)
Investment purchases	0	(135,557)
Investment sales	0	9,503
	<u>14,027</u>	<u>(119,417)</u>
Net cash provided by investing activities		
Net increase (decrease) in cash	233,206	115,110
Cash - beginning of the year	1,186,493	26,521
	<u>1,419,699</u>	<u>141,631</u>
Cash - end of year		
<b>REFLECTED ON STATEMENT OF NET POSITION:</b>		
Cash and demand deposits	\$ 1,404,865	\$ 141,631
Cash in Student accounts	14,834	0
	<u>\$ 1,419,699</u>	<u>\$ 141,631</u>

The accompanying notes are an integral part of these statements.

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Statements of Cash Flows  
For the Year Ended June 30, 2017

	<b><u>Business-type Activities</u></b>	<b><u>Component unit Foundation</u></b>
<b>Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ (3,214,639)	\$ 234,076
Adjustments to reconcile net income (loss) to net cash:		
Depreciation expense	521,951	0
Bad debt expense	15,778	0
Change in assets and liabilities:		
(Increase)/Decrease in receivables	(26,298)	1,351
(Increase)/Decrease in prepaid expenses	13,775	0
(Increase)/Decrease in inventories	241,280	0
Increase/(Decrease) in accounts payable	11,363	(900)
Increase/(Decrease) in accrued liabilities	14,245	0
Increase/(Decrease) in other accruals	0	0
Increase/(Decrease) in due to students	(423)	0
Increase/(Decrease) in deferred revenue	(1,370)	0
	<b>\$ <u>(2,424,338)</u></b>	<b>\$ <u>234,527</u></b>

The accompanying notes are an integral part of these statements.

# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

Notes to Financial Statements

June 30, 2017

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salina Area Technical College (College), Salina, Kansas, a member institution of the Kansas Board of Regents system, provides a range of educational programs to meet the needs of the adult population of Salina Area. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula consistent with the needs of employers in the College's service area. The College also provides various developmental education programs, support services and offering to assist students in meeting their personal and professional educational objectives.

The College was originally established in 1964 as the Salina Area Vocational Technical School under the Kansas Statutes Annotated 72-4401 *et seq.* The School was governed by the local public school board, USD 305 until July 1, 2009. As a result of legislative action, the School applied to become an independent technical college and was granted college status under Kansas Statutes Annotated 72-4477a, *et seq.* On July 1, 2009 the College began operations as Salina Area Technical College with a new Board of Trustees as their governance model.

The Board consists of nine appointed members with one selection coming from The City of Salina, Saline County, USD #305, and the Salina Area Chamber of Commerce. Two additional at-large positions and three positions representing Health Care, Manufacturing, and Service Industries are appointed by the Board from a list of applicants. The Board of Trustees establishes policy and overall direction by which the College is governed.

### A. Reporting Entity

The Board of Trustees of Salina Area Technical College control is the basic level of government, which has oversight responsibility and control over all activities related to providing educational services to students. The Board receives funding from federal and state government source entities and must comply with the compliance requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity", as defined by the Governmental Accounting Standards Board pronouncement, since board members are appointed by various levels of local government and have their own board and have decision making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The College has implemented Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity* to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

There are two methods of presentation of component units:

1. Blended component units, although a legally separate entity from the College, they are, in substance part of the College's operations and so data from these component units are combined with data of the College.
2. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the College.

The College has one component unit: Salina Area Technical College Foundation. The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation does not issue separate financial statements.

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Notes to Financial Statements  
June 30, 2017

## **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **A. Reporting Entity - continued**

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Association's operation and reporting model are FASB Statement 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations.

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 Association's financial information in the College's financial reporting entity for these differences; however significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis, for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999 and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The financial statement presentation required by GASB Statements No. 34, 35 and 37 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Accordingly for financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Consequently, the College's financial statements have been presented 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 and intra-fund transactions have been eliminated.

Fund types and major funds consist of the following:

*Governmental funds:* The College has no governmental funds.

*Proprietary funds*

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to students. These activities are financed primarily by tuition and/or state and federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the College's activities as an enterprise fund

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

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## **Notes to Financial Statements**

June 30, 2017

### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to the current year presentation. The following is a summary of the more significant policies.

#### **C. Cash and Cash Equivalents**

Cash includes deposits held at local financial institutions plus small amounts maintained for change funds. Cash equivalents include certificates of deposit with maturities of three months or less.

#### **D. Accounts Receivable**

Accounts receivable consist primarily of student accounts for books and class fees. An allowance for doubtful accounts is based upon approximately 50% of the receivables that are more than 90 days past due.

#### **E. Inventories and Prepaid Items**

Inventories consist primarily of items held for resale by the bookstore and the house built by the carpentry department and it is held for sale plus a lot purchased to build next year's house. Value is determined by the cost method for the bookstore, the house and the lot. The bookstore costs are recorded as expenses as the inventory is consumed. The house cost is recorded as expense when the house is sold. Certain payments to vendors reflect costs applicable to future periods. Such payments, in the accompanying financial statements, are recorded as prepaid items and reflected as other assets.

#### **F. Deferred Revenues**

Deferred revenues include: (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year; and (2) amounts received from grant and contract sponsors that have not been earned. Total deferred revenue for year ended June 30, 2017 was \$0.

#### **G. Net Position**

GASB Statement No. 34 reports equity as "Net Position" rather than "fund balance". Net position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net position is classified as follows:

Invested in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation.

Restricted net position – expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first; then unrestricted resources when they are needed.

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Notes to Financial Statements

June 30, 2017

## **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **G. Net Position - continued**

Restricted net position - building remodel - These are funds which the Board has set aside for future building remodeling. Since the Board has made the designation, the Board can remove the designation at anytime either because the College has remodeled the building or the Board decides to remove the designation and put the funds back into unrestricted.

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

### **H. Capital Assets**

Capital assets include property, plant equipment, and infrastructure assets, such as parking lots and sidewalks. The College defines capital assets as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives:

Building improvements	7-15 years
Equipment	5-10 years
Vehicles	5 years
Computers	3 years

### **I. Classification of Revenues**

The College has classified its revenues as either Operating or Non-Operating. Operating revenues include activities that have the characteristics of exchange transactions, such as (a) student tuition and (b) fees and rentals. Non-operating revenue includes activities that have the characteristics of non-exchange transactions such as (a) state appropriations (b) most federal, state, and local grants and contracts and federal appropriations, and (c) gifts and contributions.

### **J. Federal Financial Assistance Programs**

The College participates in federally funded Pell Grant and Federal Family Education Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996 and the Uniform Guidance.

### **K. Financial Aid**

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Foundation of College and University Business Offices (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## **Notes to Financial Statements**

June 30, 2017

### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

#### **L. Estimates**

The preparation of financial statements in accordance 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 basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

#### **M. Compensated Absences**

It is the College's policy to grant employee's ten (10) leave days for each school year. Any unused leave is allowed to accumulate to a maximum of 120 days. Upon retirement or resignation, those with fifteen (15) years or more of service shall receive compensation for days of unused accumulated leave at the rate of \$10 per day. The estimated amount of unused accumulated leave which qualifies for the \$10 pay out was \$31,331 for year ended June 30, 2017 and is included in accrued liabilities.

#### **N. Budget**

In accordance with Kansas statutes, the College has prepared an annual operating budget for submission to the Kansas Board of Regents. The budget establishes the amount of post secondary aid to be received. The budget sets the level for expenditures at the fund level. As the amount of post secondary aid is established by formula, the budget is advisory only and is not legally binding. The operating budget is prepared on the accrual basis of accounting. The Board of Regents did not require a budget to be submitted this fiscal year.

#### **O. Component Unit**

The Association maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net position and changes therein are classified as follows:

Permanently Restricted Net Position – Net position subject to donor-imposed stipulations that the Association permanently maintains the assets. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Temporary Restricted Net Position – Net position subject to donor-imposed stipulations that will be met by actions of the Association and/or passage of time.

Unrestricted Undesignated Net Position – Net position not subject to donor-imposed restrictions.

Unrestricted Designated Net Position – Net position not subject to donor-imposed restrictions but subject to Association Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in kind gifts from outside sources are not recorded in the Association's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

**SALINA AREA TECHNICAL COLLEGE**  
Salina, Kansas

Notes to Financial Statements  
June 30, 2017

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**P. Donor-Restricted Endowments**

The College invests all donor-restricted endowments in a mutual fund. Actual earnings of the investments are allocated based on each endowment's portion of the balance. Earnings are then transferred to the College for spending as restricted by the donor.

**Q. Non-cash Transactions**

During the year ended June 30, 2017 the College did not receive any donations of land, buildings or equipment.

**2. DEPOSITS AND INVESTMENTS**

As of June 30, 2017, the College was invested in money markets and certificates of deposit reported at fair value with a maturity of two years or less in accordance with Kansas Statutes.

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

*Concentration of credit risk;* State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The College's allocation of investments as of June 30, 2017 was 100% in money market funds.

*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 institution to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College's did not have any designated peak periods for the current year. All deposits were legally secured at June 30, 2017.

At June 30, 2017 the College's carrying amount of deposits \$1,419,699 and the bank balance was \$1,446,256. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal deposit insurance and \$1,196,256 was collateralized with securities held by the pledging financial institution's agent in the College's name.

The Foundation's purpose is to raise funds for the awarding of scholarships to students attending the College. The Foundation is a not-for-profit operating as a 501(c) 3 under IRS regulation. This is the only component unit of the College and will be discretely presented in the financial statements. The investments are reported at fair market value. Fair market value was obtained from quoted market values.

At June 30, 2017 the Foundation's carrying amount of deposits \$141,631 and the bank balance was \$141,631. There is no difference between the carrying amounts and the bank balances. The balance was held by one financial institution resulting in a concentration of credit risk. Of the bank balance, \$141,631 was covered by federal deposit insurance.



**SALINA AREA TECHNICAL COLLEGE**  
Salina, Kansas

Notes to Financial Statements  
June 30, 2017

**2. DEPOSITS AND INVESTMENTS - continued**

Investments of the Foundation are as follows:

The Foundation determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance-sheet date. Debt securities are classified as held-to-maturity when the Foundation has the positive intent and ability to hold the securities to maturity. Debt securities for which the Foundation does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet, based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized as earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading, are classified as available-for-sale, and are carried at fair market value, with the unrealized gains and losses, included in the determination of changes in net assets.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework also provides a hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. Inputs used in the valuation methods can be either readily observable, market corroborated or generally unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy.

In determining fair value, the Organization used various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of the fair value hierarchy are described below:

Level 1: Quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The 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.

Management is responsible for the determination of fair value. The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. There has been no change in the Levels or methodologies used from prior years as of June 30, 2017.

**SALINA AREA TECHNICAL COLLEGE**  
Salina, Kansas

Notes to Financial Statements  
June 30, 2017

**2. DEPOSITS AND INVESTMENTS - continued**

Investments are carried at fair value on the statements of net position. Fair value is determined using observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets (level 2). Available-for-sale securities at June 30, 2017 were made up of the following types of securities:

Mutual Funds		Cost	Fair Value*	Less than 1 yr	1-2 yr	Rating
American High Income	\$	13,047	\$ 12,525	\$ 12,525	\$ 0	N/A
Bond Fund of America Class F-2	a	15,722	15,915	15,915	0	N/A
Capital World Bond Fund Class F-2	a	7,421	7,168	7,168	0	N/A
Deutsche Enhanced Comm. Strat. Fd		3,049	2,955	2,955	0	N/A
Dodge & Cox Income Fund		15,999	16,081	16,080	0	N/A
Europacific Growth Fund Class F-2		8,288	9,765	9,765	0	N/A
Fidelity Advisor Emerging Markets		7,755	7,907	7,906	0	N/A
Goldman Sachs Financial Square		0	1,702	1,702	0	N/A
Goldman Sachs Strategic Income		5,343	5,009	5,009	0	N/A
Growth Fund of America Class F-2		14,609	17,137	17,137	0	N/A
Harbor Small Cap Value Fund		7,238	8,861	8,861	0	N/A
Ivy International Core Equity Fund		5,400	5,982	5,982	0	N/A
Ivy Mid Cap Income Opportunities Fund		5,411	5,458	5,458	0	N/A
Ivy Apollo Multi Asset Income Fund		5,471	5,637	5,637	0	N/A
Janus Flexible Bond Fund Class 1	a	14,324	14,049	14,049	0	N/A
John Hancock Disciplined Value		5,684	6,185	6,185	0	N/A
JP Morgan Intrepid Value Fund Select		6,486	7,654	7,654	0	N/A
Lazard Emerging Markets Portfolio		8,585	8,623	8,623	0	N/A
Metropolitan West Total Return Bond	a	10,774	10,548	10,548	0	N/A
New World Fund Class F-2		5,630	6,119	6,119	0	N/A
Prudential Jennison Mid-Cap Growth		7,238	7,617	7,617	0	N/A
T Rowe Price Blue Chip Growth		4,168	6,238	6,238	0	N/A
T Rowe Price Dividend Growth		5,435	5,838	5,838	0	N/A
T Rowe Price Science & Technology		5,400	6,138	6,138	0	N/A
Schwab International Core		10,400	11,138	11,138	0	N/A
Vanguard High Dividend Yield		10,958	11,289	11,289	0	N/A
Vanguard Short-Term Investment-Grade		21,341	21,382	21,382	0	N/A
Vanguard Total World Stock Index		21,412	22,796	22,796	0	N/A
Vanguard Index 500 Fund Admiral Shares		10,904	11,582	11,582	0	N/A
Victory RS Small Cap Growth		7,297	7,785	7,785	0	N/A
W&R Advisors High Income Fund Class Y		5,561	5,593	5,593	0	N/A
W&R Advisors Science and Technology		5,400	6,074	6,074	0	N/A
Washington Mutual Investors Fund		15,907	18,217	18,217	0	N/A
	\$	<u>297,657</u>	\$ <u>316,967</u>	\$ <u>316,965</u>	\$ <u>0</u>	

\* Fair value is determined by Level 2 inputs

a) Interest rate risk- as a means of limiting its exposure to fair value losses arising from rising interest rates, the College investment policy limits the College's in investments mutual bond funds to less than a year. The mutual bond funds noted above as of June 30, 2017, had a weighted average maturity of 9.5 months.

These are the only investments which are mutual funds under one investor. Unrealized gains for the year ended June 30, 2017 were \$18,899.

**SALINA AREA TECHNICAL COLLEGE**  
Salina, Kansas

Notes to Financial Statements  
June 30, 2017

**2. DEPOSITS AND INVESTMENTS - continued**

Investment return for the year ended June 30, 2017 consists of the following:

	Balance June 30 2017
	<u>2017</u>
Interest and dividends	\$ 7,587
Realized gains (losses)	612
Unrealized gains (losses)	18,899
Investment fees	<u>(950)</u>
Total investment return	\$ <u>26,148</u>

**3. ACCOUNTS RECEIVABLE DETAIL**

	Balance June 30, 2017
	<u>June 30, 2017</u>
Accounts receivable	\$ 41,055
Accounts receivable - student	183,844
Accounts receivable - collections	<u>111,160</u>
	336,059
	<u>(166,696)</u>
Total accounts receivable net of allowance for doubtful accounts	\$ <u>169,363</u>

**4. INVENTORY DETAIL**

	Balance June 30, 2017
	<u>June 30, 2017</u>
Books and classroom supplies	\$ 80,686
Inventory	<u>675</u>
Total inventory	\$ <u>81,361</u>

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## Notes to Financial Statements

June 30, 2017

**5. CAPITAL ASSETS**

The following table summarized the changes in capital assets for fiscal year 2017

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Capital Assets				
Leasehold improvements	\$ 2,901,814	\$ 0	\$ (10,000)	\$ 2,891,814
Furniture	107,395	13,436	0	120,831
Equipment	1,541,059	65,062	0	1,606,121
Vehicles	95,644	0	0	95,644
Computer software	150,761	0	0	150,761
Computer	522,308	48,140	0	570,448
Construction in Progress	0	17,965	0	17,965
<b>Total Costs</b>	<b>5,318,981</b>	<b>144,603</b>	<b>(10,000)</b>	<b>5,453,584</b>
Less Accumulated Depreciation				
Leasehold improvements	(719,028)	(195,073)	0	(914,101)
Furniture	(55,753)	(12,290)	0	(68,043)
Equipment	(942,181)	(253,684)	0	(1,195,865)
Vehicles	(61,121)	(8,117)	0	(69,238)
Computer software	(143,206)	(5,180)	0	(148,386)
Computer	(475,285)	(47,605)	0	(522,890)
<b>Total Accumulated Depreciation</b>	<b>(2,396,574)</b>	<b>(521,949)</b>	<b>0</b>	<b>(2,918,523)</b>
Net Capital Assets	\$ 2,922,407	\$ (377,346)	\$ (10,000)	\$ 2,535,061

**6. ACCRUED LIABILITIES**

Accrued liabilities consist of the following:

	<b>Balance June 30, 2017</b>
Payroll liabilities	\$ 22,835
Payroll payable	152,114
Sales tax payable	827
Scholarships held for distribution	2,278
To be invoiced	1,991
	<b>\$ 180,045</b>

# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

## Notes to Financial Statements

June 30, 2017

### 7. PENSION PLANS

#### Kansas Public Employees Retirement System

**Plan Description** – The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS' provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas' law establishes and amends benefit provisions. KPERS' issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

**Contributions** - K.S.A. 74-4919 and K.S.A. 74-49210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is 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. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rate for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and that statutory contribution rate was 16.00% and 10.91%, respectively, for the fiscal year ended June 30, 2016. The actuarially determined employer contribution rate and the statutory contribution rate was 16.03% and 10.81%, respectively, for the fiscal year ended June 30, 2017. Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091.

The State of Kansas is required to contribute the statutory required employers share.

**Net Pension Liability** – At June 30, 2017 the College's proportionate share of the collection net pension liability reported by KPERS was \$31,107. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The College's proportion of the net pension liability was based on the ratio of the College's contributions to KPERS, relative to the total employer and non-employer contributions of the State/Others subgroup within KPERS for the fiscal year ended June 30, 2016. Since the State is responsible for paying the statutory required employers share the net pension liability has not been reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of KPERS collective net pension liability to all participating employers are publically available on the website [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

The College also offers a 403(b) plan for faculty and administration employees hired before July 1, 2009. Under the plan the College will contribute \$1,000 per contract year to eligible faculty members. The faculty members are not vested in the College's contribution until the 6<sup>th</sup> consecutive year of employment and then at the following schedule: 6<sup>th</sup> year 10%, 7<sup>th</sup> year 20%, 8<sup>th</sup> year 30%, 9<sup>th</sup> year 40%, 10<sup>th</sup> year 50%, 11<sup>th</sup> year 60%, 12<sup>th</sup> year 70%, 13<sup>th</sup> year 80%, 14<sup>th</sup> year 90% and 15<sup>th</sup> year 100%. The amount contributed by the College for this retirement plan for the year ended June 30, 2017 was \$0.

# **SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## **Notes to Financial Statements**

June 30, 2017

### **8. RELATED PARTY TRANSACTIONS**

During the year board members sometimes have students work on their vehicles to assist the student by providing hands on training. In addition to those transactions which are considered immaterial, the College paid \$7,431 to a related party for engineering services during the year. At year end there were no receivables from or payables to related parties.

### **9. FLEXIBLE BENEFIT PLAN (I.R.C. Section 125)**

The College adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All employees of the College are eligible to participate in the Plan beginning the first day of the month following their employment. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Currently, benefits offered through the Plan include health insurance and life insurance, dependent care coverage and a medical reimbursement plan.

### **10. POST EMPLOYMENT BENEFITS**

As provided by Kansas statutes the College allows retired employees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retiree because each participant is charged a level of premium regardless of age. However the cost of this subsidy has not been quantified in these financial statements.

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

### **11. CONTINGENCIES AND COMMITMENTS**

Federal Financial Aid – Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, primarily the federal government. Any disallowed costs, including amounts already collected, may constitute a liability of the College. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although College management expects such amounts, if any, to be immaterial.

State Funding – Approximately 56% of the College's resources come from the State of Kansas. Due to continued funding uncertainties at the State level, future funding for the College may be reduced. The ultimate effect of this possible reduction in funding on the College's future operations is not yet determinable.

Accreditation – The Kansas Board of Regents requires that all technical colleges be accredited by the Higher Learning Commission. Salina Area Technical College is currently in candidacy status with the Higher Learning Commission, a level accepted by the Kansas Board of Regents as long as full accreditation is received. The College was fully accredited during FY 17.

Compliance with Kansas Statutes - References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and reports and interpretation by the County Attorney and legal representation of the College. Management is not aware of any statute violations during the year.

### **12. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were not significant reductions in insurance coverage from coverage in prior years.

**SALINA AREA TECHNICAL COLLEGE**  
Salina, Kansas

Notes to Financial Statements  
June 30, 2017

**13. FOUNDATION NET ASSETS AND INVESTMENT POLICY**

Foundation net assets composition by type of fund as of June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Foundation net assets, beginning of year	\$ 0	\$ 199,514	\$ 0	\$ 199,514
Investment Return				
Investment income – net of fees	0	6,637	0	6,637
Realized gains and losses	0	612	0	612
Net appreciation of investments	0	18,899	0	18,899
Total investment return	0	26,148	0	26,148
Contributions	284,023	0	0	284,023
Scholarships and other paid out	0	(49,947)	0	(49,947)
Transfers	144,893	(144,893)	0	0
Total contributions and expenditures	428,916	(198,840)	0	234,076
Foundation net assets, end of year	\$ 428,916	\$ 30,822	\$ 0	\$ 459,738

Temporarily restricted net assets are available for Scholarships in the amount of \$30,822.

The Foundation currently does not have any formal written policy which outline the Foundations purpose, policy, investment goals, standard of care, portfolio strategy or spending policy. The restrictions and expenditures for scholarships are based upon the requirements made by the donors who consisted of requests to use the donations for scholarships. The Foundation is in the process of reviewing the above and establishing formally policies in the future.

**14. OPERATING LEASES**

The College has entered into a lease agreement as lessee for the buildings and grounds on which the College currently operates. The College leases these facilities from Unified School District Number 305 of Salina Kansas in the amount of \$305 per year for the year ended June 30, 2017 and for the next year. The College has a copier lease with an annual rent of \$13,775 for year ended June 30, 2017. The College also has a lease for a postage meter with an annual rent of \$1,662 paid in year ended June 30, 2017. The postage meter lease requires an annual rent for the next four years as follows: 2018 \$1,662, 2019 \$1,662, 2020 \$1,662 and 2021 \$831.

**15. SUBSEQUENT EVENTS**

The College evaluated subsequent events through December 31 2017, the date of the financial statements were available to be issued. The School District and the Salina Area Technical College have an agreement in which the School District is to gift over the premises to the Salina Area Technical College on September 1, 2018.

## **SUPPLEMENTARY INFORMATION**



# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

## Schedule of Revenues and Expenses compared to Budget

For the Year Ended June 30, 2017

	<u>Actual</u>	<u>Budget</u>	<u>Budget Variance</u>
<b>REVENUES</b>			
Operating Revenues			
Student tuition	\$ 935,086	\$ 1,050,000	\$ 114,914
Institution fees	148,919	450,000	301,081
Program fees	44,165	0	(44,165)
Testing fees	23,005	0	(23,005)
Administrative	19,148	0	(19,148)
Bookstore	109,350	0	(109,350)
Other	40,558	30,000	(10,558)
	<u>1,320,231</u>	<u>1,530,000</u>	<u>209,769</u>
Total operating revenues			
	<u>1,320,231</u>	<u>1,530,000</u>	<u>209,769</u>
<b>EXPENSES</b>			
Operating Expenses			
Instruction	2,113,797	2,295,663	181,866
Academic support	232,173	251,898	19,725
Student Services	371,043	406,266	35,223
Administration	711,637	687,816	(23,821)
Maintenance	1,012,975	505,880	(507,095)
Bookstore	93,245	0	(93,245)
	<u>4,534,870</u>	<u>4,147,523</u>	<u>(387,347)</u>
Total operating expenses			
	<u>4,534,870</u>	<u>4,147,523</u>	<u>(387,347)</u>
Operating income (loss)	<u>(3,214,639)</u>	<u>(2,617,523)</u>	<u>597,116</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	2,642,480	2,630,658	(11,822)
Capital outlay grant	123,892	0	(123,892)
Capital outlay expenses	(44,015)	0	44,015
Carl Perkins grant	111,936	0	(111,936)
Carl Perkins expenses	(74,597)	0	74,597
Vehicle Extravaganza income	8,321	0	(8,321)
Vehicle Extravaganza expenses	(5,109)	0	5,109
ATT grant	187	0	(187)
ATT expenses	(3,214)	0	3,214
Dental grant	8,700	0	(8,700)
Dental Grant Expense	(8,699)	0	8,699
Other grants	37,091	0	(37,091)
Other expenses	(9,213)	0	9,213
Work orders revenue	443,422	0	(443,422)
Work orders expenses	(448,546)	0	448,546
Investment income	14,027	0	(14,027)
Skills USA expenses	(4,370)	0	4,370
	<u>2,792,293</u>	<u>2,630,658</u>	<u>(161,635)</u>
Net nonoperating revenues (expenses)			
	<u>2,792,293</u>	<u>2,630,658</u>	<u>(161,635)</u>
Increase (decrease) in net position	\$ <u>(422,346)</u>	\$ <u>13,135</u>	\$ <u>435,481</u>

See Independent Auditor's Report.

# SALINA AREA TECHNICAL COLLEGE

Salina, Kansas

## Schedule of Expenses by Function and Object For the Year Ended June 30, 2017

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>
Salaries	\$ 1,575,008	\$ 149,014	\$ 234,634
Social security	116,082	11,684	15,455
Unemployment	5,331	530	718
Health insurance	99,241	3,846	19,520
Retirement	4,325	0	0
Faculty Professional Development	5,790	0	0
Supplies	136,814	0	415
Resource materials	1,521	0	0
Equipment expense	21,962	0	0
Software license	19,168	0	0
Instructional memberships	4,212	0	0
Student testing	29,572	0	0
Tuition assistance	38,101	0	0
High School SB151	0	0	0
Technology	56,670	0	0
IT services	0	67,099	0
Student liability insurance	0	0	604
Graduation	0	0	9,156
Postage	0	0	8,779
Travel	0	0	1,820
Printing/advertising	0	0	68,941
Web master	0	0	1,124
Professional development	0	0	1,097
Student activity	0	0	4,602
Recruiting	0	0	4,178
Audit/consulting expense	0	0	0
Legal services	0	0	0
Advisory/Business meetings	0	0	0
Institutional memberships	0	0	0
HLC expense	0	0	0
KBI and drug testing	0	0	0
Bad debts	0	0	0
Payroll expense	0	0	0
HRA medical	0	0	0
FSA Flex medical	0	0	0
Administration - misc.	0	0	0
Copy machine	0	0	0
Insurance - bldg/liability	0	0	0
Utilities	0	0	0
Building maintenance/repair	0	0	0
Depreciation	0	0	0
Equipment repair/replacement	0	0	0
Environmental	0	0	0
Care of grounds	0	0	0
Faculty/staff uniforms	0	0	0
Vehicle operation	0	0	0
USD 305 lease	0	0	0
Student information system	0	0	0

See Independent Auditor's Report.

<u>Administration</u>	<u>Maintenance</u>	<u>Book Store</u>	<u>Total</u>
\$ 472,811	\$ 122,687	0	\$ 2,554,154
36,194	8,928	0	188,343
1,677	414	0	8,670
25,378	7,653	0	155,638
1,513	0	0	5,838
0	0	0	5,790
11,967	12,095	0	161,291
0	0	0	1,521
0	0	0	21,962
0	0	0	19,168
0	0	0	4,212
0	0	0	29,572
0	0	0	38,101
0	0	0	0
0	0	0	56,670
0	0	0	67,099
0	0	0	604
0	0	0	9,156
0	0	0	8,779
3,443	0	0	5,263
3,933	0	0	72,874
0	0	0	1,124
1,828	0	0	2,925
0	0	0	4,602
0	0	0	4,178
16,866	0	0	16,866
3,580	0	0	3,580
6,358	0	0	6,358
17,158	0	0	17,158
6,839	0	0	6,839
3,075	0	0	3,075
15,778	0	0	15,778
10,668	0	0	10,668
58,521	0	0	58,521
0	0	0	0
14,050	0	0	14,050
0	15,889	0	15,889
0	77,360	0	77,360
0	164,713	0	164,713
0	35,490	0	35,490
0	521,951	0	521,951
0	14,614	0	14,614
0	3,190	0	3,190
0	1,126	0	1,126
0	1,850	0	1,850
0	10,154	0	10,154
0	305	0	305
0	12,334	0	12,334

See Independent Auditor's Report.

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## Schedule of Expenses by Function and Object

For the Year Ended June 30, 2017

	<u>Instruction</u>	<u>Academic Support</u>	<u>Student Services</u>
Local capital outlay	\$ 0	\$ 0	\$ 0
Cost of books	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 2,113,797</u>	<u>\$ 232,173</u>	<u>\$ 371,043</u>

See Independent Auditor's Report.

<u>Administration</u>	<u>Maintenance</u>	<u>Book Store</u>	<u>Total</u>
\$ 0	\$ 2,222	\$ 0	\$ 2,222
<u>0</u>	<u>0</u>	<u>93,245</u>	<u>93,245</u>
 \$ 711,637	 \$ 1,012,975	 \$ 93,245	 \$ 4,534,870
<u><u>711,637</u></u>	<u><u>1,012,975</u></u>	<u><u>93,245</u></u>	<u><u>4,534,870</u></u>

See Independent Auditor's Report.

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

	Federal CFDA <u>Number</u>	<u>Revenues</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>			
Direct Programs			
Student Financial Assistance Cluster (SFA)			
Pell Grant Program	84.063	\$ 561,222	\$ 561,222
Federal Direct Student Loans	84.268	<u>547,742</u>	<u>547,742</u>
		<u>1,108,964</u>	<u>1,108,964</u>
 Passed through Kansas Department of Education			
Career and Technical Education	84.048	<u>111,936</u>	<u>111,936</u>
		<u>111,936</u>	<u>111,936</u>
 Total Federal Assistance		\$ <u><u>1,220,900</u></u>	\$ <u><u>1,220,900</u></u>

See Independent Auditor's Report.  
See following notes to this schedule.

**SALINA AREA TECHNICAL COLLEGE**  
**Salina, Kansas**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2017

**NOTE A. BASIS OF PRESENTATION**

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

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the basis of U.S. generally accepted accounting principles. Expenditures as reported on the Schedule are recognized under the basis described above and follow the cost principles contained in the Uniform Guidance regarding *Cost Principles* wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE C. INDIRECT COST RATES**

Salina Area Technical College has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE D. SUBRECIPIENTS**

There were no subrecipients used during the year.

## **SPECIAL REPORTS**



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

Board of Trustees  
Salina Area Technical College  
Salina, Kansas

We have audited, 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, the financial statement of Salina Area Technical College as of and for the year ended June 30, 2017, and the related notes to the financial statements, which comprise Salina Area Technical College's basic financial statements, and have issued our report thereon dated December 31, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Salina Area Technical College's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Salina Area Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of Salina Area Technical 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 deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements of the entity's financial statement 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 the 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 Salina Area Technical College's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Agler & Gaeddert, Chartered  
Ottawa, Kansas  
February 14, 2018



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education  
Salina Area Technical College  
Salina, Kansas

### Report on Compliance for Each Major Federal Program

We have audited the Salina Area Technical 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 Salina Area Technical College's major federal programs for the year ended June 30, 2017. Salina Area Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the 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 types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a tests basis, evidence about Salina Area Technical College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

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

### Report on Internal Control over Compliance

Management of Salina Area Technical College is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Salina Area Technical College's internal control over compliance.

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

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

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



Agler & Gaeddert, Chartered  
Ottawa, Kansas  
February 14, 2018

**SALINA AREA TECHNICAL COLLEGE**

Salina, Kansas

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with  
2 CFR 200.516(a) Uniform Guidance No

Identification of major programs:

<u><b>CFDA Number(s)</b></u>	<u><b>Name of Federal Program or Cluster</b></u>	<u><b>Amount</b></u>
Student Financial Assistance Cluster (SFA)		
84.063	Pell Grant Program	\$ 561,222
84.268	Federal Direct Student Loan	547,742
		<u>\$ 1,108,964</u>
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 750,000</u>
Auditee qualified as a low-risk auditee?		Yes

Schedule of Findings and Questioned Costs

Under Government Auditing Standards

None

For year ended June 30, 2017

Schedule of Findings and Questioned Costs

Under Uniform Guidance

None

For year ended June 30, 2017