

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Financial Statements  
With Independent Auditors' Report  
For the Year Ended June 30, 2009

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Phone (785)462-7501 Fax (785)462-3172 www.abbb.com  
505-D North Franklin  
P.O. Box 10 Colby, Kansas 67701

Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees**  
**Colby Community College**  
Colby, Kansas 67701

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **Colby Community College** as of and for the year ended June 30, 2009 and 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Colby Community College's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit Guide, 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 Colby Community College Endowment Foundation were not audited in accordance with *Government Auditing Standards*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **Colby Community College** as of June 30, 2009 and 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2010, on our consideration of **Colby 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 4, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Colby Community Colleges'** basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Colby Community College**. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

January 18, 2010

**Colby Community College**  
 Management's Discussion and Analysis  
 Year Ended June 30, 2009

**Introduction**

Management's discussion and analysis is an overview of the financial position and financial activities of Colby Community College (the College). The College's management prepared this discussion. It should be read in conjunction with the College's financial statements and notes that follow.

The College prepared the financial statements in accordance with Governmental Accounting Standards Board (GASB) principles. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires the financial statements be presented on a consolidated basis to focus on the College as a whole. Previously, financial statements focused on the accountability of individual fund groups rather than on the College as a whole. The accompanying financial statements include the accounts of the College.

There are three financial statements presented: 1) Balance Sheets; 2) Statements of Revenues, Expenses and Changes in Net Assets and 3) Statements of Cash Flows.

**Statement of Net Assets**

The Balance Sheet presents the assets, liabilities, and net assets of the College at the end of the fiscal year, June 30. The purpose of the Balance Sheet is to present a snapshot of the financial condition of the College. The total of net assets is one indicator of the current financial condition of the College.

The assets and liabilities are categorized between current and non-current. Current assets and liabilities typically mature or become due within the next 12 months. Non-current assets are those held for longer periods of time (e.g. buildings and equipment) while non-current liabilities are those payable beyond the next 12 months (e.g. long-term debt).

Net assets are presented in four categories: 1) Unrestricted net assets are available for operational requirements relative to day-to-day college activities. 2) Restricted - Expendable assets are those that have some specific purpose or time-based requirement relative to the utilization of funds. These funds are available for use after said stipulations are fulfilled. 3) Invested in Capital Assets, Net of Debt represents that portion of college net assets committed to long-term investments such as buildings and equipment. 4) Restricted Non-Expendable net assets are endowments for which only the interest portion can be spent. The College has no restricted non-expendable net assets at June 30, 2009 or 2008.

Following is a summary of the Balance Sheets of June 30, 2009 and 2008 respectively (in millions):

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Current Assets	\$ 3.0	\$ 4.4
Non-Current Assets	<u>9.2</u>	<u>8.9</u>
Total Assets	<u>\$ 12.2</u>	<u>\$ 13.3</u>
<b>Liabilities</b>		
Current Liabilities	\$ .8	\$ 2.2
Non-Current Liabilities	<u>5.9</u>	<u>6.2</u>
Total Liabilities	<u>\$ 6.7</u>	<u>\$ 8.4</u>
<b>Net Assets</b>		
Unrestricted	\$ 1.6	\$ 1.6
Restricted – Expendable	.5	.7
Invested in Capital Assets	<u>3.4</u>	<u>2.6</u>
Total Net Assets	<u>\$ 5.5</u>	<u>\$ 4.9</u>

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

The Statements of Revenues, Expenses and Changes in Net Assets presents the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating. Following is a summary of the Statements of Revenues, Expenses and Changes in Net Assets for the Years Ended June 30, 2009 and 2008 respectively (in millions):

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 6.9	\$ 6.3
Operating Expenses	<u>12.3</u>	<u>12.7</u>
Operating Loss	(5.4)	(6.4)
Non-Operating Revenues, Net	<u>6.0</u>	<u>6.2</u>
Change in Net Assets	.6	(.2)
Net Assets, Beginning of Year	<u>4.9</u>	<u>5.1</u>
Net Assets, End of Year	<u>\$ 5.5</u>	<u>\$ 4.9</u>

## Statements of Cash Flows

The Statements of Cash Flows presents information about the cash activity of the College. The statement shows the major sources and uses of cash. Following is a summary of the Statements of Activities for the Years Ended June 30, 2009 and 2008 respectively (in millions):

	<u>2009</u>	<u>2008</u>
Cash Provided (Used) By:		
Operating Activities	\$ (5.5)	\$ (6.0)
Non-Capital Financing Activities	5.8	6.2
Capital and Related Financing Activities	(2.2)	1.5
Investing Activities	<u>.0</u>	<u>.1</u>
Net Change in Cash	(1.9)	1.8
Cash, Beginning of Year	<u>3.9</u>	<u>2.1</u>
Cash, End of Year	<u>\$ 2.0</u>	<u>\$ 3.9</u>

## Economic Outlook

Recent events have caused significant economic concern across the nation, and even on a world-wide basis. While Thomas County is not isolated from such economic downturn, we are in better position than many urban areas. The College will continue to seek ways of increasing enrollment both through additional programs and strong recruiting initiatives across the tri-state area. Management will continue to be diligent in utilization of all resources, enabling continued program enhancement and growth.



Alan Waites  
Colby Community College  
Chief Financial Officer

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Balance Sheets  
June 30, 2009 and June 30, 2008

	<b>Community College 2009</b>	<b>Community College 2008</b>	<b>Endowment Foundation 2009</b>	<b>Endowment Foundation 2008</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 1,638,583	3,550,812	1,651,525	1,611,098
Cash - Reserve Fund	347,019	347,019	-	-
Taxes Receivable (Net of Allowances for Uncollectible)	238,383	133,528	-	-
Accounts Receivable, Students, Net of Allowance for Doubtful Accounts of \$328,364	294,736	208,682	-	-
Accounts Receivable, Other	307,404	44,003	-	-
Prepaid Insurance	24,389	19,511	-	-
Inventories	155,979	77,033	-	-
<b>Total Current Assets</b>	<b>3,006,493</b>	<b>4,380,588</b>	<b>1,651,525</b>	<b>1,611,098</b>
<b>Noncurrent Assets</b>				
Long-Term Investments	-	-	1,964,445	2,149,890
Loans to Students, Net of Allowance for Uncollectible Loans of \$184,969	406,722	408,176	-	-
Capital Assets, Net of Accumulated Depreciation of \$5,371,922 (Note 3)	8,640,448	8,324,706	-	-
Other Assets	175,202	181,244	-	-
<b>Total Noncurrent Assets</b>	<b>9,222,372</b>	<b>8,914,126</b>	<b>1,964,445</b>	<b>2,149,890</b>
<b>Total Assets</b>	<b>\$ 12,228,865</b>	<b>13,294,714</b>	<b>3,615,970</b>	<b>3,760,988</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 53,923	1,363,218	-	-
Compensation and Related Benefits	468,927	429,806	-	-
Deposits and Other Payables	44,830	46,189	-	-
Short-Term Borrowings (Note 5)	271,954	369,896	-	-
<b>Total Current Liabilities</b>	<b>839,634</b>	<b>2,209,109</b>	<b>-</b>	<b>-</b>
<b>Noncurrent Liabilities</b>				
Non-Current Obligations (Note 5)	5,887,974	6,159,799	-	-
<b>Total Liabilities</b>	<b>6,727,608</b>	<b>8,368,908</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	3,420,755	2,559,421	-	-
Restricted - Expendable	519,790	709,291	72,201	91,646
Restricted - Nonexpendable	-	-	1,960,970	1,960,970
Unrestricted	1,560,712	1,657,094	1,582,799	1,708,372
<b>Total Net Assets</b>	<b>5,501,257</b>	<b>4,925,806</b>	<b>3,615,970</b>	<b>3,760,988</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,228,865</b>	<b>13,294,714</b>	<b>3,615,970</b>	<b>3,760,988</b>

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Statements of Revenues, Expenses and Changes in Net Assets  
For the Years Ended June 30, 2009 and 2008

	Community College 2009	Community College 2008	Endowment Foundation 2009	Endowment Foundation 2008
<b>OPERATING REVENUES</b>				
Tuition and Fees	\$ 3,245,414	3,142,853	-	-
Less: Student Aid / Discount	(775,033)	(725,166)	-	-
Net Tuition and Fees	<u>2,470,381</u>	<u>2,417,687</u>	-	-
Federal Grants and Contracts	1,790,376	1,790,517	-	-
State Grants and Contracts	138,082	154,779	-	-
Other Grants and Contracts	214,831	208,187	-	-
Auxiliary Income	1,433,312	1,263,410	-	-
Other Income	832,166	506,445	507,603	373,811
<b>Total Operating Revenues</b>	<u>6,879,148</u>	<u>6,341,025</u>	<u>507,603</u>	<u>373,811</u>
<b>OPERATING EXPENSES</b>				
Educational Services				
Academics, Instructional and Support	4,971,727	4,552,554	-	-
Student Support Services	2,693,453	2,489,133	211,636	218,783
Support Services				
Development, Facilities and Athletics	2,552,027	2,237,737	370,660	287,561
General and Administrative	2,054,167	3,479,104	-	-
<b>Total Operating Expenses</b>	<u>12,271,374</u>	<u>12,758,528</u>	<u>582,296</u>	<u>506,344</u>
<b>Operating (Loss)</b>	<u>(5,392,226)</u>	<u>(6,417,503)</u>	<u>(74,693)</u>	<u>(132,533)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Aid	2,903,940	3,152,946	-	-
County Property Taxes	3,036,680	3,027,173	-	-
Investment Income	15,535	65,553	(70,325)	200,226
Gain from Sale of Assets	-	4,268	-	-
Interest on Student Loans Receivable	6,153	5,894	-	-
Interest on Capital Asset Debt -net	5,369	17,341	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>5,967,677</u>	<u>6,273,175</u>	<u>(70,325)</u>	<u>200,226</u>
<b>Change in Net Assets</b>	575,451	(144,328)	(145,018)	67,693
<b>Total Net Assets, Beginning of Year</b>	<u>4,925,806</u>	<u>5,070,134</u>	<u>3,760,988</u>	<u>3,693,295</u>
<b>Total Net Assets, End of Year</b>	<u>\$ 5,501,257</u>	<u>4,925,806</u>	<u>3,615,970</u>	<u>3,760,988</u>

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Statements of Cash Flow  
For the Years Ended June 30, 2009 and 2008

	<b>Community College 2009</b>	<b>Community College 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Tuition and Fees, Net of Discount	\$ 2,385,780	2,515,625
Grants and Contracts	2,143,286	2,153,483
Auxiliary Enterprise Revenue	1,433,312	1,263,410
Payments to Employees and for Employee Benefits	(7,209,766)	(7,011,004)
Payments to Suppliers	(3,530,215)	(4,295,127)
Payments Related to Financial Aid	(1,306,005)	(1,251,348)
Other Receipts	568,765	642,590
<b>Net Cash (Used) by Operating Activities</b>	<b>(5,514,843)</b>	<b>(5,982,371)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	2,903,940	3,152,946
Property Taxes	2,931,827	3,065,392
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>5,835,767</b>	<b>6,218,338</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
(Purchase) of Capital Assets	(1,890,443)	(3,267,055)
Repayments of Principal of Long-Term Debt	(369,767)	(282,578)
Interest Expense	-	(43,529)
Proceeds from Revenue Bonds	-	5,200,000
Bond Issuance Cost	-	(181,244)
Interest Revenue on Bond Proceeds	5,369	60,869
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(2,254,841)</b>	<b>1,486,463</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	15,535	65,553
Interest on Student Loans	6,153	5,894
<b>Net Cash Provided by Investing Activities</b>	<b>21,688</b>	<b>71,447</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,912,229)</b>	<b>1,793,877</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,897,831</b>	<b>2,103,954</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,985,602</b>	<b>3,897,831</b>

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Statements of Cash Flow  
For the Years Ended June 30, 2009 and 2008

	<u>Community College 2009</u>	<u>Community College 2008</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Operating (Loss)</b>	<b>\$ (5,392,226)</b>	<b>(6,417,503)</b>
<b>Adjustments to Reconcile Operating Loss to Net Cash (Used) by Operating Activities</b>		
Depreciation	<b>360,466</b>	291,618
<b>Changes in Operating Assets and Liabilities</b>		
(Increase) Decrease in Assets		
Accounts Receivable	<b>(349,457)</b>	43,873
Prepaid Expense	<b>(4,878)</b>	24,392
Inventories	<b>(78,946)</b>	(11,332)
Loans to Students	<b>1,454</b>	54,064
Increase (Decrease) in Liabilities		
Accounts Payable	<b>(89,018)</b>	34,075
Compensation and Related Benefits	<b>39,121</b>	(45,747)
Other Liabilities	<b>(1,359)</b>	44,189
<b>Net Cash (Used) by Operating Activities</b>	<b><u>\$ (5,514,843)</u></b>	<b><u>(5,982,371)</u></b>

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Notes to Financial Statements  
June 30, 2009

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**1. Organization and Summary of Significant Accounting Policies**

**A. Organization**

**Colby Community College** is located in Thomas County, Kansas, Colby, Kansas. The College was organized and established in 1964 under the provisions of then Section 72-6901 *et. seq.* of Kansas Statutes Annotated (now K.S.A. 71-201 *et seq.*). The College is a public two-year community college offering a comprehensive curriculum with liberal arts and sciences, as well as vocational and technical programs for credit and noncredit students from Thomas County and surrounding communities.

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The College reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements

**B. Financial Reporting Entity**

The College is governed by an elected six-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the **Colby Community College** (the primary government) and its component unit. The component unit is included in the College's reporting entity because of the significance of its operational or financial relationship with the College.

In May 2002, GASB issued Statement No. 39, Determining Whether Certain Organizations are Component Units. The Statement amends Statement No. 14, The Financial Reporting Entity, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. The College implemented this change in the fiscal year ended June 30, 2004.

The following organization, function or activity is a discretely presented component unit of the College and is included in the component unit column in the College's basic financial statements. It is reported in a separate column to emphasize that it is a not-for-profit entity legally separate from the College. The discretely presented component unit has a June 30<sup>th</sup> year end.

The Colby Community College Endowment Foundation is a not-for-profit corporation organized to raise funds to support educational undertakings at **Colby Community College**, and to receive and hold in trust any property transferred to the Foundation for the benefit of the College, or any student or employee of the College, managing all property received according to the uses specified by the donors or, in case the gift is a general one, to such uses as may be agreed upon by the Board of Directors. Scholarships totaling \$211,635 were provided to the College during the year.

Complete financial statements of the individual component unit can be obtained from the College's business office or from its respective office.

Colby Community College Endowment Foundation  
1255 S. Range  
Colby, Kansas 67701

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Notes to Financial Statements  
June 30, 2009

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**1. Organization and Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting**

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

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

**D. Budgetary Information**

Kansas Statutes require that an annual operating budget be legally adopted for the Current Funds – Unrestricted. The statutes provide for the following sequence and timetable for the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2009.

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

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

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Notes to Financial Statements  
June 30, 2009

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**1. Organization and Summary of Significant Accounting Policies (continued)**

**D. Budgetary Information (continued)**

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

Budgetary compliance – non-GAAP financial statements

By statute, the College prepares its annual budget on a non-GAAP basis of accounting as described in Note 1, item D. A reconciliation of these budgetary basis statements to the GAAP statements is presented in the Notes to Required Supplementary Information.

**E. Property Tax Revenue Recognition**

Property taxes are levied each calendar year on all taxable real property located in the taxing district. Property taxes are recorded on an accrual basis of accounting.

The College's property taxes are assessed on a calendar year basis, are levied, and become a lien on the property on November 1<sup>st</sup> of each year. The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20<sup>th</sup> and the second half is due May 10<sup>th</sup>. The College draws available funds from the County Treasurer's office at designated times throughout the year.

**F. Capital Assets**

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

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives (see Note 3 for further detail):

<u>Assets</u>	<u>Years</u>
Buildings	50
Land Improvements	20
Machinery and Equipment	7-15
Vehicles	8
Computer Hardware/Software	5

**G. Inventories and Prepaid Items**

Inventories consist of items held for resale by the bookstore and are stated at the lower of cost or market. The College also holds farm inventory items which are held for resale by the farm program and are valued at estimated market value. The cost is recorded as expenses as the inventories are depleted. The College records certain payments to vendors that reflect costs applicable to future accounting periods as prepaid items in its financial statements.

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Notes to Financial Statements  
June 30, 2009

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**1. Organization and Summary of Significant Accounting Policies (continued)**

**H. Federal Financial Assistance Programs**

The College participates in federally funded PELL Grants, SEOG Grants, Federal Work-Study, Federal Family Education Loans, Academic Competiveness Grants, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the Compliance Supplement.

**I. Net Assets**

The College's net assets are classified as follows:

- a. *Invested in capital assets, net of related debt*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- b. *Restricted net assets-expendable*: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- c. *Restricted net assets-nonexpendable*: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College has no restricted nonexpendable net assets at June 30, 2009.
- d. *Unrestricted net assets*: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any lawful purpose.

**J. Compensated Absences**

The College provides paid vacations to full-time contracted employees. Except in certain instances, vacations are to be taken during the current year.

The College's policy regarding sick leave pay permits employees to accumulate leave days at a rate of 10 days per year up to 90 days. Upon retirement or accepted resignation of employment at the College, a Professional Employee will be reimbursed ten percent of the sick days the employee has accumulated. This does not apply if early retirement is used. The estimated liability for compensated absences at June 30, 2009 totals \$35,283.

**K. Use of Estimates**

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

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
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June 30, 2009

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**1. Organization and Summary of Significant Accounting Policies (continued)**

**L. Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenue, expense, and change in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as PELL, Supplemental Educational Opportunity Grants (SEOG), and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**M. Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents consist of the College's bank deposits with original maturities of three months or less.

**2. Deposits and Investments**

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has not further limited its interest rate risk in its investment policy.

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College did not use "peak periods" during the fiscal year ending June 30, 2009. All deposits were legally secured at June 30, 2009.

At June 30, 2009, the College's carrying amount of deposits was \$1,985,602 and the bank balance was \$2,227,576. Of the bank balance, \$1,219,075 was covered by federal depository insurance and \$1,008,501 was collateralized with securities held by the pledging financial institutions' agents in the College's name. In addition, **Colby Community College** had \$930 of cash on hand.

**COLBY COMMUNITY COLLEGE**

Colby, Kansas

Notes to Financial Statements

June 30, 2009

**2. Deposits and Investments (continued)**

The College's cash deposits by financial institution and category of coverage at year end are as follows:

	<u>Sunflower Bank</u>	<u>First National Bank</u>	<u>The Bank</u>	<u>F &amp; M Bank</u>
Bank balance covered by:				
FDIC Coverage	\$ 500,000	\$ 219,075	\$ 250,000	\$ 250,000
Pledged securities at Market value – Category 1	<u>428,052</u>	<u>-0-</u>	<u>376,917</u>	<u>203,532</u>
<b>Total Bank Balance</b>	<b><u>\$ 928,052</u></b>	<b><u>\$ 219,075</u></b>	<b><u>\$ 626,917</u></b>	<b><u>\$ 453,532</u></b>

The carrying amount of deposits for the Endowment Foundation, a discretely presented component unit, was \$1,651,525 and the bank balance was \$1,654,017. Of the bank balance, \$1,533,518 was covered by federal depository insurance, \$120,499 was collateralized by pledge securities.

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

At year end, the Endowment Foundations' investment balances consisted of \$1,964,445 in marketable securities with a fair value of \$1,705,149.

**3. Capital Assets**

The following is a summary of changes in the various capital asset categories for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 40,000	-	-	40,000
Land Improvements	288,000	-	-	288,000
Buildings	6,746,700	4,862,852	-	11,609,552
Equipment	752,504	148,255	-	900,759
Vehicles	514,121	-	-	514,121
Computer Hardware/Software	<u>519,590</u>	<u>140,348</u>	-	<u>659,938</u>
<b>Total</b>	<b>8,860,915</b>	<b>5,151,455</b>	<b>-</b>	<b>14,012,370</b>
Less Accumulated Depreciation	5,017,498	354,424	-	5,371,922
Construction in Progress	<u>4,481,289</u>	-	<u>4,481,289</u>	<u>-</u>
<b>Capital Assets, net</b>	<b><u>\$ 8,324,706</u></b>	<b><u>4,797,031</u></b>	<b><u>4,481,289</u></b>	<b><u>8,640,448</u></b>
Bond Issuance Costs	\$ -	181,243	-	181,243
Less Accumulated Amortization	-	6,041	-	6,041
<b>Other Assets, net</b>	<b><u>\$ -</u></b>	<b><u>175,202</u></b>	<b><u>-</u></b>	<b><u>175,202</u></b>

**COLBY COMMUNITY COLLEGE**  
 Colby, Kansas  
 Notes to Financial Statements  
 June 30, 2009

**4. Lease Obligations**

Capital lease obligations of the College at June 30, 2009, are comprised of the following:

<u>Lease</u>	<u>Outstanding July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2009</u>	<u>Current Portion</u>	<u>Interest Paid</u>
Building	\$ 1,055,000	-	140,000	915,000	145,000	48,305
1999 Prevost Bus	91,305	-	16,494	74,811	17,402	4,537
Copier	2,158	-	681	1,477	719	115
(2) 2007 Ford E-350 Vans	26,247	-	8,372	17,875	8,743	1,165
IP Office Phone System	35,682	-	9,708	25,974	10,299	1,855
IKON Copier Lease	9,339	-	4,548	4,791	4,791	1,068
Computer Equip	110,000	-	110,000	-	-	1,540
Total	<u>\$ 1,329,731</u>	<u>-</u>	<u>289,803</u>	<u>1,039,928</u>	<u>186,954</u>	<u>58,585</u>

A building capital lease obligation in the amount of \$915,000 at June 30, 2009 consists of an indenture for the issuance of Refunding Certificates of Participation dated September 1, 2001, for the new classroom building and addition to the Northwest Kansas Cultural Arts Center. The College leases the property from the trustee of the indenture and is required to make lease payments sufficient to retire the Certificates of Participation, and will obtain title to the property upon full payment of the obligation. The effective interest rate is 4.482 percent per annum. The lease includes an original term of ten years commencing September 1, 2001, and a renewal term commencing on the last day of the original term for an additional four-year period. The lease contains a purchase option wherein the College may retire the obligation prior to the end of the lease. The purchase option price is the amount necessary to pay the currently due basic rental payment, any additional rental due and any additional amount necessary to redeem the outstanding certificates at maturity or on the earliest redemption date.

A capital lease obligation in the amount of \$74,811 at June 30, 2009, consists of an obligation for the purchase of a 1999 Prevost Bus. The effective interest rate is 4.85 percent per annum.

A capital lease obligation in the amount of \$1,477 at June 30, 2009, consists of an obligation for the purchase of a copy machine. The effective interest rate is 5.25 percent per annum.

A capital lease obligation in the amount of \$17,875 at June 30, 2009, consists of an obligation for the purchase of two (2) Ford E-350 Vans. The effective interest rate is 4.44 percent per annum.

A capital lease obligation in the amount of \$25,974 at June 30, 2009, consists of an obligation for the purchase of an IP400 Phone System. The effective interest rate is 5.93 percent per annum.

A capital lease obligation in the amount of \$4,791 at June 30, 2009, consists of an obligation for the purchase of an IKON Copy Machine. The effective interest rate is 14.613 percent per annum.

The following is a schedule of future payments for the capital lease obligations:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 186,955	\$ 45,322	\$ 232,277
2011	809,061	36,465	845,526
2012	23,879	1,971	25,850
2013	20,033	975	21,008
2014	-	-	-
Totals	<u>\$1,039,928</u>	<u>\$ 84,733</u>	<u>\$1,124,661</u>

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Notes to Financial Statements  
June 30, 2009

**5. Long-Term Debt**

**Revenue Bond – Series 2007**

The College has issued revenue bonds in order to finance construction of a new dormitory.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business – Type Activities	4.5-5.375%	\$5,200,000

The annual requirements to retire revenue bonds as of June 30, 2009 are as follows:

<u>Year</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2010	\$ 85,000	258,999	343,999
2011	90,000	255,174	345,174
2012	95,000	251,124	346,124
2013	100,000	246,849	346,849
2014	100,000	242,349	342,349
2015-2019	575,000	1,140,149	1,715,149
2020-2024	735,000	999,222	1,734,222
2025-2029	930,000	806,750	1,736,750
2030-2034	1,200,000	544,375	1,744,375
2035-2039	1,210,000	190,409	1,400,409
<b>Total</b>	<b>\$ 5,120,000</b>	<b>4,935,400</b>	<b>10,055,400</b>

Long-term debt activity for the year ended June 30, 2009 was as follows.

	<u>Outstanding July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2009</u>	<u>Current Portion</u>	<u>Interest Paid</u>
<b>Business - Type Activities:</b>						
Revenue Bond:						
Series 2007	\$ 5,200,000	-	80,000	5,120,000	85,000	262,599
Capital Leases	1,329,731	-	289,803	1,039,928	186,954	58,585
<b>Total Long-Term Liabilities</b>	<b>\$ 6,529,731</b>	<b>-</b>	<b>369,803</b>	<b>6,159,928</b>	<b>271,954</b>	<b>321,184</b>

**6. Compliance with Revenue Bond Provision**

The Student Housing System Revenue Bonds – Series 2007 requires that the College fix and maintains rates, fees and other charges of the System, which are sufficient, after payment of costs of operating and maintaining the System, to produce net revenues each year equal to not less than 125% of the System's annual debt service and to apply available monies to maintain minimum required balances in certain of the funds and accounts created under the Bond Resolution. "Net revenues" of the System will mean all System Revenues, less all System Operating expenses, plus the net revenue of the bookstore operation of the College.

The Bond Resolution requires that the College maintain a Debt Service Reserve Account in an amount equal to the lesser of 10% of the original principal amount of the Parity Bonds, the maximum annual Debt Service Requirements for the Parity Bonds, or 125% of the average annual Debt Service Requirements for the Parity Bonds.

**COLBY COMMUNITY COLLEGE**  
 Colby, Kansas  
 Notes to Financial Statements  
 June 30, 2009

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**7. Defined Benefit Pension Plan**

*Plan Description* – Colby Community College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy* – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate.

**8. Risk Management**

The College is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has been able to obtain errors and omissions insurance at a cost considered to be economically justifiable.

The College carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto, and fidelity bond coverage.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three calendar years.

**9. Litigation**

The College is party to various legal proceedings, which normally occur in governmental operations.

**10. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the College's financial position and operations. The College has changed the grouping of the accounts in the financial statements in the current year and the prior year comparative totals have been changed to be in conformity with these changes.

**11. Interfund Transfers**

A summary of interfund transfers by fund type is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$1,235,128	\$1,846,603
Adult Basic Education	41,884	-
Adult Supplemental Education	-	5,823
Student Union	-	454,183
Athletics	1,011,694	-
Non-Budgeted Funds	<u>3,183,905</u>	<u>3,166,002</u>
Total	<u>\$5,472,611</u>	<u>\$5,472,611</u>

**COLBY COMMUNITY COLLEGE**  
 Colby, Kansas  
 Notes to Financial Statements  
 June 30, 2009

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**12. Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. During the year ended June 30, 2009, approximately 9 retirees participated in this plan and the College paid \$48,194 premiums for these retirees. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and 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 College under this program.

**13. Termination Benefits**

The College provides an early retirement program for certain eligible employees if the employee:

- a. is currently an employee of the college; and
- b. is not less than age 59 and meets the KPERS provision for early retirement; and
- c. has 15 years of employment at the college immediately prior to the request for early retirement; and
- d. a majority of the 15 years of service shall have been full-time service.

Those eligible under this program may receive benefits for up to 5 years. Payments to retired employees under this plan were \$31,975 for the year ended June 30, 2009.

**14. Related Party Transactions**

The following is a summary of related party transactions.

<u>Entity</u>	<u>Relationship</u>	<u>Transaction</u>	<u>Amount</u>
High Plains Printing	Owner Cindy Black Board Member	Various Office Supplies	\$3,731
Colby Community College Endowment Foundation		Executive Director Salary	\$11,100

**COLBY COMMUNITY COLLEGE**  
Combining Schedule of Revenue, Expenditures  
Encumbrances and Changes in Unencumbered Cash - Actual and Budget -  
Current Funds - Unrestricted (Legal Basis)  
For the Year Ended June 30, 2009

	General			Adult Basic Education			Adult Supplementary Education			Total (Memorandum Only)		
	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget	Actual	Budget	(Over) Under Budget
<b>REVENUE</b>												
Student Tuition and Fees	\$ 2,777,284	\$ 3,357,000	\$ 579,716	\$ -	\$ -	\$ -	\$ 2,020	\$ -	\$ (2,020)	\$ 2,779,304	\$ 3,357,000	\$ 577,696
Less: Student Aid / Discounts	(775,033)	-	775,033	-	-	-	-	-	-	(775,033)	-	775,033
Net Student Tuition and Fees	2,002,251	3,357,000	1,354,749	-	-	-	2,020	-	(2,020)	2,004,271	3,357,000	1,352,729
Local	2,931,827	3,440,310	508,483	34,470	-	(34,470)	-	-	-	2,966,297	3,440,310	474,013
State	2,903,940	3,033,000	129,060	52,545	53,210	665	-	-	-	2,956,485	3,086,210	129,725
Federal	-	20,000	20,000	83,946	83,946	-	-	-	-	83,946	103,946	20,000
Investment	9,245	10,000	755	1,795	3,000	1,205	-	-	-	11,040	13,000	1,960
Other	237,488	165,000	(72,488)	2,890	29,844	26,954	5,060	1,000	(4,060)	245,438	195,844	(49,594)
<b>Total Revenue</b>	<b>8,084,751</b>	<b>10,025,310</b>	<b>1,940,559</b>	<b>175,646</b>	<b>170,000</b>	<b>(5,646)</b>	<b>7,080</b>	<b>1,000</b>	<b>(6,080)</b>	<b>8,267,477</b>	<b>10,196,310</b>	<b>1,928,833</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>												
Academics												
Payroll and Benefits	3,681,221			138,731			30			3,819,982		
Operational Costs	405,347			41,594			14,925			461,866		
Student Support												
Payroll and Benefits	410,963			-			-			410,963		
Operational Costs	62,029			-			-			62,029		
Presidents Reporting Group												
Payroll and Benefits	735,335			-			-			735,335		
Operational Costs	635,208			-			-			635,208		
General and Administrative												
Payroll and Benefits	572,815			-			-			572,815		
Operational Costs	778,693			-			-			778,693		
<b>Total Expenditures and Encumbrances</b>	<b>7,281,611</b>	<b>10,350,000</b>	<b>3,068,389</b>	<b>180,325</b>	<b>220,000</b>	<b>39,675</b>	<b>14,955</b>	<b>10,000</b>	<b>(4,955)</b>	<b>7,476,891</b>	<b>10,580,000</b>	<b>3,103,109</b>
Revenue Over (Under) Expenditures and Encumbrances	803,140	(324,690)	(1,127,830)	(4,679)	(50,000)	(45,321)	(7,875)	(9,000)	(1,125)	790,586	(383,690)	(1,174,276)
<b>OTHER FINANCING SOURCES (USES)</b>												
Non-Mandatory Net Transfers	(611,475)	(975,310)	(363,835)	41,884	-	(41,884)	(5,823)	-	5,823	(575,414)	(975,310)	(399,896)
<b>REVENUE OVER (UNDER) EXPENDITURES AND ENCUMBRANCES AND OTHER FINANCING SOURCES (USES)</b>	<b>191,665</b>	<b>(1,300,000)</b>	<b>(1,491,665)</b>	<b>37,205</b>	<b>(50,000)</b>	<b>(87,205)</b>	<b>(13,698)</b>	<b>(9,000)</b>	<b>4,698</b>	<b>215,172</b>	<b>(1,359,000)</b>	<b>(1,574,172)</b>
Prior year encumbrance adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Unencumbered Cash, July 1, 2008	963,551	1,300,000	336,449	47,568	50,000	2,432	13,209	10,000	(3,209)	1,024,328	1,360,000	335,672
Unencumbered Cash, June 30, 2009	\$ 1,155,216	\$ -	\$ (1,155,216)	\$ 84,773	\$ -	\$ (84,773)	\$ (489)	\$ 1,000	\$ 1,489	\$ 1,239,500	\$ 1,000	\$ (1,238,500)

**COLBY COMMUNITY COLLEGE**  
 Combining Schedule of Revenue, Expenditures  
 Encumbrances and Changes in Unencumbered Cash - Actual and Budget -  
 Current Funds - Unrestricted (Legal Basis)  
 For the Year Ended June 30, 2009

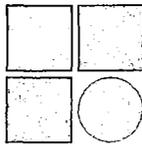
	Student Union - Dormitory			Athletics			Auxiliary Total (Memorandum Only)		
	Actual	Budget	Favorable (Unfavorable) Budget	Actual	Budget	Favorable (Unfavorable) Budget	Actual	Budget	Favorable (Unfavorable) Budget
<b>REVENUE</b>									
Student Sources	\$ -			\$ -			\$ -	\$ 1,080,000	\$ 1,080,000
Federal Sources	-			-			-		-
Gifts and Grants	-			-			-		-
Auxiliary Income	1,446,866			-			1,446,866	520,000	(926,866)
Investment Income	2,504			-			2,504		(2,504)
Other Income	125,721			22,299			148,020	-	(148,020)
<b>Total Revenue</b>	<u>1,575,091</u>	<u>-</u>	<u>-</u>	<u>22,299</u>	<u>-</u>	<u>-</u>	<u>1,597,390</u>	<u>1,600,000</u>	<u>2,610</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>									
Academics									
Payroll and Benefits	-			-			-		
Operational Costs	-			-			-		
Student Support									
Payroll and Benefits	142,071			-			142,071		
Operational Costs	555,686			-			555,686		
Presidents Reporting Group									
Payroll and Benefits	-			478,724			478,724		
Operational Costs	202,678			386,439			589,117		
General and Administrative									
Payroll and Benefits	65,267			-			65,267		
Operational Costs	335,802			-			335,802		
<b>Total Expenditures and Encumbrances</b>	<u>1,301,504</u>	<u>-</u>	<u>-</u>	<u>865,163</u>	<u>-</u>	<u>-</u>	<u>2,166,667</u>	<u>1,600,000</u>	<u>(566,667)</u>
Revenue Over (Under) Expenditures and Encumbrances	273,587			(842,864)			(569,277)	-	569,277
<b>OTHER FINANCING SOURCES (USES)</b>									
Non-Mandatory Net Transfers	(454,183)			1,011,694			557,511	-	(557,511)
<b>REVENUE OVER (UNDER) EXPENDITURES AND ENCUMBRANCES AND OTHER FINANCING SOURCES (USES)</b>	<u>(180,596)</u>			<u>168,830</u>			<u>(11,766)</u>	<u>-</u>	<u>11,766</u>
Prior year encumbrance adjustments	-			-			-	-	-
Unencumbered Cash, July 1, 2008	249,424			117,982			367,406	(430,000)	(797,406)
<b>Unencumbered Cash, June 30, 2009</b>	<u>\$ 68,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,640</u>	<u>\$ (430,000)</u>	<u>\$ (785,640)</u>

COLBY COMMUNITY COLLEGE  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2009

Reconciliation of Revenue, Expenditures, and Other Financing Sources (Uses) for budgetary funds on a budgetary basis to GAAP basis.

	General	Adult Basic Education	Adult Supplementary Education	Student Union Dormitory	Athletics	Total Budgetary Funds	Non-budgetary Funds	Total All Funds
<b>REVENUE</b>								
Actual amounts (budgetary basis) revenues								
from combining schedules (Schedules 1 and 2)	\$ 8,084,751	\$ 175,646	\$ 7,080	\$ 1,575,091	\$ 22,299	\$ 9,864,867	\$ 2,661,320	\$ 12,526,187
Adjustments								
Accrued Interest on Bonds	-	-	-	-	-	-	-	-
Interest/Miscellaneous Adjustment	-	-	-	-	-	-	-	-
Receivables Adjustment	(16,701)	-	-	(13,555)	-	(30,256)	246,039	215,783
Tax in process 6/30/08	(133,528)	-	-	-	-	(133,528)	-	(133,528)
Tax in process 6/30/09	238,383	-	-	-	-	238,383	-	238,383
 Total revenue as reported on the Statement of Revenues, Expenses and Changes in Net Assets	 <u>\$ 8,172,905</u>	 <u>\$ 175,646</u>	 <u>\$ 7,080</u>	 <u>\$ 1,561,536</u>	 <u>\$ 22,299</u>	 <u>\$ 9,939,466</u>	 <u>\$ 2,907,359</u>	 <u>\$ 12,846,825</u>
 <b>EXPENDITURES</b>								
Actual amounts (budgetary basis) expenditures								
from combining schedules (Schedule 1 and 2)	\$ 7,281,611	\$ 180,325	\$ 14,955	\$ 1,301,504	\$ 865,163	\$ 9,643,558	\$ 2,722,946	\$ 12,366,504
Adjustments:								
Capitalized asset adjustments	(289,767)	-	-	-	-	(289,767)	289,767	-
Inventory Adjustment	(70,460)	-	-	(8,486)	-	(78,946)	-	(78,946)
Prepaid Expenses	(1,744)	-	-	1,025	(1,370)	(2,089)	-	(2,089)
Bad Debt Adjustment	-	-	-	-	-	-	-	-
Prior Year Encumbrance Reclassified	(47,376)	-	-	-	(2,473)	(49,849)	49,849	-
Prior Year Fixed Asset Correction	108,611	-	-	-	-	108,611	-	108,611
Accounts Payable Adjustment	-	-	-	(15,175)	-	(15,175)	-	(15,175)
Accrued Bond Interest	-	-	-	-	-	-	(1,027)	(1,027)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the items are received for GAAP reporting -								
Less 2009 encumbrances	(52,200)	(9,400)	-	(4,400)	(2,500)	(68,500)	(117,300)	(185,800)
Plus 2008 encumbrances	65,466	3,269	-	5,517	5,044	79,296	-	79,296
 Total expenditures as reported on the Statement of Revenue, Expenses and Changes in Net Assets	 <u>\$ 6,994,141</u>	 <u>\$ 174,194</u>	 <u>\$ 14,955</u>	 <u>\$ 1,279,985</u>	 <u>\$ 863,864</u>	 <u>\$ 9,327,139</u>	 <u>\$ 2,944,235</u>	 <u>\$ 12,271,374</u>
 <b>OTHER FINANCING SOURCES (USES)</b>								
Actual amounts (budgetary basis) other financing sources (uses) from combining schedules (Schedules 1 and 2)	\$ (611,475)	\$ 41,884	\$ (5,823)	\$ (454,183)	\$ 1,011,694	\$ (17,903)	\$ 17,903	\$ -
 Net Increase (Decrease) in Net Assets, as reported on the Statement of Revenue, Expenses and Changes in Net Assets								 <u>\$ 575,451</u>

ADAMS  
BROWN  
BERAN  
& BALL



Phone (785)462-7501 Fax (785)462-3172 www.abbb.com  
505-D North Franklin  
P.O. Box 10 Colby, Kansas 67701

Certified  
Public  
Accountants

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**  
**Colby Community College**  
Colby, Kansas 67701

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **Colby Community College** as of and for the year ended June 30, 2009, which collectively comprise **Colby Community College's** basic financial statements and have issued our report thereon dated January 18, 2010. We conducted our audit in accordance with the Kansas Municipal Guide, 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 Colby Community College Endowment Foundation were not audited in accordance with Governmental Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **Colby Community College's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Colby Community College's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Colby Community College's** internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Colby Community College's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Colby Community College's** financial statements that is more than inconsequential will not be prevented or detected by **Colby Community College's** internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **Colby Community College's** internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

**Compliance and Other Matters**

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

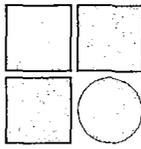
We noted certain matters that we reported to the management of **Colby Community College** in a separate letter dated January 18, 2010.

This report is intended solely for the information and use of the College's management and Board of Trustees, the Kansas Board of Regents, the Kansas Division of Accounts and Reports, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
**Certified Public Accountants**

January 18, 2010



Certified  
Public  
Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Colby Community College  
Colby, Kansas 67701

**Compliance**

We have audited the compliance of **Colby Community College** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. **Colby Community College's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Colby Community College's** management. Our responsibility is to express an opinion on **Colby Community College's** compliance based on our audit. **Colby Community College's** basic financial statements include the operations of Colby Community College Endowment Foundation, which received \$0 in federal awards during the year ended June 30, 2009. Our audit described below, did not include the operation of this component unit because it received no federal awards.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 **Colby 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. Our audit does not provide a legal determination on **Colby Community College's** compliance with those requirements.

In our opinion, **Colby Community College** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

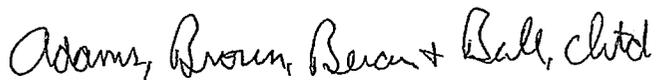
The management of **Colby Community College** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Colby Community College's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 **Colby Community College's** internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the College's management and Board of Trustees, the Kansas Board of Regents, the Kansas Division of Accounts and Reports, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
**Certified Public Accountants**

January 18, 2010

**COLBY COMMUNITY COLLEGE**  
**Colby, Kansas**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2009

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**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the Financial Statements of Colby Community College.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Colby Community College which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Colby Community College expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:
  - Federal Student Aid Cluster:
  - Federal Supplemental Educational  
Opportunity Grant Program (FSEOG)                      CFDA # 84.007
  - Federal Work Study Program (FWS)                      CFDA # 84.033
  - Federal Perkins Loan Program (FPL)                      CFDA # 84.038
  - Federal Pell Grant Program (PELL)                      CFDA # 84.063
  - Federal Family Education Loan Program                      CFDA # 84.032
  - Academic Competiveness Grant Program (ACG) CFDA # 84.375
8. The thresholds for distinguishing Types A and B programs was \$300,000.
9. Colby Community College qualified as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

No material findings are required to be disclosed under *Government Auditing Standards*.

**C. Findings and Questioned Costs – Major Federal Award Programs Audit –**

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

**COLBY COMMUNITY COLLEGE**  
**Colby, Kansas**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs  
Year Ended June 30, 2009

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**1. Findings and Questioned Costs – Major Federal Award Programs Audit –**

No material findings or questioned costs were reported for June 30, 2008.

**COLBY COMMUNITY COLLEGE**  
Colby, Kansas  
Schedule of Expenditures of Federal Awards - Accrual Basis  
Year Ended June 30, 2009

	<u>Agency or Pass-Through Number</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
<u>U. S. Department of Education</u>			
Direct Programs			
Student Support Services Grant	N/A	84.042A	\$ 235,191
Perkins Loan Program (Note 4)	N/A	84.038	-
Pell Grant Program	N/A	84.063	1,085,000
Supplemental Educational Opportunity Grant Program	N/A	84.007	30,294
Work Study Program	N/A	84.033	114,903
Academic Competiveness Grant	N/A	84.375	31,865
Federal Family Education Loan Program (Note 5)	N/A	84.032	<u>1,894,902</u>
Total Direct Programs			<u>3,392,155</u>
Passed Through Kansas Board of Regents			
Adult Basic Education	3042-3000, 3010, 3020	84.002	83,946
Carl Perkins Program Improvement Grant	3051-3004,3005 3006, 3052	84.048	<u>157,800</u>
Total Passed Through Kansas Board of Regents			<u>241,746</u>
Total U. S. Department of Education			<u>3,633,901</u>
<u>Corporation for National Service</u>			
Passed Through Western Kansas Community Services Consortium:			
Retired Senior Volunteer Program	95-2728-0-0-000	94.002	<u>46,835</u>
Total Expenditures of Federal Awards			<u>\$ 3,680,736</u>

See accountant's report

**COLBY COMMUNITY COLLEGE**  
**Colby, Kansas**  
Notes to Schedule of Federal Awards  
Year Ended June 30, 2009

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1. The schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Federal direct programs are presented by the Federal Department. Federal flow-through programs are presented by the entity through which the College received the federal financial assistance.
3. Outstanding loans at June 30, 2009 under the Perkins Loan Program are \$606,926.
4. The College also participates in the Federal Family Education Loan Program (CFDA 84.032) (including the Federal Stafford Loan, Federal PLUS, and Federal Unsubsidized Stafford Loan programs). The dollar amounts are not listed in the schedule of expenditures of federal awards, as the College is not the recipient of the funds. Such programs are considered as a component of the Student Financial Assistance major program. New loans made to eligible students pursuant to these programs during the year ended June 30, 2009 totaled \$1,894,902.