

**ALLEN COUNTY
COMMUNITY COLLEGE**

Iola, Kansas

Independent Auditors' Report and
Financial Statements with
Supplementary Information

For the Year Ended June 30, 2018

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, 2018 with selected comparative information for the year ended June 30, 2017. 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.

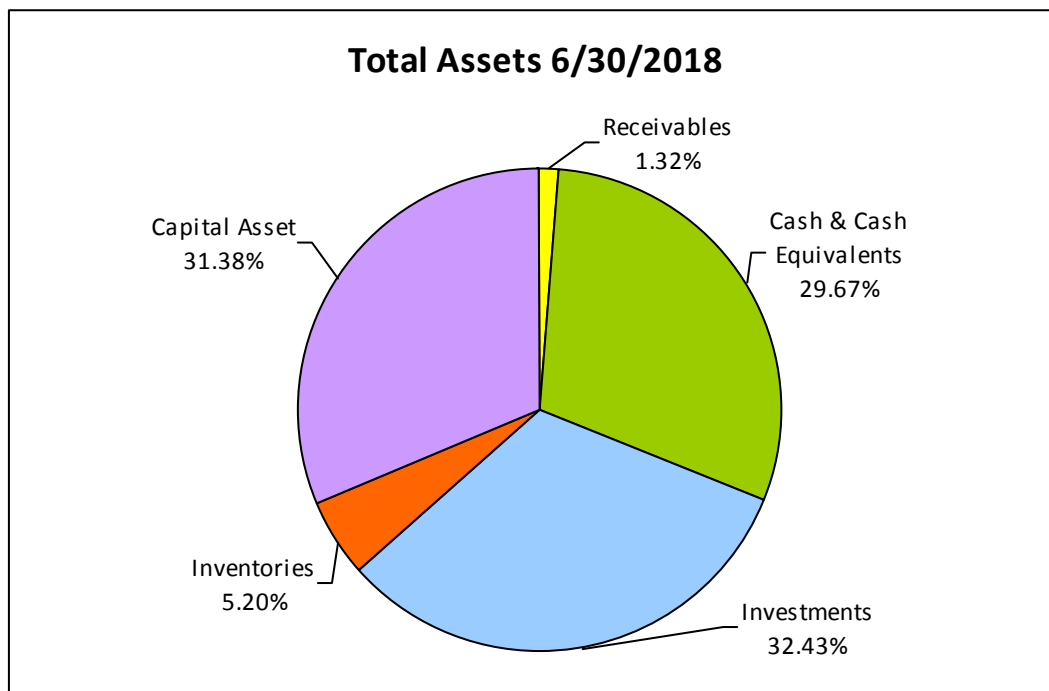
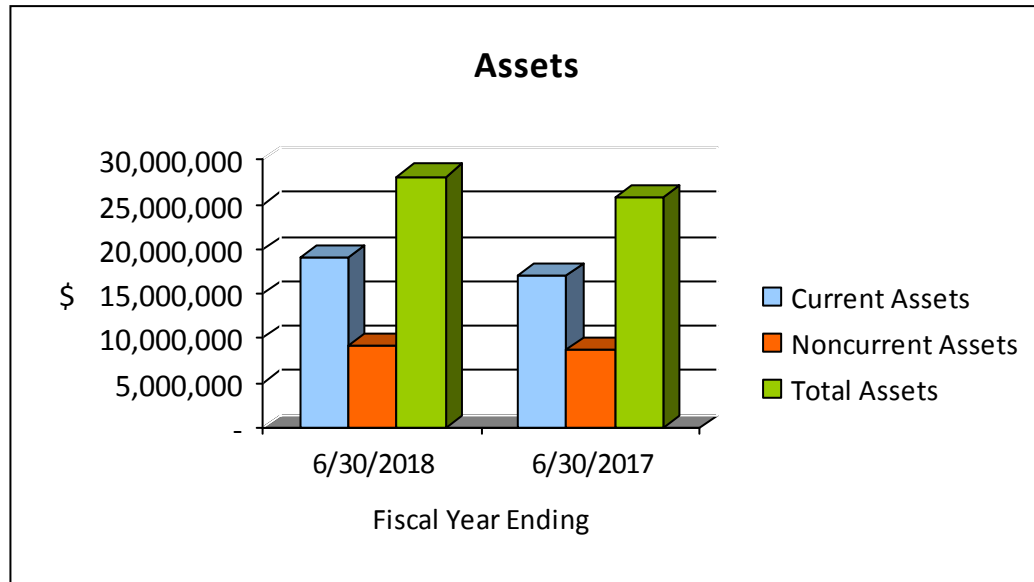
From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net Position provides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

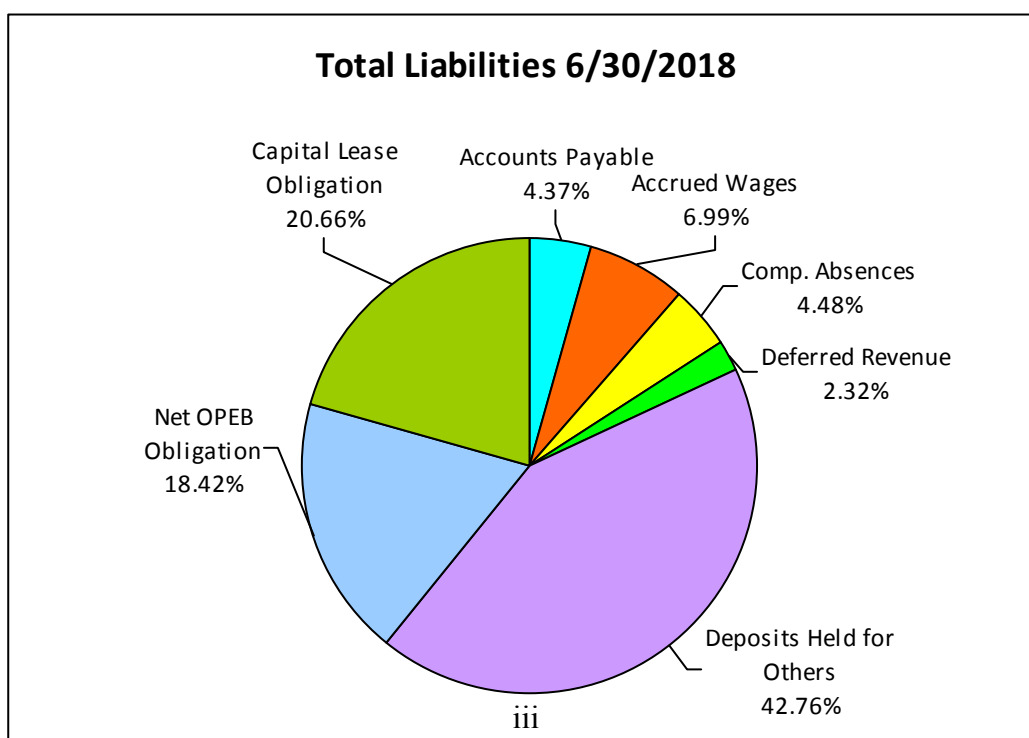
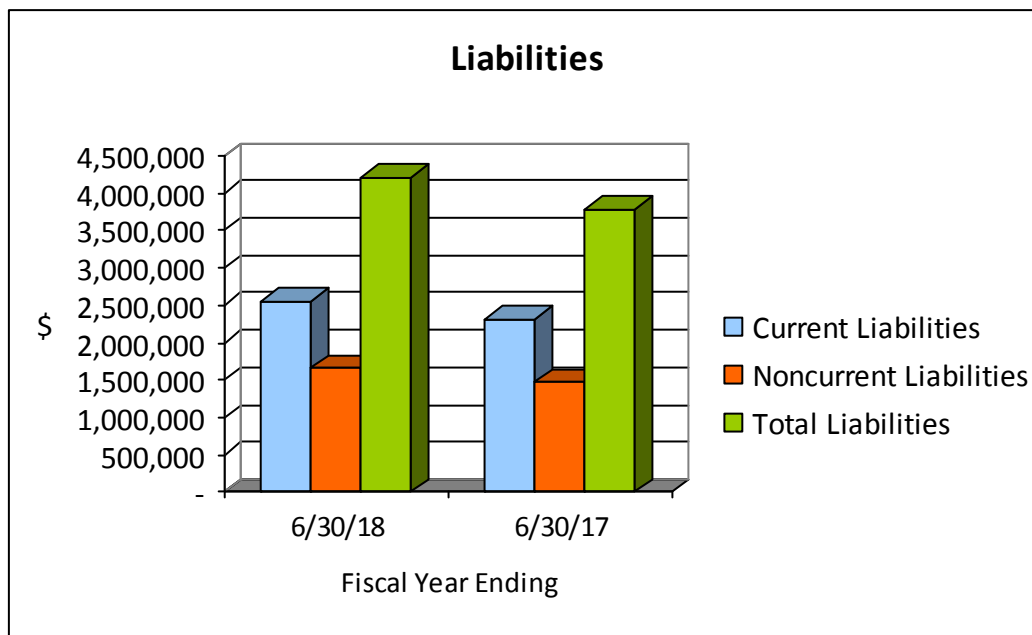
Assets

For the year ended June 30, 2018, total assets increased \$2,398,931 [9.3%] over the previous fiscal year. The net increase in total assets included a decrease in Cash and Cash Equivalents of (\$3,547,864) [-29.8%], an increase in Capital Assets (Net of Depreciation) of \$1,636,117 [22.7%], and an increase in investments of \$4,112,087 [81.9%].



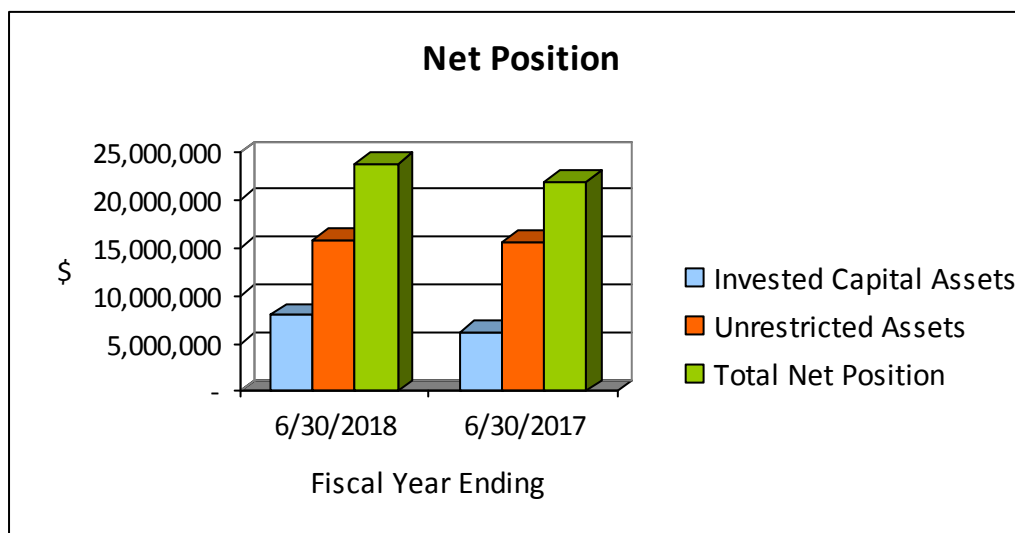
Liabilities

For the year ended June 30, 2018, total liabilities increased \$421,709 [11.1%] over the previous year. The net change in total liabilities can be attributed to an increase in Accounts Payable of \$28,603 [18.4%], a decrease in accrued wages of (\$9,538) [-3.1%], an increase in Deposits Held for Others of \$238,686 [15.3%], an increase in compensated absences of \$9,630 [5.4%], a decrease in Deferred Revenue of (\$30,152) [-23.6%], a decrease in Net OPEB Obligation of (\$112,383) [-12.7%], and a decrease in Capital Lease Obligations in the amount of (\$75,000) [-7.9%].



Net Position

Total Net Position increased \$1,859,123 [8.5%] for the year ending June 30, 2018. The change was mainly due to an increase in Capital Assets of \$1,711,117. 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.

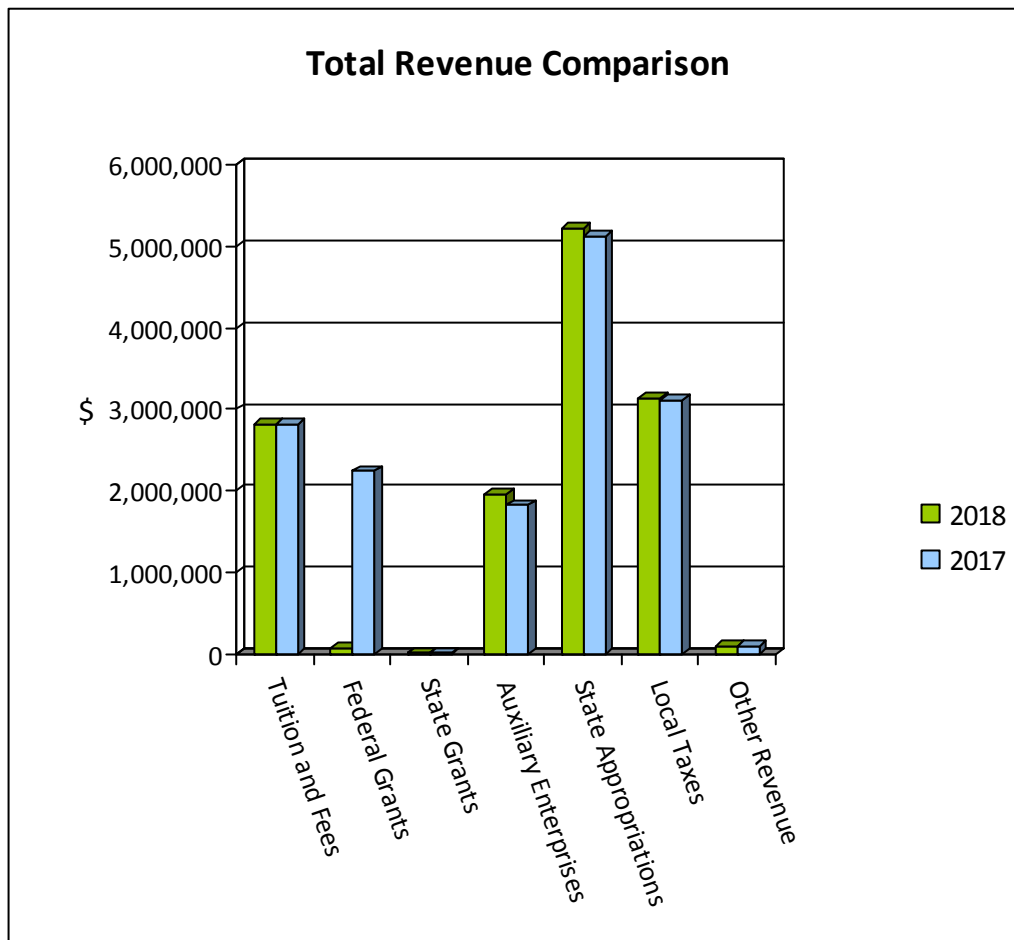
Analysis of Revenues and Expenses

Revenues

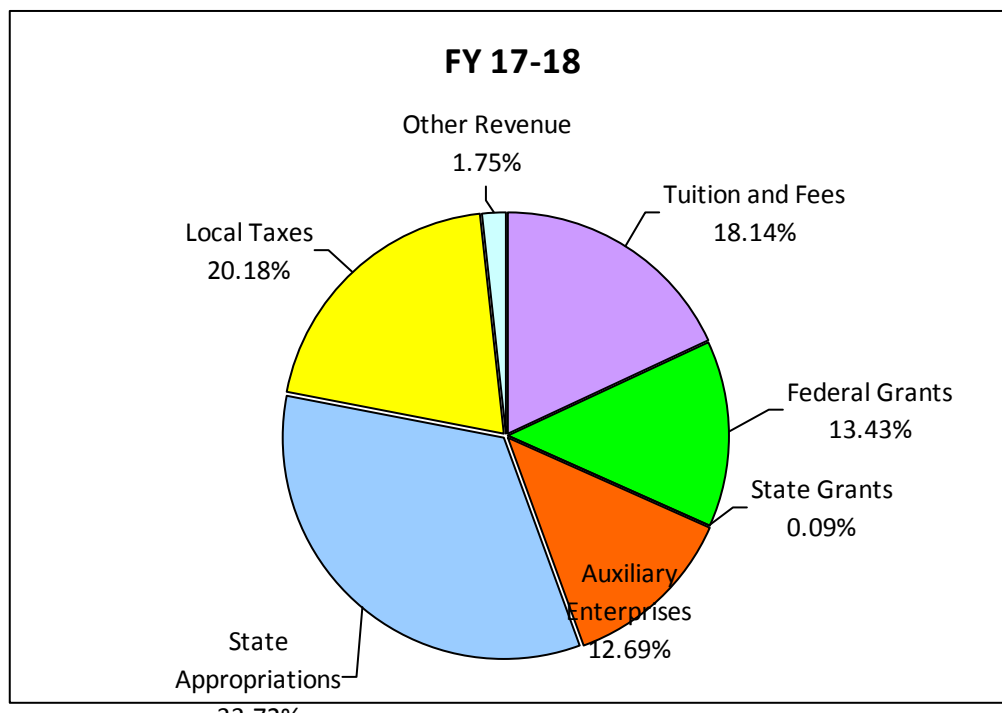
Total revenue for the 2017-2018 fiscal year decreased (\$92,640) [-4.64%].

Operating revenues decreased (\$160,812) [-.01%]. The change consisted of an increase in Student Tuition and Fees (net of scholarship discounts and allowances) of \$6,930 [0.0%], an decrease in Federal Grants and Contracts of (\$10,970) [-13.2%], an increase in Auxiliary Enterprises Sales of \$141,164 [7.7%] and an increase in Other Operating Revenue of \$2,035 [2.0%].

Non-operating revenues (expenses) decreased (\$231,799) [-2.2%]. The change consisted of an increase in State Appropriations of \$ 107,336 [2.1%], an increase in County Appropriations of \$21,992 [.7%], a decrease in Federal Pell Grants of (\$149,815) [-6.9%], an increase in investment income of (\$122,765) [-42.4%], and a decrease in debt service of (\$127,732).

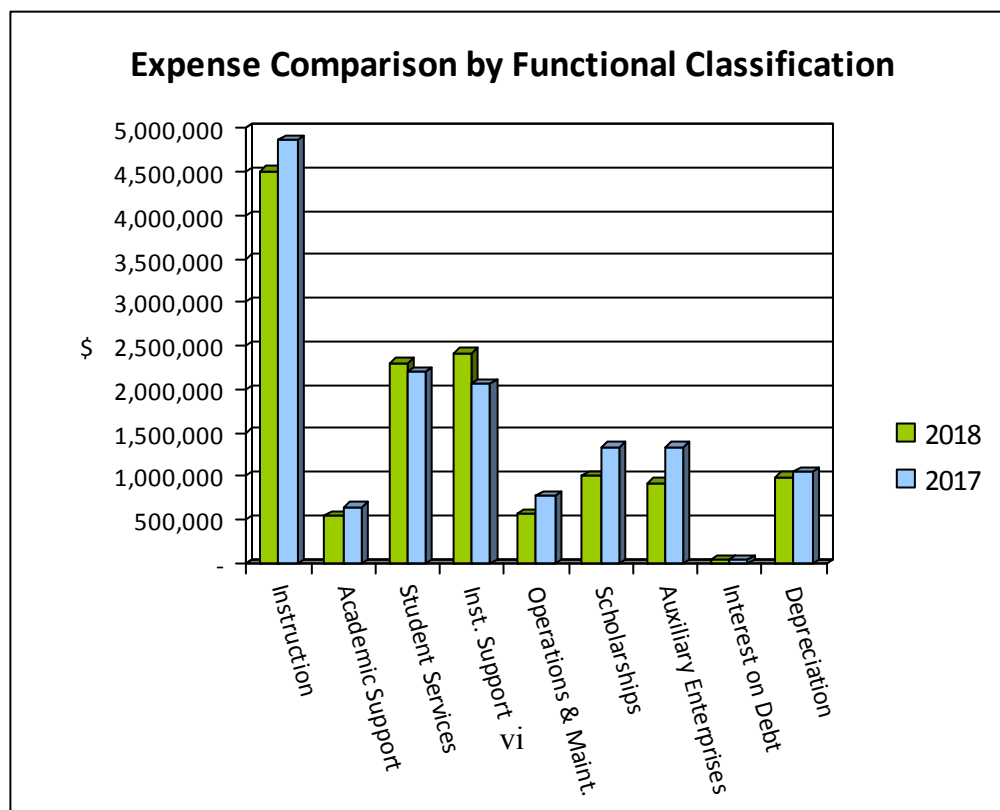


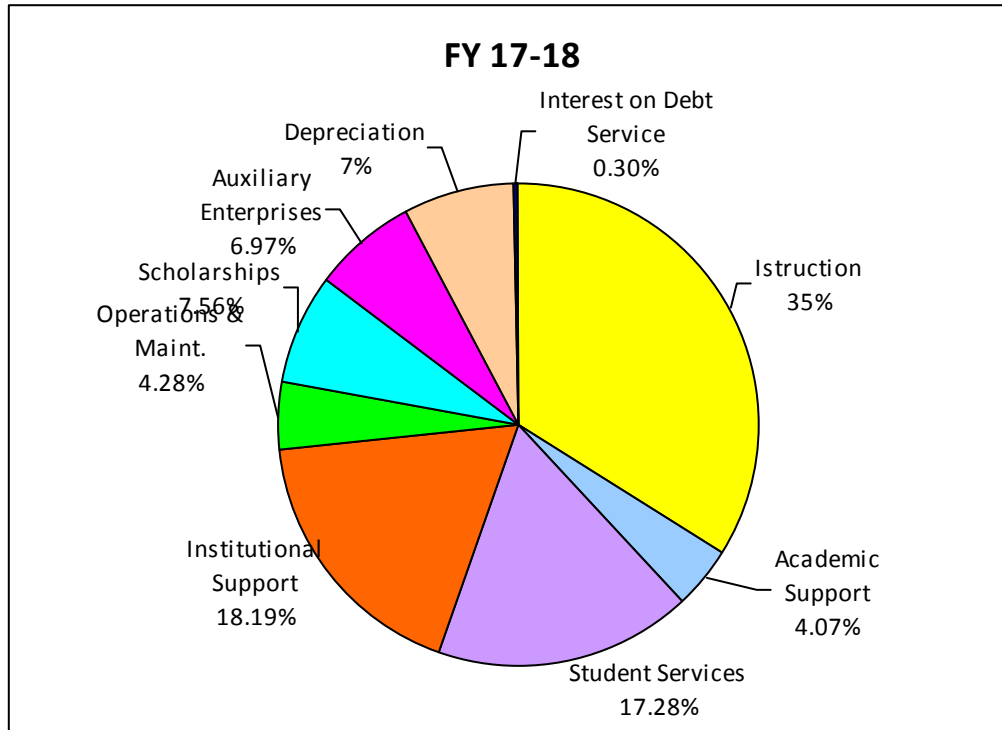
Allen County Community College receives revenue from seven sources:



Expenses

Total operating expenses for 2017-2018 decreased (\$1,014,147) [-7.1%]. The overall decrease resulted from lower Scholarship and Awards costs of (\$330,011). The reduction in those costs was due to a changes in scholarship application dates. Auxiliary Enterprise expenses also fell by \$412,459 [30.8%], which was due to lower bookstore operating costs through decreased rental book purchases during the year.



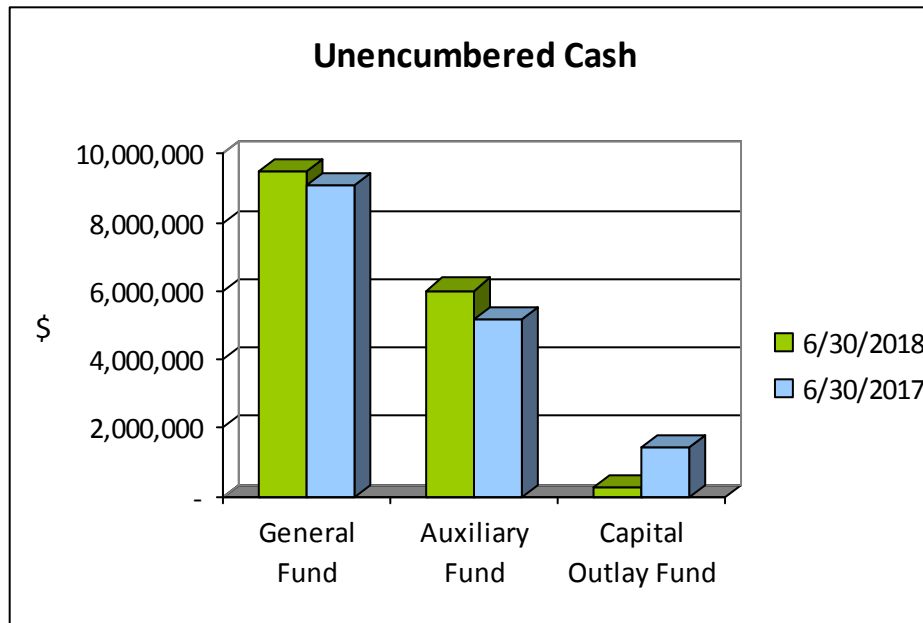


Statement of Cash Flows

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, 2018, the College utilized cash reserves from the Capital Outlay Fund to finance phase one of the Student Center Addition and Renovation Project that is associated with a Master Facility Plan developed in fiscal year 2012-2013. The College also finished a classroom and office remodel project that began in FY2016-17. Deferred maintenance and preventative maintenance items such as shower and plumbing upgrades, exterior brick repairs, parking lot repairs, boiler upgrades and parking lot lighting repairs totaled \$80,168, down from \$156,578 the previous year. Funding for facility projects came from the General Fund, Auxiliary Fund and Capital Outlay Fund. The College currently has outstanding capital lease debt of \$870,000. Remaining term of debt is 8 years with annual debt service requirements of \$117,837.50.

Economic Outlook

The College remains strong financially with adequate cash reserves, even as they expend reserves on capital projects around the Iola Campus. We expect aid from the State of Kansas to remain steady in 2018-2019 and do not expect increases in state aid for academic programs in the near future. Assessed valuation of property in Allen County has remained steady after substantial increases in 2015-16. With the increase in local revenue, tuition costs are projected to remain stable. The College continues to focus on preventative maintenance of facilities, while following the capital improvement plan put forth in the College's strategic plan. The College remains profitable through thoughtfully planned budgets that align with the College strategic plan, and continued expenditure management. 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, 2018, 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.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the June 30, 2017 financial statements have been restated to correct a prior year misstatement. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 12 and 21 to the financial statements, the June 30, 2017 financial statements have been restated to adopted new accounting guidance with implementation of GASB Statement 75, Accounting and financial reporting for postemployment Benefits other than Pensions, which replaces GASB Statement No. 45. Our opinion is not modified with respect to this matter.

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, 2018, 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 30 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 31 to 42, 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of "Municipality", Kansas as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated November 28, 2017, which contained an unmodified opinion on the basic financial statement. The 2017 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://www.admin.ks.gov/offices/chieffinancial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2018 (Schedules 4 to 8 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 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 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2014 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 2017 basic financial statement or to the 2017 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 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2017, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018 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
December 3, 2018

ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Statement of Net Position

June 30, 2018

	Primary Institution	Component Unit- Endowment Association
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 8,074,851	\$ 472,791
Accounts Receivable, Net	320,091	167,954
Inventories	1,466,131	-
Investments	9,135,694	5,733,254
Total Current Assets	18,996,767	6,373,999
Noncurrent Assets		
Cash and Cash Equivalents	283,141	-
Accounts Receivable, Net	11,587	5,660
Capital Assets, Net of Accumulated Depreciation	8,842,388	170,388
Total Noncurrent Assets	9,137,116	176,048
TOTAL ASSETS	28,133,883	6,550,047
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	5,551	-
LIABILITIES		
Current Liabilities		
Accounts Payable	184,174	225,738
Accrued Wages	294,362	-
Compensated Absences	188,624	-
Deferred Revenue	85,902	-
Deposits Held in Custody for Others	1,800,508	-
Total Current Liabilities	2,553,570	225,738
Noncurrent Liabilities		
Net OPEB Obligation	775,650	-
Capital Lease Obligations	870,000	-
Deferred Revenue	11,587	-
TOTAL LIABILITIES	4,210,807	225,738
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	123,650	-
NET POSITION		
Invested in Capital Assets, Net of Related Debt	7,972,388	-
Restricted - Expendable	-	1,131,613
Restricted - Nonexpendable	-	2,109,112
Unrestricted	15,832,589	3,083,584
TOTAL NET POSITION	\$ 23,804,977	\$ 6,324,309

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, 2018

	Primary Institution	Component Unit- Endowment Association
REVENUES		
Operating Revenues		
Student Tuition and Fees, Net of Scholarship		
Discounts and Allowances of \$1,622,048	\$ 2,815,902	\$ -
Federal Grants and Contracts	72,170	-
State Grants and Contracts	13,601	-
Sales and Services of Auxiliary Enterprises	1,964,920	-
Other Operating Revenues	104,305	9,080
Total Operating Revenues	4,970,898	9,080
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	4,510,568	-
Academic Support	541,712	-
Student Services	2,300,590	2,728
Institutional Support	2,422,247	100,464
Operation and Maintenance	570,274	-
Scholarships and Awards	1,006,472	213,813
Auxiliary Enterprises	928,305	-
Depreciation Expense	996,132	-
Total Operating Expenses	13,276,300	317,005
Operating Income (Loss)	(8,305,402)	(307,925)
Nonoperating Revenues (Expenses)		
State Appropriations	5,222,614	-
County Appropriations	3,125,814	-
Federal Pell Grants	2,007,560	-
Debt Service	(39,831)	-
Gifts	-	199,421
Investment Income	166,740	309,642
Gain (Loss) on Sale of Assets	(3,652)	-
Unrealized Gain (Loss) on Investments	-	41,086
Net Nonoperating Revenues (Expenses)	10,479,245	550,149
Increase (Decrease) in Net Position	2,173,843	242,224
Net Position - End of Year, as Previously Reported	21,945,854	6,082,085
Prior Period Adjustment, Note 21	(314,720)	-
Net Position - Beginning of Year, as Restated	21,631,134	6,082,085
Net Position - End of Year	\$ 23,804,977	\$ 6,324,309

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, 2018

	Primary Institution	Component Unit- Endowment Association
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 2,833,401	\$ -
Federal Grants and Contracts	72,170	-
State Grants and Contracts	13,601	-
Sales and Services of Auxiliary Enterprises	1,964,920	-
Miscellaneous Income	104,305	9,080
Payments on Behalf of Employees	(6,656,902)	-
Payments for Supplies and Materials	(566,899)	-
Payments for Other Expenses	(5,159,077)	(155,976)
Net cash provided by (used in) operating activities	(7,394,481)	(146,896)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	5,222,614	-
County Appropriations	3,125,814	-
Federal Pell Grant	2,007,560	-
Federal Direct Loans	1,319,575	-
Federal Direct Loans Awarded	(1,319,575)	-
Gifts	-	44,711
Net cash provided by (used in) noncapital financing activities	10,355,988	44,711
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Payments for Purchase of Capital Assets	(2,449,193)	-
Principal Payments for Long-Term Debt	(75,000)	-
Debt Service Payments for Long-Term Debt	(39,831)	-
Proceeds from the Sale of Assets	-	-
Cash Collections from Endowment Contributions	-	75,437
Net cash provided by (used in) capital financing activities	(2,564,024)	75,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	15,128,130	1,438,764
Purchase of Investments	(19,240,217)	(1,582,905)
Interest Earned on Investments	166,740	104,052
Net cash provided by (used in) investing activities	(3,945,347)	(40,089)
 Net Increase (Decrease) in Cash and Cash Equivalents	 (3,547,864)	 (66,837)
Cash and Cash Equivalents, Beginning of Year	11,905,856	539,628
Cash and Cash Equivalents, End of Year	\$ 8,357,992	\$ 472,791

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, 2018

	Primary Institution	Component Unit- Endowment Association
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (8,305,402)	\$ (307,925)
Adjustments to Reconcile Change in Net Position to Net Cash Used in Operating Activities:		
Depreciation Expense	996,132	1,485
Noncash Contributions	-	84,384
Deferred Outflows - Pension	539	-
Deferred Inflows - Pension	(12,005)	-
(Increase) Decrease in Receivables	47,651	-
(Increase) Decrease in Prepaid Expense	-	-
(Increase) Decrease in Inventory	(246,242)	-
Increase (Decrease) in Accounts Payable	28,603	75,160
Increase (Decrease) in Accrued Wages	(9,538)	-
Increase (Decrease) in Compensated Absences	9,630	-
Increase (Decrease) in OPEB Obligations	(112,383)	-
Increase (Decrease) in Deferred Revenue	(30,152)	-
Increase (Decrease) in Deposits Held for Others	238,686	-
Net cash provided by (used in) operating activities	<u>\$ (7,394,481)</u>	<u>\$ (146,896)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF Net Position		
Cash and Cash Equivalents classified as current assets	\$ 8,074,851	\$ 472,791
Cash and Cash Equivalents classified as non-current assets	<u>283,141</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 8,357,992</u>	<u>\$ 472,791</u>

Supplemental Information:

Non Cash Contributions - Management and General	\$ -	\$ 68,955
Non Cash Contributions - Items for Annual Auction	-	15,429
Cash Paid for Interest	39,838	-

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, 2018

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, 2017.

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, 2018.

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.

Recent pronouncements

Adopted: In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which replaces GASB Statement No. 45 and requires balance sheet recognition of a liability which resembles the current unfunded accrued liability. The Statement is effective for fiscal years beginning after June 15, 2017. Management has elected to adopt this update to the extent practically possible for the fiscal year ended June 30, 2018. The impact of adopting this update is reflected in the financial statements.

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, 2018, the College has the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		<u>Rating</u>
		<u>Less than 1</u>	<u>1 - 2</u>	
Kansas Municipal Investment Pool				
Overnight Pool	\$ 5,063,991	\$ 5,063,991	- -	S&P AAAf/S1+
180 Day Fixed	5,111,160	5,111,160	- -	S&P AAAf/S1+
365 Day Fixed	4,024,534	4,024,534	- -	S&P AAAf/S1+

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, 2018, 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, 2018.

Deposits: At year-end, the College's carrying amount of deposits, including certificates of deposit is \$3,293,153 and the bank balance was \$3,728,787. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$295,742 was covered by FDIC insurance and \$3,433,045 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.

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

At year-end, the College had invested \$14,199,685 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 June 30, 2018, the carrying amount of the Endowment Association's deposits were \$472,791. The bank balance was held by one bank and one investment company resulting in a concentration of credit risk. The bank balance was \$472,958. Of the bank balance \$154,578 was covered by FDIC insurance and the remaining \$318,380 was covered SIPC insurance.

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, 2018, are comprised of the following:

	<u>FAIR VALUE</u>
Common Stock	\$ 3,624,220
Fixed Income Securities	2,109,034
	<u>\$ 5,733,254</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.

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, 2018.

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.

June 30, 2018				
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,624,220	\$ - -	\$ --	\$ 3,624,220
Fixed Income	<u>- -</u>	<u>2,109,034</u>	<u>- -</u>	<u>2,109,034</u>
Total	<u>\$ 3,624,220</u>	<u>\$ 2,109,034</u>	<u>\$ - -</u>	<u>\$ 5,733,254</u>

There were no transfers between level 1 and level 2 investments during the year ended June 30, 2018.

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable at June 30, 2018, consisted of the amounts due under the following grant programs:

	<u>Primary Institution</u>
Current:	
Taxes in Process	\$ 57,272
Federal Grants	14,169
Scholarship Reimbursement	225,738
Student Accounts - current	<u>22,912</u>
Total Accounts Receivable - Current	<u>\$ 320,091</u>
Noncurrent:	
Taxes in Process	<u>\$ 11,587</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 \$56,062 at June 30, 2018. 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, 2018 consist of the following:

Less than one year	\$ 167,954
One to five years	5,660
Total unconditional promises to give	<u>\$ 173,614</u>

8. INVENTORIES

Inventories consisted of the following at June 30, 2018:

Book Store Inventory	
Rental Books	\$ 1,422,063
Books	19,678
Soft Goods	3,446
Supplies	14,850
Gifts	<u>6,094</u>
Total Inventories	<u>\$ 1,466,131</u>

9. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2018:

Primary Institution:

	Balance 06/30/2017	Additions	Retirements	Balance 06/30/2018
Capital assets not being depreciated				
Land	\$ 37,550	\$ -	\$ -	\$ 37,550
Other Capital Assets				
Buildings and Improvements	15,647,338	2,393,841	-	18,041,179
Building Under Capital Lease	2,170,366	-	-	2,170,366
Equipment	3,889,348	55,352	42,900	3,901,800
Total Other Capital Assets	21,707,052	2,449,193	42,900	24,113,345
Accumulated Depreciation				
Buildings and Improvements	(10,350,483)	(612,763)	-	(10,963,246)
Buildings and Improvements Under Building Under Capital Lease	(868,147)	(86,814)	-	(954,961)
Equipment	(3,132,993)	(296,555)	(39,248)	(3,390,300)
Total Accumulated Depreciation	(14,351,623)	(996,132)	(39,248)	(15,308,507)
Total Net Capital Assets	\$ 7,392,979	\$ 1,453,061	\$ 3,652	\$ 8,842,388

Component Unit:

	Balance 06/30/2017	Additions	Retirements	Balance 06/30/2018
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	(9,407)	(1,485)	-	(10,892)
Total Accumulated Depreciation	(9,407)	(1,485)	-	(10,892)
Capital Asset Summary				
Net Land, Buildings, and Improvements	171,873	(1,485)	-	170,388
Total Net Capital Assets	\$ 171,873	\$ (1,485)	\$ -	\$ 170,388

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.

<u>Capital Lease – Masterson Hall</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2019	\$ 116,737
2020	118,448
2021	119,816
2022	116,081
2023	117,194
2023-2027	<u>474,165</u>
Total Net Minimum Lease Payments	1,062,441
Less: Imputed Interest	<u>(192,441)</u>
Net Present Value of Capital Lease	<u>870,000</u>
Less: Current Maturities	<u>(80,000)</u>
Long-Term Capital Lease Obligations	<u>\$ 790,000</u>

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, 2018, was \$17,643. Future minimum rental payments are as follows:

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, 2018, was \$648. There are no future minimum rental payment.

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, 2018, 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, 2018, was \$5,006.

11. **LEASE AGREEMENTS**

The College has entered into a two-year lease agreement with Parkford Apartments, Iola, Kansas, to lease two apartments for student housing, effective June 1, 2018. The total payments made under this lease agreement during the year ended June 30, 2018, was \$21,780. Future minimum rental payments are as follows:

2019	\$ 19,965
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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, 2018. The total payments made under this lease agreement during the year ended June 30, 2018, was \$19,965. Future minimum rental payments are as follows:

2019	\$ 23,595
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The College has entered into a two-year lease agreement with Parkford Apartments, Iola, Kansas, to lease two apartments for student housing, effective August 1, 2017. The total payments made under this lease agreement during the year ended June 30, 2018, was \$13,310. Future minimum rental payments are as follows:

2019	\$ 14,520
2020	14,520
2021	1,210

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.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

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.

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 1.2% of total payroll.

The actuarially determined employer contribution rates and the statutory contribution rates for school employees are 16.03 % and 10.81%, 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.

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

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, 2017, the proportion recognized by the State of Kansas on behalf of the College was .1087%, which was an increase of .0003% from the proportion measured at June 30, 2017.

Net Pension Liability

At June 30, 2017 and 2016, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$7,300,273 and \$7,286,003, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions:

Price inflation	2.75%
Wage inflation	2.75%
Salary increases, including wage increases	3.50 to 12.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75%

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, 2016 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2015.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. 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, 2018, the College recognized revenue and pension expense in an equal amount of \$613,555.

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.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

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, 2018:

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

For the year ended June 30, 2018, the College has estimated a net unfunded obligation for future OPEB's of \$215,418 for employees not already taken early retirement as of June 30, 2018.

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.

Early Retiree Health Insurance:

On July 1, 2017, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans. Specifically, Statement No. 75 recognizes the long-term obligation for health and life insurance benefits offered to retirees. The accounting change adopted to conform to the provisions of GASB 75 has been applied retroactively by restating the beginning net position for the fiscal year ended June 30, 2017 by \$501,428, which included recording an adjustment to the Other Postemployment Benefits obligation of \$371,863, an initial deferred outflow of resources of \$135,655, and an initial deferred inflow of resources of \$6,090. As the data needed to implement this standard for all periods presented was not available for periods prior to July 1, 2017, the College has elected to not restate information presented for the period ended June 30, 2017.

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Plan Description: The College sponsors Medical and Dental insurance to qualifying retirees and their dependents. Coverage is provided through fully-insured contracts that collectively operate as a single-employer defined benefit plan. Qualifying retirees are those employees who are eligible for immediate retirement benefits under the Kansas Public Employees Retirement System and retire prior to age 65. Retirees and spouses may continue coverage with the College until their Medicare eligibility (i.e. age 65). Participants are required to contribute 100% of group insurance premiums to maintain coverage. Age-adjusted costs may exceed group insurance premiums thus creating an age-subsidy or benefit that forms the basis for the valuation. The plan is identifiable as a single-employer plan. There are 106 total active employees and 11 retirees who are participating in the plan as of July 1, 2017, the census date used for the actuarial valuation.

Funding policy: Costs under the College's group insurance program are paid from general operating assets on a pay-as-you-go basis. This arrangement does not qualify as an "OPEB Plan" under GASB requirements and thus these assets may not be reported as an offset to GASB liabilities. The Board has the authority for establishing and amending the funding policy.

Total OPEB Liability: The College's total OPEB liability of \$775,650 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2017
Measurement Date (End of Year)	June 30, 2018
Reporting Date	June 30, 2018
Discount Rate	3.30% (Measurement Date)
	3.40% (Year Preceding Measurement Date)
Salary Scale	3.0%
Actuarial Cost Method	Entry Age – Level Percent-of-Pay
Health Care Cost Trend Rates	8% decreasing 0.5% per year until reaching an ultimate trend rate of 5%

The average of the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year published yields was evaluated to determine the discount rate. The selected rates are 3.40% (beginning-of-year measurement) and 3.30% (end-of-year measurement).

The assumed mortality was changed to the Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2017 Full Generational Improvement. The prior valuation utilized the MP-2015 mortality improvement scale.

Annual OPEB cost and net OPEB obligation:

GASB 75 Implementation Adjustment

I. Net OPEB Liability (GASB 75) – Beginning of FY 2017-18	\$ 888,033
II. Net OPEB Obligation / (Asset) (GASB 45) – End of FY 2016-17	<u>516,170</u>
III. Increase / (Decrease) in Liability (I minus II)	<u>371,863</u>

Net OPEB Liability

I. Total OPEB Liability	775,650
II. Plan Fiduciary Net Position (Trust Assets)	<u>0</u>
III. Net OPEB Liability at June 30, 2018 (I minus II)	<u>775,650</u>

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

OPEB Liability Changes

Total OPEB Liability – Beginning of Year	\$ 888,033
1. Service Cost	69,302
2. Interest Cost	31,529
3. Changes in Benefit Terms	(23,649)
4. Differences between actual and expected experience	(135,655)
5. Changes in assumptions and inputs	6,090
6. Employer Contributions (Benefit Payments)	60,000
Net Changes (1 + 2 + 3 + 4 + 5 – 6)	<u>(112,383)</u>
Total OPEB Liability – End of Year	<u>775,650</u>

OPEB Expense – Fiscal Year 2017-18

1. Service Cost	69,302
2. Interest on Total OPEB Liability	31,529
3. Differences between expected and actual experience	(12,005)
4. Changes of assumptions and inputs	539
5. Changes in Benefit Terms	(23,649)
6. Projected earnings on OPEB plan investments	0
7. Differences between projected & actual earnings on OPEB investments	<u>0</u>
OPEB Expense (1 + 2 + 3 + 4 + 5 - 6+7)	<u>65,716</u>

OPEB Liability as a percentage of payroll

Total OPEB Liability	775,650
Payroll	*4,575,191
Percent of Payroll	17.0%

* Annualized pay as of July 1, 2017 of active employees included in the valuation

Sensitivity of Total OPEB Liability to changes in the Discount Rate

	1% Decrease 2.30%	Current Single Discount Rate Assumption 3.30%	1% Increase 4.30%
Total OPEB Liability	839,177	775,650	716,925
Increase/(Decrease) from Baseline	63,527		(58,725)

Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Rate

	1% Decrease	Current Trend Assumption	1% Increase
Total OPEB Liability	688,089	775,650	880,049
Increase/(Decrease) from Baseline	(87,561)		104,399

12. OTHER POST EMPLOYMENT BENEFITS (Continued)

Deferred Outflows and Inflows of Resources: The accumulated amount of Deferred Outflows and Inflows of Resources as of June 30, 2018 are shown below.

Category	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience (1)	0	123,650
Changes in Assumptions (2)	5,551	0
Contributions Subsequent to Measurement Date (3)	0	0

(1) Actual 2017-18 plan year retiree contribution premium rates were higher than expected causing a reduction in the actuarial accrued liability.

(2) The discount rate was changed from 3.40% to 3.30%.

(3) Expected Employer Contributions between Measurement date and Reporting date – Does not apply.

Amounts reported as deferred outflows / inflows of resources related to OPEB will be recognized as an expense / (income) item in OPEB expense as follows:

Fiscal Year Ending	Amount
2019	(11,466)
2020	(11,466)
2021	(11,466)
2022	(11,466)
2023	(11,466)
2024 & Thereafter	(60,769)

Average Expected Remaining Service Life: 11.3 years

Changes in Benefit Terms: The College added a HDHP during the year. This decreased the actuarial accrued liability by \$23,649 and is fully recognized into income during fiscal year 2017-18.

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, 2018, 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, 2018, was \$1,131,613.

16. CONCENTRATION OF RISK

58% of the Endowment Association's monies at June 30, 2018, 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 Endowment Association acts largely as a fund raising 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 Endowment Association serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Endowment Association's board of directors. The Endowment Association disbursed to, or on behalf of, the College for the year ended June 30, 2018, was \$213,813, respectively. The College disbursed on behalf of the Endowment Association donated services and facilities for the year ended June 30, 2018, was \$68,955.

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	\$ 12,105
General Fund	Supplemental Education	
	Opportunity Grant Fund	10,734

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. PRIOR PERIOD ADJUSTMENT

During the capitalization of assets for the fiscal year ended June 30, 2018, it was discovered that a classroom remodel project was started and had an initial payment of \$186,708 which was expensed rather than capitalized. Net Position has been restated to capitalize the construction in progress, which would have reduced expenses for the fiscal year June 30, 2017 by \$186,708.

Also during the fiscal year, the College has implemented GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" replacing GASB 45. The accounting change adopted to conform to the provisions of GASB 75 has been applied retroactively by restating the beginning net position for the fiscal year ended June 30, 2017 by \$501,428, which included recording an adjustment to the Other Postemployment Benefits obligation of \$371,863, an initial deferred outflow of resources of \$135,655, and an initial deferred inflow of resources of \$6,090. As the data needed to implement this standard for all periods presented was not available for periods prior to July 1, 2017, the College has elected to not restate information presented for the period ended June 30, 2017. See footnote 12 for additional funding information.

22. SUBSEQUENT EVENTS

The College evaluated events and transactions occurring subsequent to June 30, 2018, 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, 2018

Schedule 1**ALLEN COUNTY COMMUNITY COLLEGE**
Iola, Kansas

Schedule of Funding Progress

For the Year Ended June 30, 2018*

OPEB Liability Changes	
Total OPEB Liability – Beginning of Year	\$ 888,033
1. Service Cost	69,302
2. Interest Cost	31,529
3. Changes in Benefit Terms	(23,649)
4. Differences between actual and expected experience	(135,655)
5. Changes in assumptions and inputs	6,090
6. Employer Contributions (Benefit Payments)	<u>60,000</u>
Net Changes (1 + 2 + 3 + 4 + 5 – 6)	<u>(112,383)</u>
Total OPEB Liability – End of Year	<u>775,650</u>
OPEB Liability as a percentage of payroll	
Total OPEB Liability	775,650
Payroll	4,575,191
Percent of Payroll	17.0%

* This schedule is to be built prospectively until it contains ten years of data

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

Funding policy: Costs under the College's group insurance program are paid from general operating assets on a pay-as-you-go basis, not assets are accumulated to pay related benefits.

Changes in Assumptions: Changes in assumptions or other inputs reflect a change in the discount rate from 3.40% (beginning-of-year measurement) to 3.30% (end-of-year measurement).

ALLEN COUNTY COMMUNITY COLLEGE
IOLA, KANSAS

SUPPLEMENTARY INFORMATION

ALLEN COUNTY COMMUNITY COLLEGE
Iola, Kansas
Combining Schedule of Net Position - Primary Institution
June 30, 2018

	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	\$ 3,895,937	\$ 40,902	\$ 6,501	\$ 2,589,359	\$ -	\$ (876)	\$ (5,854)	\$ (3,098)
Investments	7,135,694	-	-	2,000,000	-	-	-	-
Receivables								
Taxes in Process	57,272	-	-	-	-	-	-	-
Federal	2,805	-	-	-	-	1,012	6,878	3,474
Other	22,912	-	-	-	-	-	-	-
Inventories	-	-	-	1,466,131	-	-	-	-
Total Current Assets	11,114,620	40,902	6,501	6,055,490	-	136	1,024	376
Noncurrent Assets								
Cash and Cash Equivalents	-	-	-	-	-	-	-	-
Receivables								
Taxes in Process	-	-	-	-	-	-	-	-
Capital Assets	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	11,114,620	40,902	6,501	6,055,490	-	136	1,024	376
DEFERRED OUTFLOWS OF RESOURCES								
Pension Related Deferred Outflows	5,551	-	-	-	-	-	-	-
LIABILITIES								
Current Liabilities								
Accounts Payable	182,638	-	-	-	-	136	1,024	376
Accrued Wages	269,147	19,710	-	5,505	-	-	-	-
Compensated Absences	184,302	-	-	4,322	-	-	-	-
Deferred Revenue	85,902	-	-	-	-	-	-	-
Deposits Held in Custody for Others	-	-	-	22,790	-	-	-	-
Total Current Liabilities	721,989	19,710	-	32,617	-	136	1,024	376
Noncurrent Liabilities								
Net OPEB Obligation	775,650	-	-	-	-	-	-	-
Capital Lease Obligation	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1,497,639	19,710	-	32,617	-	136	1,024	376
DEFERRED INFLOWS OF RESOURCES								
Pension Related Deferred Inflows	123,650	-	-	-	-	-	-	-
NET POSITION								
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	-
Unrestricted	9,498,882	21,192	6,501	6,022,873	-	-	-	-
TOTAL NET POSITION	\$ 9,498,882	\$ 21,192	\$ 6,501	\$ 6,022,873	\$ -	\$ -	\$ -	\$ -

ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Combining Schedule of Net Position - Primary Institution
June 30, 2018

	STATE GRANTS	CAPITAL OUTLAY	INVESTMENT IN PLANT	AGENCY FUNDS	TOTALS - PRIMARY INSTITUTION
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 1,551,980	\$ 8,074,851
Investments	-	-	-	-	9,135,694
Receivables					
Taxes in Process	-	-	-	-	57,272
Federal	-	-	-	-	14,169
Other	-	-	-	225,738	248,650
Inventories	-	-	-	-	1,466,131
Total Current Assets	-	-	-	1,777,718	18,996,767
Noncurrent Assets					
Cash and Cash Equivalents	-	283,141	-	-	283,141
Receivables					
Taxes in Process	-	11,587	-	-	11,587
Capital Assets	-	-	24,150,895	-	24,150,895
Accumulated Depreciation	-	-	(15,308,507)	-	(15,308,507)
Total Noncurrent Assets	-	294,728	8,842,388	-	9,137,116
TOTAL ASSETS	-	294,728	8,842,388	1,777,718	28,133,883
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related Deferred Outflows	-	-	-	-	5,551
LIABILITIES					
Current Liabilities					
Accounts Payable	-	-	-	-	184,174
Accrued Wages	-	-	-	-	294,362
Compensated Absences	-	-	-	-	188,624
Deferred Revenue	-	-	-	-	85,902
Deposits Held in Custody for Others	-	-	-	1,777,718	1,800,508
Total Current Liabilities	-	-	-	1,777,718	2,553,570
Noncurrent Liabilities					
Net OPEB Obligation	-	-	-	-	775,650
Capital Lease Obligation	-	-	870,000	-	870,000
Deferred Revenue	-	11,587	-	-	11,587
TOTAL LIABILITIES	-	11,587	870,000	1,777,718	4,210,807
DEFERRED INFLOWS OF RESOURCES					
Pension Related Deferred Inflows	-	-	-	-	123,650
NET POSITION					
Invested in Capital Assets, Net of Related Debt	-	-	7,972,388	-	7,972,388
Unrestricted	-	283,141	-	-	15,832,589
TOTAL NET POSITION	\$ -	\$ 283,141	\$ 7,972,388	\$ -	\$ 23,804,977

ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Year Ended June 30, 2018

	GENERAL	POSTSECONDARY TECHNICAL EDUCATION	ADULT SUPPLEMENTAL EDUCATION	AUXILIARY ENTERPRISE	FEDERAL WORK STUDY	SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT	PELL GRANT	DIRECT LOAN PROGRAM
REVENUES								
Operating Revenues								
Student Tuition and Fees	\$ 3,204,074	\$ 1,233,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	3,744	-	-	-	36,314	32,112	-	1,319,575
State Grants and Contracts	-	-	-	-	-	-	-	-
Sales and Services of Auxiliary Enterprises	-	-	-	1,964,920	-	-	-	-
Other Revenues	104,305	-	-	-	-	-	-	-
Total Operating Revenues	3,312,123	1,233,876	-	1,964,920	36,314	32,112	-	1,319,575
EXPENSES								
Operating Expenses								
Educational and General								
Instruction	3,134,270	1,376,298	-	-	-	-	-	-
Academic Support	459,317	82,395	-	-	-	-	-	-
Student Services	2,155,862	175,665	-	-	-	-	-	-
Institutional Support	2,174,996	281,251	-	-	-	-	-	-
Operation and Maintenance	1,000,900	181,073	-	-	-	-	-	-
Scholarships and Awards	139,116	390,579	-	-	48,419	42,846	2,007,560	1,319,575
Auxiliary Enterprises	-	-	-	992,295	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-	-
Total Operating Expenses	9,064,461	2,487,261	-	992,295	48,419	42,846	2,007,560	1,319,575
Operating Income (Loss)	(5,752,338)	(1,253,385)	-	972,625	(12,105)	(10,734)	(2,007,560)	-
Nonoperating Revenues (Expenses)								
State Appropriations	3,948,039	1,274,575	-	-	-	-	-	-
County Appropriations	2,595,341	-	-	-	-	-	-	-
Federal Pell Grant	-	-	-	-	-	-	2,007,560	-
Interest Income	166,740	-	-	-	-	-	-	-
Debt Service	-	-	-	(114,831)	-	-	-	-
Gain (loss) on Sale of Assets	-	-	-	-	-	-	-	-
Operating Transfers	(22,839)	-	-	-	12,105	10,734	-	-
Net Nonoperating Revenues (Expenses)	6,687,281	1,274,575	-	(114,831)	12,105	10,734	2,007,560	-
Increase (Decrease) in Net Position	934,943	21,190	-	857,794	-	-	-	-
Net Position - Beginning of Year	8,563,939	2	6,501	5,165,079	-	-	-	-
Net Position - End of Year	\$ 9,498,882	\$ 21,192	\$ 6,501	\$ 6,022,873	\$ -	\$ -	\$ -	\$ -

ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Year Ended June 30, 2018

	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	\$ -	\$ -	\$ -	\$ 4,437,950	\$ (1,622,048)	\$ 2,815,902
Federal Grants and Contracts	-	-	-	1,391,745	(1,319,575)	72,170
State Grants and Contracts	13,601	-	-	13,601	-	13,601
Sales and Services of Auxiliary Enterprises	-	-	-	1,964,920	-	1,964,920
Other Revenues	-	-	-	104,305	-	104,305
Total Operating Revenues	13,601	-	-	7,912,521	(2,941,623)	4,970,898
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	-	-	-	4,510,568	-	4,510,568
Academic Support	-	-	-	541,712	-	541,712
Student Services	-	-	(30,937)	2,300,590	-	2,300,590
Institutional Support	-	-	(34,000)	2,422,247	-	2,422,247
Operation and Maintenance	13,601	1,694,966	(2,320,266)	570,274	-	570,274
Scholarships and Awards	-	-	-	3,948,095	(2,941,623)	1,006,472
Auxiliary Enterprises	-	-	(63,990)	928,305	-	928,305
Depreciation Expense	-	-	996,132	996,132	-	996,132
Total Operating Expenses	13,601	1,694,966	(1,453,061)	16,217,923	(2,941,623)	13,276,300
Operating Income (Loss)	-	(1,694,966)	1,453,061	(8,305,402)	-	(8,305,402)
Nonoperating Revenues (Expenses)						
State Appropriations	-	-	-	5,222,614	-	5,222,614
County Appropriations	-	530,473	-	3,125,814	-	3,125,814
Federal Pell Grant	-	-	-	2,007,560	-	2,007,560
Interest Income	-	-	-	166,740	-	166,740
Debt Service	-	-	75,000	(39,831)	-	(39,831)
Gain (loss) on Sale of Assets	-	-	(3,652)	(3,652)	-	(3,652)
Operating Transfers	-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)	-	530,473	71,348	10,479,245	-	10,479,245
Increase (Decrease) in Net Position	-	(1,164,493)	1,524,409	2,173,843	-	2,173,843
Net Position - Beginning of Year,	-	1,447,634	6,447,979	21,631,134	-	21,631,134
Net Position - End of Year	\$ -	\$ 283,141	\$ 7,972,388	\$ 23,804,977	\$ -	\$ 23,804,977

ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

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

For the Year Ended June 30, 2018

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, 2018

(With Comparative Actual Totals for the Year Ended June 30, 2017)

		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	\$ 2,369,703	\$ 2,070,975	\$ (20,864)	\$ 2,050,111	\$ 2,707,440	\$ (657,329)
Out-of-State and Foreign	257,574	286,984	-	286,984	-	286,984
Course Fees	755,831	833,333	-	833,333	741,600	91,733
Other Student Fees	12,530	12,782	-	12,782	-	12,782
Total Student Tuition and Fees	3,395,638	3,204,074	(20,864)	3,183,210	3,449,040	(265,830)
Federal						
Grant Administration	7,131	3,744	(2,805)	939	-	939
State						
Operating Grant	3,334,484	3,334,484	-	3,334,484	3,201,105	133,379
Other Appropriations	-	613,555	(613,555)	-	-	-
Total State	3,334,484	3,948,039	(613,555)	3,334,484	3,201,105	133,379
Local						
Ad Valorem Tax	2,323,810	2,347,525	-	2,347,525	2,461,967	(114,442)
Motor Vehicle Tax	218,445	218,670	-	218,670	205,172	13,498
Recreational Vehicle Tax	2,745	3,072	-	3,072	2,496	576
Delinquent Tax	26,025	23,326	-	23,326	23,926	(600)
In Lieu of Taxes	2,745	2,748	-	2,748	-	2,748
Total Local	2,573,770	2,595,341	-	2,595,341	2,693,561	(98,220)
Other Revenue						
Interest	87,901	166,740	-	166,740	162,050	4,690
Miscellaneous	49,907	73,226	-	73,226	-	73,226
Bad Debt Collections	25,831	31,079	(11,405)	19,674	-	19,674
Total Other	163,639	271,045	(11,405)	259,640	162,050	97,590
TOTAL REVENUES	9,474,662	10,022,243	(648,629)	9,373,614	9,505,756	(132,142)

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, 2018

(With Comparative Actual Totals for the Year Ended June 30, 2017)

	Prior Year Budget Basis	Current Year				
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over (Under)
EXPENDITURES						
Instruction	\$ 3,587,471	\$ 3,134,270	\$ 125,502	\$ 3,259,772	\$ 4,624,194	\$ (1,364,422)
Academic Support	599,237	459,317	(3,161)	456,156	553,665	(97,509)
Student Services	2,034,067	2,155,862	(4,868)	2,150,994	2,703,415	(552,421)
Institutional Support	1,496,408	2,174,996	(617,321)	1,557,675	2,055,893	(498,218)
Operation and Maintenance	761,364	1,000,900	1,950	1,002,850	1,358,953	(356,103)
Scholarships and Awards	140,982	139,116	-	139,116	165,750	(26,634)
Debt Service	-	-	-	-	-	-
TOTAL EXPENDITURES	8,619,529	9,064,461	(497,898)	8,566,563	11,461,870	(2,895,307)
OTHER ADDITIONS (DEDUCTIONS)						
Operating Transfers from (to)						
Federal Work Study	(13,879)	(12,105)	-	(12,105)	-	12,105
SEOG Fund	(11,377)	(10,734)	-	(10,734)	-	10,734
Postsecondary Technical Education Fund	-	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	829,877	934,943	(150,731)	784,212	(1,956,114)	2,740,326
Unencumbered Cash Beginning of Year	8,965,757	8,563,939	1,231,695	9,795,634	9,571,445	224,189
End of Year	\$ 9,795,634	\$ 9,498,882	\$ 1,080,964	\$ 10,579,846	\$ 7,615,331	\$ 2,964,515

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, 2018

(With Comparative Actual Totals for the Year Ended June 30, 2017)

	Prior Year Budget Basis	Current Year				
		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over Under)
REVENUES						
Student Tuition and Fees						
In State	\$ 822,143	\$ 1,233,876	\$ -	\$ 1,233,876	\$ 400,000	\$ 833,876
Total Student Tuition and Fees	822,143	1,233,876	-	1,233,876	400,000	833,876
State						
Operating Grant	1,274,575	1,274,575	-	1,274,575	1,622,792	(348,217)
Total State	1,274,575	1,274,575	-	1,274,575	1,622,792	(348,217)
TOTAL REVENUES	2,096,718	2,508,451	-	2,508,451	2,022,792	485,659
EXPENDITURES						
Instruction	1,248,427	1,376,298	-	1,376,298	1,272,718	103,580
Academic Support	88,462	82,395	-	82,395	98,943	(16,548)
Student Services	161,109	175,665	-	175,665	177,341	(1,676)
Institutional Support	220,905	281,251	-	281,251	263,088	18,163
Operation and Maintenance	113,881	181,073	-	181,073	123,635	57,438
Scholarships and Awards	263,933	390,579	-	390,579	290,326	100,253
TOTAL EXPENDITURES	2,096,717	2,487,261	-	2,487,261	2,226,051	261,210
OTHER ADDITIONS (DEDUCTIONS)						
Operating Transfers from (to) General Fund	-	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	1	21,190	-	21,190	(203,259)	224,449
Unencumbered Cash Beginning of Year	1	2	-	2	1	1
End of Year	\$ 2	\$ 21,192	\$ -	\$ 21,192	\$ (203,258)	\$ 224,450

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, 2018

(With Comparative Actual Totals for the Year Ended June 30, 2017)

	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, 2018

(With Comparative Actual Totals for the Year Ended June 30, 2017)

		Current Year				
	Prior Year Budget Basis	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Original and Final Budget	Variance Over Under)
REVENUES						
Sales and Services of Auxiliary Enterprises						
Bookstore	\$ 41,680	\$ 96,752	\$ 20,676	\$ 117,428	\$ 2,057,600	\$ (1,940,172)
Room and Board	1,158,237	1,283,181	-	1,283,181	-	1,283,181
Book Rentals	564,177	545,512	-	545,512	-	545,512
Other Revenue						
Miscellaneous	38,986	39,475	-	39,475	10,000	29,475
TOTAL REVENUES	1,803,080	1,964,920	20,676	1,985,596	2,067,600	(82,004)
EXPENDITURES						
Auxiliary Enterprise						
Book Store						
General Operating	384,031	154,211	244,804	399,015	-	399,015
Dormitory and Student Union						
Salaries	144,992	169,147	-	169,147	238,115	(68,968)
General Operating	712,712	667,442	-	667,442	1,373,921	(706,479)
Capital Outlay	164,987	1,495	-	1,495	58,000	(56,505)
Debt Service	117,837	114,831	-	114,831	114,038	793
TOTAL EXPENDITURES	1,524,559	1,107,126	244,804	1,351,930	1,784,074	(432,144)
OTHER ADDITIONS (DEDUCTIONS)						
Operating Transfers to General Fund	-	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	278,521	857,794	(224,128)	633,666	283,526	(350,140)
Unencumbered Cash						
Beginning of Year	3,648,877	5,165,079	(1,237,681)	3,927,398	4,107,395	179,997
End of Year	\$ 3,927,398	\$ 6,022,873	\$ (1,461,809)	\$ 4,561,064	\$ 4,390,921	\$ (170,143)

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, 2018

(With Comparative Actual Totals for the Year Ended June 30, 2017)

		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	\$ 472,474	\$ 475,809	\$ -	\$ 475,809	\$ 500,147	\$ (24,338)	
Motor Vehicle Tax	50,071	48,094	-	48,094	41,587	6,507	
Recreational Vehicle Tax	629	679	-	679	506	173	
Delinquent Tax	6,257	5,334	-	5,334	4,850	484	
In Lieu of Taxes	621	557	-	557	-	557	
Other Revenue							
Sale of Property	421,343	-	-	-	-	-	
TOTAL REVENUES	951,395	530,473	-	530,473	547,090	(16,617)	
EXPENDITURES							
Plant Equipment							
and Facility	1,120	1,694,966	-	1,694,966	1,700,000	(5,034)	
Debt Service	-	-	-	-	-	-	
TOTAL EXPENDITURES	1,120	1,694,966	-	1,694,966	1,700,000	(5,034)	
Excess of Revenues and Transfers							
Over (Under) Expenditures	950,275	(1,164,493)	-	(1,164,493)	(1,152,910)	(11,583)	
Unencumbered Cash							
Beginning of Year	497,359	1,447,634	-	1,447,634	1,447,634	-	
End of Year	\$ 1,447,634	\$ 283,141	\$ -	\$ 283,141	\$ 294,724	\$ (11,583)	

ALLEN COUNTY COMMUNITY COLLEGE

Iola, Kansas

Schedule of Changes in Assets and Liabilities

All Agency Funds - Primary Institution

For the Year Ended June 30, 2018

Account Name	Primary Institution			Balance June 30, 2018
	Balance June 30, 2017	Additions	Deductions	
ACTIVITY FUND				
Gate Receipts				
Athletic	\$ 10,890	\$ 2,347	\$ 13,237	\$ -
Total Gate Receipts	10,890	2,347	13,237	-
School Project Accounts				
Concessions	7,681	3,083	9,646	1,118
Scholarship Pool	1,356,146	1,434,068	1,160,391	1,629,823
Symmes Loan	140	-	-	140
Total School Project Accounts	1,363,967	1,437,151	1,170,037	1,631,081
Student Organization Accounts				
Aggie Club	2,067	862	1,526	1,403
Art Club	2,218	935	264	2,889
Athletic Director	-	1,760	142	1,618
Athletics	22	23,612	6,449	17,185
Athletic Training	25	17,077	4,113	12,989
Band	66	311	377	-
Baseball	51,254	66,058	116,917	395
Bgame Tech	300	-	-	300
Cheerleaders	5,863	2,954	2,043	6,774
Choir	12,702	4,092	859	15,935
Drama	12,907	11,343	2,803	21,447
Early Childhood	600	160	-	760
ECE - Community	111	625	326	410
Golf	3,439	1,118	229	4,328
KAAP	536	-	-	536
Library	1,055	3,389	3,472	972
Livestock	3,235	-	2,750	485
Meats Judging	-	-	-	-
Men's Basketball	4,370	4,257	8,627	-
Women's Basketball	501	6,837	2,653	4,685
Phi Theta Kappa	10,238	5,478	10,498	5,218

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, 2018

Account Name	Primary Institution			Balance June 30, 2018
	Balance June 30, 2017	Additions	Deductions	
Student Organization Accounts (Continued)				
Pig/Calf	\$ 4,224	\$ -	\$ -	\$ 4,224
PTK - Burlingame	288	1,908	1,896	300
Residence Hall Social Fund	505	2,615	3,301	(181)
Science	50	-	50	-
Softball	18,379	12,620	9,736	21,263
Student Senate	6,105	18,573	16,734	7,944
Track and Field	512	36,012	36,524	-
Volleyball	14,544	4,058	8,961	9,641
Soccer	4,514	6,598	11,112	-
SEK Library Council	82	4,870	-	4,952
Wellness	165	-	-	165
Total Student Organization Accounts	160,877	238,122	252,362	146,637
Other Student Accounts				
Incidental Fees	-	272,975	272,975	-
Outreach Fees	-	995,650	995,650	-
Total Other Student Accounts	-	1,268,625	1,268,625	-
TOTAL ACTIVITY FUND	\$ 1,535,734	\$ 2,946,245	\$ 2,704,261	\$ 1,777,718
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Investments	\$ 1,393,156	\$ 2,863,085	\$ 2,704,261	\$ 1,551,980
Other Receivables	142,578	225,738	142,578	225,738
TOTAL ASSETS	\$ 1,535,734	\$ 3,088,823	\$ 2,846,839	\$ 1,777,718
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deposits Held For Others	1,535,734	2,946,245	2,704,261	1,777,718
TOTAL LIABILITIES	\$ 1,535,734	\$ 2,946,245	\$ 2,704,261	\$ 1,777,718

ALLEN COUNTY COMMUNITY COLLEGE
IOLA, KANSAS

FEDERAL COMPLIANCE SECTION

For the Year Ended June 30, 2018

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

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	2018	N/A
Burlingame, KS	Yes	Yes	Yes	1991	N/A	2018	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, 2018

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/PROGRAM TITLE	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Education Opportunity Grant	N/A	84.007	\$ 31,775
Federal Supplemental Education Opportunity Grant - Admin	N/A	84.007	337
		Total 84.007	<u>32,112</u>
Federal Direct Student Loans	N/A	(1)	1,319,575
Federal Work-Study	N/A	84.033	36,314
Federal Pell Grant Program	N/A	84.063	2,007,560
Federal Pell Grant Program - Admin	N/A	84.063	2,805
		Total 84.063	<u>2,010,365</u>
Total Student Financial Aid Cluster			<u>3,398,366</u>
Total U.S. Department of Education			<u>3,398,366</u>
FEDERAL ASSISTANCE TOTALS			<u>\$ 3,398,366</u>

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, 2018, 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 December 3, 2018.

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
December 3, 2018

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, 2018. 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, 2018.

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
December 3, 2018

ALLEN COUNTY COMMUNITY COLLEGE
Iola, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified?	_____	Yes	_____ <u>X</u> _____	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, 2018

None