

SEWARD COUNTY COMMUNITY COLLEGE

Liberal, Kansas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2019

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Financial Statements
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Seward County Community College (College), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Seward County Community College Foundation (Foundation), which represent 100% of the assets, net assets and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, issued by the State of Kansas, 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Seward County Community College as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the College restated beginning net position of its financial statements for the year ended June 30, 2019, to correct a misstatement in its previously issued financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 4 and the schedules listed in the Required Supplementary Information section of the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of receipts and expenditures – actual and budget – regulatory basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of receipts and expenditures – actual and budget – regulatory basis and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the schedule of receipts and expenditures – actual and budget – regulatory basis and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the College's internal control over financial reporting and compliance.

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
Liberal, Kansas
March 2, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

Seward County Community College proudly presents its financial statements for fiscal year ending June 30, 2019. The emphasis of discussions about these statements will be on current year data for the college only. Comparative data for the college is included for fiscal year ending June 30, 2018 per GASB 35 and will be briefly discussed enumerating noteworthy differences between the fiscal years.

Component unit information is provided in the colleges' audited financial statements for the Seward County Community College Foundation, a 501(c)(3) organization organized February 24, 1969. The management of Seward County Community College expresses no opinion, nor analysis of the component unit information. However, it is noted that the Seward County Community College Foundation received an unmodified opinion with no statutory or budgetary violations from their independent audit. The audit period for the Foundation is July 1, 2018 through June 30, 2019. The independent audit firm for the Foundation is Hay, Rice & Associates, 21 Plaza Drive, Liberal, KS 67901. The reader of this management discussion and analysis is encouraged to contact the Seward County Community College Foundation directly for a copy of their audited financial statements when available.

Contact information for the Seward County Community College Foundation is:

SCCC Foundation
Chanelle Frydendall, Secretary
P. O. Box 1137
Liberal, KS 67905-1137
chanelle.frydendall@sccc.edu

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. All following dollar amounts are presented as actual rounded to the nearest dollar. This discussion and analysis of the college's financial statements provides an overview of its financial activities for fiscal year ending June 30, 2019. All readers are encouraged to peruse the three audited financial statements and the accompanying notes. The notes provide insight into the values contained in the financial statements.

Statement of Net Position

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

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

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

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

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

ABBREVIATED STATEMENT OF NET POSITION
JUNE 30

	<u>2018</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets	\$16,922,585	\$23,327,353
Capital Assets, Net	\$17,305,903	\$19,357,036
Other Noncurrent Assets	<u>\$ 4,096,654</u>	<u>\$ 1,583,413</u>
Total Assets	<u>\$38,325,142</u>	<u>\$44,267,802</u>
Deferred Outflow of Resources	<u>\$531,926</u>	<u>\$496,258</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,379,874	\$2,179,740
Noncurrent Liabilities	<u>\$7,052,583</u>	<u>\$7,396,739</u>
Total Liabilities	<u>\$8,432,457</u>	<u>\$9,576,479</u>
Deferred Inflows of Resources	<u>\$3,236,331</u>	<u>\$4,983,685</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$11,323,912	\$13,789,804
Restricted for:		
Expendable Capital Projects	\$3,827,141	\$3,824,882
Expendable Debt Service	\$1,276,251	\$1,289,843
Expendable Scholarships	\$98,653	\$46,459
Expendable Technology	\$1,137,821	\$1,502,613
Expendable Other	\$126,835	\$217,946
Unrestricted	<u>\$9,397,667</u>	<u>\$9,532,349</u>
Total Net Position	<u>\$27,188,280</u>	<u>\$30,203,896</u>

Net position for 6/30/2018 was restated for correction of error in OPEB liability of \$1,228,013 resulting in a total net position increase of \$3,015,616. A review of the Statement of Net Position reveals that this increase was influenced primarily by net

changes attributable to the acquisition of capital funds and the subsequent construction in progress for the Colvin Family Center for Allied Health and the Sharp Family Champions Center, the acquisition of art collections from the Foundation, depreciation of assets, Kansas Public Employees Retirement System (KPERS) pension liability, actuarial accounting treatment of post-employment benefits by GASB 75, and tax revenue through an increase in the tax levy.

Statement of Revenues, Expenses and Changes in Net Position

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

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

goods and services for those revenues. Local ad valorem taxes are provided by the property owners of Seward County, Kansas with the Seward County property owners directly receiving no commensurate goods and services for those revenues.

ABBREVIATED STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN NET POSITION

For Fiscal Years Ended June 30

	2018	2019
Student Tuition and Fees	\$2,303,718	\$2,256,497
Grants and Contracts	\$1,255,824	\$1,390,074
Auxiliary Enterprise Revenue	\$1,403,790	\$1,193,969
Other Operating Revenue	\$223,115	\$310,945
Total Operating Revenues	\$5,186,447	\$5,151,485
Instruction	\$7,128,046	\$7,034,615
Academic Support	\$213,475	\$213,517
Student Services	\$2,850,543	\$2,835,486
Institutional Support	\$3,527,956	\$3,929,670
Operation and Maintenance of Plant	\$3,086,616	\$2,975,579
Depreciation	\$2,907,351	\$2,617,734
Scholarships and Fellowships	\$629,618	\$786,694
Auxiliary Enterprise Expenses	\$1,620,555	\$1,507,744
Total Operating Expenses	\$21,964,160	\$21,901,039
Operating Income (Loss)	(\$16,777,713)	(\$16,749,554)
State Appropriations	\$4,656,088	\$5,039,009
Local Property Taxes	\$10,224,460	\$9,768,867
Pell Grants	\$1,602,554	\$1,834,902
Noncapital Gifts and Contributions	\$57,700	\$11,285
Gain on Sale of Assets	\$23,835	-
Interest Income	\$131,981	\$250,362
Interest and Fees on Capital Asset Debt	(\$246,946)	(\$242,190)
Net Non Operating Revenues (Expenses)	\$16,449,672	\$16,662,235
Capital Gifts and Contributions	\$43,500	\$4,330,948
Increase (Decrease) in Net Position	(\$284,541)	\$4,243,629
Net Position – July 1	\$27,472,821	\$25,960,267*
Net Position – June 30	\$27,188,280*	\$30,203,896

*Net position for 6/30/2018 was restated for correction of error in OPEB liability of \$1,228,013.

As presented in the statement, total operating revenues decreased \$34,962. This decrease is driven primarily by decreased net revenues of the auxiliary funds due to a small decline in boarding students. Net Non-Operating revenues increased \$212,563, which was primarily driven by increased Pell grants and interest income. The Operating expenses decreased \$63,121. This decrease was primarily driven by reduced depreciation expense. The net position increase is primarily attributable to capital gifts and contributions to the Colvin Family Center for Allied Health and the Sharp Family Champions Center building projects.

Statement of Cash Flows

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

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

	2018	2019
Net Cash Flows From Operating Activities	(\$12,984,415)	(\$12,914,612)
Net Cash Flows From Non-Capital Financing Activities	\$14,790,047	\$16,085,725
Net Cash Flows From Capital & Related Financing Activities	\$2,429,577	(138,307)
Net Cash Flows From Investing Activities	\$131,981	\$250,362
Net Increase (Decrease) in Cash	\$4,367,190	\$3,283,168
Cash, Beginning of Year, July 1	\$13,849,047	\$18,216,237
Cash, End of Year, June 30	\$18,216,237	\$21,499,405

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

The increase of end of year cash balance from 2018 to 2019 came largely from capital gifts and contributions to the capital building projects, and local property tax receipts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Certificates of Participation

Seward County Community College currently has two certificates of participation notes outstanding as of June 30, 2019. One certificate is being retired through revenues earned from the college's Auxiliary Enterprise System, and by a fee levied per credit hour on all students enrolled each semester. The other is being retired through revenues earned in the college's general fund operations.

Series 2011A

This series of certificates was issued to fund the restructuring of revenue bond debt. The original debt was used to refund prior debt and construct a 168 bed Student Living Center with furnishings. The amount of issue was \$4,290,000. The outstanding principal as of June 30, 2019 is \$2,175,000 with estimated future interest of \$299,956. This series of certificates matures March 1, 2025.

Series 2018

This series of certificates was issued to refund the college's outstanding lease purchase agreement, and to assist with the funding of the Colvin Family Center for Allied Health construction. The amount of issue was \$3,610,000. The outstanding principal as of June

30, 2019 is \$3,485,000 with estimated future interest of \$1,262,770. This series of certificates matures April 1, 2038.

General Obligation Bonds

Seward County Community College has no general obligation bond issues outstanding as of June 30, 2019.

Dennis M. Sander
Vice President of Finance and Operations

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

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Seward County Community College
Statement of Net Position
June 30, 2019

	<u>College</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 20,960,489
Taxes in process, net of uncollectible	591,101
Accounts receivable, net of allowance for doubtful accounts	1,009,669
Receivables from federal, state, and local governments	228,227
Prepaid expenses	198,265
Inventories	<u>339,602</u>
Total Current Assets	<u>23,327,353</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	538,916
Accounts receivable, students, net of allowance for doubtful accounts	1,044,497
Capital assets, net of accumulated depreciation	<u>19,357,036</u>
Total Noncurrent Assets	<u>20,940,449</u>
Total Assets	<u>44,267,802</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	92,431
Deferred outflows related to OPEB	311,059
Deferred charge on refunding of debt, net of amortization	<u>92,768</u>
Total Deferred Outflows of Resources	<u>496,258</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 44,764,060</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas

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Seward County Community College
 Statement of Net Position
June 30, 2019

	<u>College</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 1,132,572
Accrued interest payable	56,290
Dorm deposits payable	12,400
Deposits held in custody for others	177,537
Accrued compensated absences	264,037
Current portion of early retirement liability	71,904
Current portion of long-term debt	<u>465,000</u>
Total Current Liabilities	<u>2,179,740</u>
Noncurrent Liabilities:	
Early retirement liability, net of current portion	83,148
Net other postemployment benefits liability	1,997,189
Net pension liability	121,402
Long-term debt, net of current portion	<u>5,195,000</u>
Total Noncurrent Liabilities	<u>7,396,739</u>
Total Liabilities	<u>9,576,479</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	43,300
Deferred inflows related to OPEB	605,744
Unearned revenue	<u>4,334,641</u>
Total Deferred Inflows of Resources	<u>4,983,685</u>
Total Liabilities and Deferred Inflows of Resources	<u>14,560,164</u>
NET POSITION	
Net investment in capital assets	13,789,804
Restricted - expendable for	
Capital projects	3,824,882
Debt service	1,289,843
Scholarships	46,459
Technology	1,502,613
Other	217,946
Unrestricted	<u>9,532,349</u>
Total Net Position	<u>\$ 30,203,896</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 2

Seward County Community College Foundation - Component Unit
Statement of Financial Position
June 30, 2019

	<u>Foundation</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,099,536
Unconditional promises to give, net	288,406
Investments	<u>8,798,241</u>
Total Current Assets	<u>10,186,183</u>
Total Assets	<u>\$ 10,186,183</u>
 LIABILITIES AND NET ASSETS	
Total Liabilities	\$ <u>-</u>
Net Assets	
Without donor restrictions	408,436
With donor restrictions	<u>9,777,747</u>
Total Net Assets	<u>10,186,183</u>
Total Liabilities and Net Assets	<u>\$ 10,186,183</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 3
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Seward County Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	<u>College</u>
Operating Revenues	
Student tuition and fees, net of scholarship allowances of \$1,198,077	\$ 2,256,497
Federal grants and contracts	935,886
State and local grants and contracts	454,188
Food service/dormitory, net of scholarship allowances of \$256,242	616,255
Bookstore, net of scholarship allowances of \$59,601	499,716
Cosmetology, net of scholarship allowances of \$13,992	74,554
Auto parts management	3,444
Other operating revenues	<u>310,945</u>
Total Operating Revenues	<u>5,151,485</u>
Operating Expenses	
Instruction	7,034,615
Academic support	213,517
Student services	2,835,486
Institutional support	3,929,670
Operation and maintenance of plant	2,975,579
Scholarships and fellowships	786,694
Food service/dormitory	816,190
Bookstore	613,925
Cosmetology	62,458
Auto parts management	15,171
Depreciation	<u>2,617,734</u>
Total Operating Expenses	<u>21,901,039</u>
Net Operating Loss	<u>(16,749,554)</u>
Nonoperating Revenues (Expenses)	
State appropriations	5,039,009
Local property taxes	9,768,867
Pell grants	1,834,902
Noncapital gifts and contributions	11,285
Interest income	250,362
Interest and fees on capital asset related debt	<u>(242,190)</u>
Net Nonoperating Revenues (Expenses)	<u>16,662,235</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

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Seward County Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2019

	<u>College</u>
Loss before other revenues, expenses, gains, and losses	(87,319)
Capital gifts and contributions	<u>4,330,948</u>
Increase in Net Position	<u>4,243,629</u>
Net Position - July 1, 2018	27,188,280
Prior Period Restatement - Error Correction for OPEB liability	<u>(1,228,013)</u>
Net Position - July 1, 2018, as restated	25,960,267
Net Position - June 30, 2019	<u>\$ 30,203,896</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas

Statement 4

Seward County Community College Foundation - Component Unit
 Statement of Activities
 For the Year Ended June 30, 2019

	Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Donations	\$ 84,402	2,059,938	2,144,340
State Board of Regents - Grants	-	8,963	8,963
Special events	59,972	-	59,972
Interest/Dividend income	15,482	336,051	351,533
Realized gain (loss) on investments	(3,501)	(202,855)	(206,356)
Unrealized gain (loss) on investments	15,025	116,018	131,043
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments:			
Scholarships and other student support	774,872	(774,872)	-
Foundation projects	4,588,609	(4,588,609)	-
Total Revenues and Other Support	5,534,861	(3,045,366)	2,489,495
Expenses:			
Program Expenses:			
Scholarships and other student support	774,872	-	774,872
Special events	14,414	-	14,414
Foundation projects	4,588,609	-	4,588,609
Total program services	5,377,895	-	5,377,895
Supporting Services:			
General and administrative	58,475	-	58,475
Investment expenses	2,242	46,818	49,060
Total supporting services	60,717	46,818	107,535
Total Expenses	5,438,612	46,818	5,485,430
Changes in Net Assets	96,249	(3,092,184)	(2,995,935)
Net Assets - June 30, 2018	312,187	12,869,931	13,182,118
Net Assets - June 30, 2019	\$ 408,436	9,777,747	10,186,183

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 5
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Seward County Community College
Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 2,242,997
Grants and contracts	1,945,702
Payments to vendors and suppliers	(9,259,216)
Payments to employees	(8,834,344)
Payments for scholarships	(1,291,647)
Auxiliary enterprise charges	1,138,812
Insurance reimbursements for repairs	923,095
Other receipts	<u>219,989</u>
Net Cash Used for Operating Activities	<u>(12,914,612)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Local property taxes	10,556,358
State appropriations	3,859,553
Pell grants	1,729,177
Noncapital donations and special events	11,285
Student organization agency transactions	<u>(70,648)</u>
Net Cash Provided by Noncapital Financing Activities	<u>16,085,725</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(3,698,617)
Capital gifts and contributions	4,223,148
Principal paid on capital debt	(445,000)
Interest and fees paid on capital debt	<u>(217,838)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(138,307)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>250,362</u>
Net Cash Provided by Investing Activities	<u>250,362</u>
Net Increase in Cash and Cash Equivalents	3,283,168
Cash and Cash Equivalents, Beginning of Year	<u>18,216,237</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,499,405</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 5
Page 2 of 2

Seward County Community College
Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>College</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES:	
Net Operating Loss	\$ (16,749,554)
Adjustments to reconcile net operating loss to net cash flow from operating activities:	
Depreciation expense	2,617,734
State on-behalf payments for employee benefits (KPERs)	1,179,456
Changes in assets and liabilities:	
Accounts receivable, net	(73,462)
Receivable from federal and state governments	(7,735)
Inventories	19,276
Prepaid expenses	(111,399)
Deferred outflows related to pensions	5,434
Deferred outflows related to OPEB	(7)
Accounts payable	12,950
Dorm deposits payable	(64)
Accrued expenses	4,065
Early retirement liability	33,446
Net OPEB liability	(491,350)
Net pension liability	16,049
Deferred inflows related to pensions	(38,410)
Deferred inflows related to OPEB	605,744
Deferred revenue	63,215
Net Cash Used for Operating Activities	\$ <u>(12,914,612)</u>
 Noncash Financing Activities	
Received a donation of art collection	\$ <u>107,800</u>
 RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Current cash and cash equivalents	\$ 20,960,489
Noncurrent restricted cash and cash equivalents	<u>538,916</u>
Net Cash and Cash Equivalents	\$ <u>21,499,405</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas

Statement 6

Seward County Community College Foundation - Component Unit
Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest and dividend income	\$ 351,533
Donations and special events	2,867,807
Scholarships and other student support	(774,872)
Special events	(14,414)
Foundation projects	(4,588,609)
General and administrative	(58,475)
Investment expenses	<u>(49,060)</u>
Net Cash Used for Operating Activities	<u>(2,266,090)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net sale proceeds (purchase) of investments	<u>2,045,853</u>
Net Cash Provided by Investing Activities	<u>2,045,853</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for permanent investment	<u>564,362</u>
Net Cash Provided by Financing Activities	<u>564,362</u>
Net Increase in Cash and Cash Equivalents	344,125
Cash and Cash Equivalents, Beginning of Year	<u>755,411</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,099,536</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – COLLEGE

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

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

Financial Reporting Entity

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

Discretely Presented Component Unit

The Seward County Community College Foundation is considered to be a related organization to the college. The Foundation is a legally separate, tax-exempt organization that acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements. During the year ended June 30, 2019, the College received scholarships totaling \$727,479, expenditure reimbursements of \$89,234, cash donations of \$4,223,148, and a noncash donation of an art collection valued at \$107,800.

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

The Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3). The Foundation reports its financial results under Financial Accounting Standard Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences; however, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements (see Note 19).

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the year. Encumbrances at year-end were \$821,120, which represent the estimated amount of expenses ultimately to result if unperformed contracts in process at June 30, 2019 are completed. Encumbrances outstanding at June 30, 2019 do not constitute expenses or liabilities and are not reflected in these financial statements. Encumbered appropriations expire at year-end but are typically renewed in the next fiscal year.

The College does not present budgetary comparison information in the basic financial statements or as required supplemental information. This is because the College reports as a business-type activity and does not have the reporting requirements related to major funds. The College does present budgetary comparison information in the supplementary information to these financial statements in accordance with the *Kansas Municipal Audit and Accounting Guide*.

Use of Estimates

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

Income Taxes

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

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

Current and Non-current

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

Cash and Cash Equivalents

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

Receivables

Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, staff and general public. Accounts receivable are recorded net of estimated allowance for uncollectible amounts. Management determines the adequacy of the allowance for doubtful accounts based upon a level that in management's judgement is adequate to absorb the losses inherent to student service. Receivables from federal, state, and local governments are in connection with reimbursements of allowable expenditures made pursuant to the College's grant and contracts.

Prepaid Expenses

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

Inventories

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

Capital Assets

Capital assets include property, plant, equipment, and infrastructure, such as roads and sidewalks. Capital assets are recorded at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. For equipment, the College's 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.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from 20-40 years for buildings, 5-30 years for improvements other than buildings, and 3-15 years for equipment and library materials.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

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

Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future reporting periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports the deferred charges on the prior refunding of the debt in this category. This amount results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt. The College also reports a collective deferred outflow of resources related to pensions and deferred outflows for OPEB, which is described further in Note 9 and Note 12, respectively.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The College reports unearned revenues in this category. Unearned revenue includes tax levies received and accrued that are restricted for future fiscal years and amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent reporting year. The College also reports a collective deferred inflow of resources related to pensions and deferred outflows for OPEB, which is described further in Note 9 and Note 12, respectively.

Net Position

Net investment in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation and reduced by outstanding debt obligations related to those capital assets.

Restricted net position – nonexpendable – This consists of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity. The College has no restricted nonexpendable net assets as of June 30, 2019.

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

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

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

Net Position Flow Assumption

When both restricted and unrestricted resources are available for use, it is the College's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Property Taxes

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

As of June 30, 2019, the county treasurer had distributed to the College approximately 92% of the 2018 taxes levied. A portion of the 2018 and 2019 taxes levied will be used to finance the year ending June 30, 2020.

Classification of Revenues

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

Scholarship Allowances

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

On-Behalf Payments for Employee Benefits

The College recognizes revenues and expenses for contributions made by the State of Kansas to the Kansas Public Employees Retirement System (KPERs and KPERs Death and Disability OPEB) on behalf of the College's employees.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - COLLEGE

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the current unrestricted funds, capital outlay fund, and retirement of indebtedness funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended June 30, 2019.

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

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

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

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

Budgetary Compliance – Regulatory Basis

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

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

Cash-Basis Law

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. Some sub-funds of the Restricted Funds have a negative cash balance at June 30, 2019, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed from federal grants, state grants, and other contracts in the following fiscal year. This combined receivable has been recognized for GAAP purposes on these financial statements.

NOTE 3: DEPOSITS AND INVESTMENTS – COLLEGE

As of June 30, 2019, the College did not have any activity in investment-type assets.

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 and 9-1405 require the banks to adequately secure the deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

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

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

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

At June 30, 2019, the College's carrying amount of the deposits was \$21,495,205 and the bank balance was \$22,856,297. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance; \$20,801,269 was collateralized with securities held by the pledging financial institutions' agents in the College's name; \$538,938 was held in federated government obligations. \$1,016,090 was not legally secured as of June 30, 2019. But was legally secured on July 2, 2019.

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

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 4: ACCOUNTS RECEIVABLE, NET – COLLEGE

Accounts receivable consist of the following at June 30, 2019:

Student tuition and fees	\$ 1,956,453
Auxiliary enterprises and other operating activities	<u>979,713</u>
Gross accounts receivable	2,936,166
Less allowance for doubtful accounts	<u>(882,000)</u>
Net accounts receivable	2,054,166
Less noncurrent portion	<u>(1,044,497)</u>
Net current portion	<u>\$ 1,009,669</u>

NOTE 5: CAPITAL ASSETS, NET – COLLEGE

Following are the changes in capital assets for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Construction in progress	\$ -	4,133,695	-	4,133,695
Art Collection	-	107,800	-	107,800
Land	<u>294,019</u>	<u>-</u>	<u>-</u>	<u>294,019</u>
Total non-depreciable capital assets	<u>294,019</u>	<u>4,241,495</u>	<u>-</u>	<u>4,535,514</u>
Depreciable capital assets:				
Land improvements	1,017,693	-	-	1,017,693
Buildings	44,481,690	11,132	-	44,492,822
Furniture and equipment	10,349,901	416,240	-	10,766,141
Library materials	<u>1,081,170</u>	<u>-</u>	<u>-</u>	<u>1,081,170</u>
Total depreciable capital assets	<u>56,930,454</u>	<u>427,372</u>	<u>-</u>	<u>57,357,826</u>
Total capital assets	<u>57,224,473</u>	<u>4,668,867</u>	<u>-</u>	<u>61,893,340</u>
Less accumulated depreciation:				
Land improvements	1,017,693	-	-	1,017,693
Buildings	28,806,663	2,228,701	-	31,035,364
Furniture and equipment	9,013,044	389,033	-	9,402,077
Library materials	<u>1,081,170</u>	<u>-</u>	<u>-</u>	<u>1,081,170</u>
Total accumulated depreciation	<u>39,918,570</u>	<u>2,617,734</u>	<u>-</u>	<u>42,536,304</u>
Total capital assets, net	<u>\$17,305,903</u>	<u>2,051,133</u>	<u>-</u>	<u>19,357,036</u>

The College has no capitalized interest related to construction projects for the year ended June 30, 2019.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 6: UNEARNED REVENUES – COLLEGE

Unearned revenues consist of the following at June 30, 2019:

Property taxes levied for future period	\$ 4,080,257
Grant and contract funds received in advance	208,175
Tuition and fees received in advance	<u>46,209</u>
 Total unearned revenues	 \$ <u>4,334,641</u>

NOTE 7: LONG-TERM LIABILITIES – COLLEGE

Changes in long-term liabilities for the College for the year ended June 30, 2019, were as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Amounts due within one year</u>	<u>Fees & Interest Paid</u>
Debt payable:						
Certificates of Participation						
Series 2011A	2,495,000	-	320,000	2,175,000	330,000	93,425
Series 2018	<u>3,610,000</u>	<u>-</u>	<u>125,000</u>	<u>3,485,000</u>	<u>135,000</u>	<u>124,413</u>
Total Debt Payable	6,105,000	-	445,000	5,660,000	465,000	217,838
Other liabilities:						
Early retirement benefits	121,606	128,381	94,935	155,052	71,904	-
Net OPEB liability	1,260,526	885,663	149,000	1,997,189	-	-
Net pension liability	105,353	24,307	8,258	121,402	-	-
Compensated absences	<u>259,972</u>	<u>264,037</u>	<u>259,972</u>	<u>264,037</u>	<u>264,037</u>	<u>-</u>
Total long-term liabilities	\$ <u>7,852,457</u>	<u>1,302,388</u>	<u>957,165</u>	<u>8,197,680</u>	<u>800,941</u>	<u>217,838</u>

Certificates of participation consist of the following at June 30, 2019:

<u>Debt Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Balance June 30, 2019</u>
Certificates of Participation					
Series 2011A	8/1/2011	4,290,000	3/1/2025	3.00% to 4.00%	2,175,000
Series 2018	3/27/2018	3,610,000	4/1/2038	3.00% to 4.00%	3,485,000

The Certificates of Participation Series 2011A will be liquidated by revenues earned from the College's Auxiliary Enterprise System and by a fee levied per credit hour on all students enrolled each semester. The Series 2018 will be liquidated by revenues earned in the College's general fund operations. The early retirement benefits, post-employment healthcare, and compensated absences are generally liquidated by the general fund revenues.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

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

Certificates of Participation

Series 2011

In August 2011, the College issued Certificates of Participation to refund the Series 2008 and 2001B Revenue Bonds. Net proceeds of \$4,273,505 (after the payment of underwriting fees and other costs) plus \$618,378 from the College were deposited into an irrevocable escrow account with an escrow agent to provide for future debt service. The defeased bonds were paid off March 1, 2015. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$411,883. This difference, reported in the accompanying financial statements as deferred outflow of resources, is being charged to operations through the year 2025 using the effective-interest method. The college completed the advance refunding to reduce its total debt service payments over the next 16 years by \$463,291 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$138,715. The Certificates are collateralized by the campus student union and dormitory facilities.

Series 2018

In March 2018, the College issued Certificates of Participation with an interest rate of 3.0% to 4.0% in the amount of \$3,610,000 to (1) acquire, construct, equip, and furnish Allied Health Center improvements on the College campus in Liberal, Kansas and (2) prepay an existing lease purchase agreement of the College, funded as of August 15, 2017, and thereby acquire assets financed by such lease.

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 465,000	196,763	661,763
2021	480,000	180,637	660,637
2022	500,000	163,563	663,563
2023	515,000	144,644	659,644
2024	540,000	125,162	665,162
2025-2029	1,250,000	412,062	1,662,062
2030-2034	990,000	258,445	1,248,445
2035-2038	<u>920,000</u>	<u>81,450</u>	<u>1,001,450</u>
Total	<u>\$ 5,660,000</u>	<u>1,562,726</u>	<u>7,222,726</u>

NOTE 8: CAPITAL PROJECTS

Capital projects authorizations with approved change orders compared with expenditures from inception are as follows:

	<u>Project Authorization</u>	<u>Expenditures To Date</u>
Colvin Family Allied Health Center construction	\$ 4,260,344	\$ 3,478,464
Sharp Family Champions Center construction	2,016,219	732,554

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE

Description of Pension Plan

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

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

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

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

Special Funding Situation

The employer contributions for non-retired employees of community colleges, as defined in K.S.A. 74-4931(2) and (3), are funded by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The State is treated as a nonemployer contributing entity in the System. Since the College does not contribute directly to the System for active employees, there is no net pension liability or deferred inflows or outflows to report in the financial statements associated with the non-retired employees.

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

Benefits Provided

Benefits are established by statute and may only be changed by the Legislature. 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 credited service equal 85 points.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Benefits Provided (continued)

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 state legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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

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 rate and the statutory contribution rate for school employees was 16.38% and 12.01%, respectively for the fiscal year ended June 30, 2018. Member-employee contribution rate is 6% of covered salary for State/School employees.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE (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.

Net Pension Liability

At June 30, 2019, the College reported a liability for its proportionate share of the KPERS' net pension liability. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College were as follows:

College's proportionate share of the collective net pension liability	\$ 121,402
State's proportionate share of the net pension liability attributable to the College	<u>11,414,682</u>
	<u>\$ 11,536,084</u>

The net pension liability was measured as of December 31, 2017, which was rolled forward to June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The College's proportion of the net pension liability was based on the ratio of its contributions to the total employer and non-employer contributions of the state/school subgroup within KPERS for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the total allocated percentage for the College was .001861%, which was an increase of .000293% from the proportion measured at June 30, 2017.

Revenue and Pension Expense Recorded by the College

For the year ended June 30, 2019, the College recognized revenue and pension expense in an equal amount of \$1,177,446, for support provided by the State in the form of nonemployer contributions to KPERS on the College's behalf. The College contributions to the plan for "working after retirement" payments were \$8,258 for the year ended June 30, 2019.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	5,270
Net differences between projected and actual earnings on pension plan investments	2,082	-
Changes in assumptions	4,568	105
Changes in proportion	77,523	37,925
College contributions subsequent to measurement date	<u>8,258</u>	<u>-</u>
Total	<u>\$ 92,431</u>	<u>\$ 43,300</u>

The \$8,258 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized in pension expense in the year ended June 30, 2020. The net \$40,873 of other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	
2020	\$ (8,201)
2021	19,011
2022	18,062
2023	11,210
2024	<u>791</u>
Total	<u>\$ 40,873</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	2.75%
Salary increase	3.50% to 12.00%, including price inflation
Investment rate of return	7.75% compounded annually, net of investment expense, including price inflation

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Actuarial Assumptions (continued)

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 percent to 3.50 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

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 as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.85%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternative	8.00%	9.85%
Short-term investments	<u>2.00%</u>	(0.25%)
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, the State/School and local groups do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for fiscal year 2018 was 1.2 percent.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 9: DEFINED BENEFIT PENSION PLAN – COLLEGE (Continued)

Discount Rate (continued)

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for fiscal year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. The same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for fiscal year 2016 and 10.81 percent for fiscal year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 session (SB161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 Senate Sub for Sub HB 2052 delayed \$64.1 million in fiscal year 2017 State/School contributions, to be repaid over 20 years in level dollar installments. The first year payment of \$6.4 million was received in July 2017 and appropriations for fiscal year 2018 were made at the statutory contribution rate of 12.01 percent for the State/School group. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for fiscal year 2019. Like the fiscal year 2017 reduction, it is to be paid back over a 20 year period, beginning in fiscal year 2020. Therefore, both reductions will be accounted for as a long-term receivable by the pension plan. The 2018 Legislature passed House Sub for Sen Bill109, that provided additional funds for the school group of \$56 million in Fiscal Year 2018 and \$138 million in Fiscal Year 2019.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years, between 11 to 12 percent. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

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

The following table presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

<u>1% Decrease (6.75%)</u>	<u>Discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$163,496	\$121,402	\$85,797

Pension Plan Fiduciary Net Position

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 10: DEFINED CONTRIBUTION PLAN – COLLEGE

Employees of the College can participate in a 403(b) tax sheltered annuity. The plan is administered by TIAA-CREF and Oppenheimer. The college will match employee contributions up to \$1,100 in FY2019. During the year ended June 30, 2019, the employees contributed \$167,023 and the College contributed \$123,726.

NOTE 11: EARLY RETIREMENT PROGRAM – COLLEGE

The College provides an early retirement program for certain eligible employees. Those eligible under the program may receive benefits for up to 5 years. Eligible employees will receive health insurance coverage (single membership) equal to that of a full-time employee from the time the employee chooses to take early retirement and will continue until the early retirement employee becomes eligible for Medicare or reaches age 65, whichever occurs first. The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. The College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Payments for the retired employees under this plan were \$94,933 for the year ended June 30, 2019.

NOTE 12: OTHER POST EMPLOYMENT BENEFIT PLAN – HEALTH INSURANCE

The College participated in two different other postemployment benefit plans (OPEB), which are separately disclosed.

Plan Description

The College provides for medical, dental and prescription drug insurance coverage to qualifying retirees and their dependents through its group insurance program. Coverage is available until Medicare eligibility. When qualifying retirement occurs at ages 60 to 64, retirees may receive coverage by paying the single contribution rate that applies to active employees. Otherwise, retirees are required to pay group plan premiums to maintain coverage. In all cases, the retiree contribution for spousal coverage is equal to the family rate less the single rate. The retiree healthcare program operates as a single-employer defined benefit plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a stand-alone financial report.

Benefits Provided

As provided by K.S.A. 12-5040, the College allows retirees to participate in the group health insurance plan. Retirees and spouses have the same benefit as active employees.

The College has the following employees covered by the plan as of July 1, 2017:

Active employees	174
Retirees currently receiving benefits	16
Covered spouses of retirees receiving benefits	<u>5</u>
	<u>195</u>

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 12: OTHER POST EMPLOYMENT BENEFIT PLAN – HEALTH INSURANCE (continued)

Net OPEB Liability

The College’s net OPEB liability of \$1,997,189 was measured as of June 30, 2019 and was determined by an actuarial valuation date as of July 1, 2017, which was projected to June 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs:

Discount Rate	3.0% per annum, end of year 3.3% per annum, beginning of year
Medical / Rx Cost Trend	6.5% for 2019, decreasing every year to a rate of 4.5% in ten years and later
Mortality	Society of Actuaries RPH-2014 adjusted to 2006 Total Dataset Headcount-weighted Mortality with Scale MP-2019 Full Generational Improvement
Retirement Age	Retirement rates project the annual probability of retiring for eligible employees. Assumed retirement rates are based on those used for the KPERS-School pension valuation
Salary Scale per Employee	2% per year
Medicare Eligibility Age	Age 65

The discount rate was based on the average of the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes.

Changes to the Total OPEB Liability

The following table shows the changes in the College’s total OPEB liability for the year:

Net OPEB obligation – end of FY2018	\$ 1,260,526
Restated for correction of error	<u>1,228,013</u>
Net OPEB Liability – beginning of FY2019	2,488,539
Service cost	201,301
Interest cost	86,306
Differences between expected and actual experience	(660,812)
Change in assumptions and inputs	30,855
Employer contributions (benefit payments)	<u>(149,000)</u>
Net change	<u>(491,350)</u>
Net OPEB liability – June 30, 2019	\$ <u>1,997,189</u>

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 12: OTHER POST EMPLOYMENT BENEFIT PLAN – HEALTH INSURANCE (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the College’s net OPEB liability calculated using the discount rate of 3.0 percent, as well as what the College’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.0%) or one percentage point higher (4.0%) than the current rate:

<u>1% Decrease (2.0%)</u>	<u>Discount rate (3.0%)</u>	<u>1% Increase (4.0%)</u>
\$2,163,927	\$1,997,189	\$1,846,116

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rate

The following table presents the College’s net OPEB liability, as well as what the College’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
\$1,756,966	\$1,997,189	\$2,287,455

OPEB Expenses and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the College recognized OPEB expense of \$263,387. At June 30, 2019, the College reported deferred outflows of resources of \$311,059 from changes in assumptions and deferred inflows of resources of \$605,744 for differences between expected and actual experience.

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

<u>Fiscal Year</u>	
2020	\$ (24,220)
2021	(24,220)
2022	(24,220)
2023	(24,220)
2024	(24,220)
2025 & Thereafter	<u>(173,585)</u>
Total	\$ <u>(294,685)</u>

Prior Period Correction of Error

Qualified employees retiring at ages 60 to 64 pay active employee single contribution rates instead of group plan premium rates. The impact is an increase in the actuarial accrued liability of \$1,228,013.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 13: OTHER POST EMPLOYMENT BENEFIT PLAN – KPERS OPEB PLAN

The College participates in a multiple-employer defined benefit other post employment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Contributions

Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the fiscal year ended June 30, 2019 totaled \$0.

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. Accordingly, the State is required to recognize the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense for the OPEB plan attributable to the College. The College records revenue and OPEB 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 be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 13: OTHER POST EMPLOYMENT BENEFIT PLAN – KPERS OPEB PLAN (continued)

Benefits (continued)

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member’s annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees

The College has the following employees covered by the Plan as of June 30, 2019:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>181</u>
Total	<u>183</u>

Total OPEB Liability

At June 30, 2019, the total OPEB liability recognized by the State of Kansas that was attributable to the College was \$108,020.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018 (the measurement date), using the following actuarial assumptions:

Price inflation	2.75%
Wage inflation	3.5%
Payroll growth	3.00%
Salary increases, including wage increases	3.5% to 10%
Discount rate	3.87%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates used for the death benefits were based on the RP-2014 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using MP-2018. Mortality rates used for the disability benefits were based on the RP-2014 Disabled Life Table with generational mortality improvement using MP-2018.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2016.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 13: OTHER POST EMPLOYMENT BENEFIT PLAN – KPERS OPEB PLAN (continued)

Revenue and OPEB Expense Recorded by the College

For the year ended June 30, 2019, the College recognized revenue and OPEB expense in an equal amount of \$2,010.

NOTE 14: RENT REVENUE – COLLEGE

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

NOTE 15: RISK MANAGEMENT – COLLEGE

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

NOTE 16: COMMITMENTS AND CONTINGENCIES – COLLEGE

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

The College is named as a defendant in various legal actions arising in the normal course of operations. The College's management believes the resolution of those actions will not have a material effect on the College's basic financial statements.

NOTE 17: TAX ABATEMENT

In August 2015, GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. This Statement is intended to improve financial reporting relating to disclosures of tax abatement transactions. The required disclosure includes tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. GASB defined a tax abatement (for financial reporting purposes) as resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 17: TAX ABATEMENT (continued)

The City of Liberal enters into property tax abatement agreements with local developers under Kansas statutes 12-5241 et seq., which authorizes a city to designate rural housing incentive districts. Under the statutes, the City is authorized to reimburse the developer for all or a portion of the costs of implementing the development through use of property tax increments allocated to the City under the provisions of the statute.

For the year ended June 30, 2019, the College's share of abated property taxes totaled \$33,955 under the rural housing incentive districts program.

The College has not entered into any tax abatement agreements.

NOTE 18: PRIOR PERIOD ADJUSTMENT – CORRECTION OF ERROR ON OPEB LIABILITY

The beginning net position as of July 1, 2018 has been restated due to the correction of an error in calculating net OPEB liability. Prior calculations did not take into account the fact that qualified employees that take early retirement at age 60 to 64 pay active employee single contribution rates instead of group plan rates.

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES

Nature of Activities

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

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

Financial Statement Presentation

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

Under FASB Codification 958-210-45-9, the organization is required to report information regarding its financial position and activities according to two classes of net assets:

With donor restrictions – restrictions placed on principal and/or income by donor.

Without donor restrictions – no restrictions or designations placed on principal or income.

Functional and Natural Expenses Classification

The Schedule of Functional Expenses allocate costs among program and support functions as required by FASB Codification 958-220-50-1 and 958-720-45-15.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (continued)

Advertising costs are expensed when incurred.

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

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

Cash and Cash Equivalents

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

Contributions

Contributions are recorded when received as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (such as when a stipulated time restriction ends), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Promises to Give

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

Income Taxes

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

The Foundation's U.S. federal income tax returns prior to fiscal year 2016 are closed to IRS examination.

Estimates

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

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

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

Net Change in Assets	\$ (2,995,935)
Adjustments:	
Loss on sale of assets	206,356
Contributions restricted for permanent investment	(564,362)
Unrealized (gain) loss on investments	(131,043)
Decrease in unconditional promises to give	<u>1,218,894</u>
 Net Cash Used for Operating Activities	 \$ <u>(2,266,090)</u>

For the year ended June 30, 2019, there was a non-cash gift received. This consisted of stock and securities valued at \$4,000.

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

Subject to expenditure for specified purpose:	
Scholarship and other student support	\$ 3,226,664
Library and music department needs	62,158
Capital projects	410,666
Athletic programs	120,196
Professional development	<u>6,167</u>
Total purpose-restricted net assets	\$ <u>3,825,851</u>
 Endowments, perpetual in nature:	
Professional development	\$ 25,129
Scholarship and other student support	5,840,616
Library and music department needs	<u>86,151</u>
Total endowments	\$ <u>5,951,896</u>
Total net assets with donor restrictions	\$ <u>9,777,747</u>

Deposits

At June 30, 2019, SCCC Foundation's carrying amount of deposits was \$1,099,536 and the bank balance was \$1,100,844. Of the bank balance, \$684,616 was covered by federal depository insurance and \$416,228 was collateralized with securities held by the pledging financial institutions' agents in SCCC Foundation's name.

Risks and Uncertainties

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Donated Services

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

Fair Value Measurements

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

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

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

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Notes to Financial Statements
June 30, 2019

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Fair Value Measurements (continued)

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	Assets at Fair Value as of June 30, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit with maturities over three months	\$ 505,345	-	-	505,345
Marketable equity mutual funds	7,793,085	-	-	7,793,085
Bonds	-	499,811	-	499,811
Total assets at fair value	\$8,298,430	499,811	-	8,798,241

Fair Value of Financial Instruments

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$1,099,536	1,099,536
Unconditional promises to give	288,406	288,406
Investments	8,798,241	8,798,241

Promises to Give

Unconditional promises to give at June 30, 2019 are as follows:

Promises to give expected to be collected in:

Less than one year	\$ 124,100
One to five years	182,300
Total unconditional promises to give	\$ 306,400
Less – Discounts to net present value	17,994
Net unconditional promises to give at June 30, 2019	\$ <u>288,406</u>

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

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Endowment Fund

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

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

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

Donor-restricted endowment funds	<u>\$5,951,897</u>
Total Funds	<u>\$5,951,897</u>

Changes in endowment net assets as of June 30, 2019 are as follows:

Endowment net assets, beginning of year	\$5,387,534
Contributions	<u>564,363</u>
Endowment net assets, end of year	<u>\$5,951,897</u>

Endowment Fund - Investment Return Objectives, Risk Parameters and Strategies

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

Endowment Fund - Spending Policy

The current spending policy allows for up to 5% of the fair market value averaged over the previous five calendar years to be spent each year. The actual spending percentage is reassessed each year and set based on previous average returns.

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Financial Statements
June 30, 2019

NOTE 19: SEWARD COUNTY COMMUNITY COLLEGE FOUNDATION – NOTES (Continued)

Interfund Transfers

There were no interfund transfers for the fiscal year ended June 30, 2019.

Availability of Financial Assets and Liquidity

The Foundation has \$1,099,536 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents. \$691,100 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The restriction on these funds is they are used for scholarship awards. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet the upcoming year's scholarship obligations, which are, on average, approximately between \$700,000 - \$900,000.

In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term investments, including certificate of deposits. The Foundation currently does not have access to any lines of credit.

Contingent Liabilities

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

NOTE 20: SUBSEQUENT EVENTS

The College's management has evaluated subsequent events through March 2, 2020, the date which the College's financial statements were available to be issued.

Foundation's management has evaluated subsequent events through February 26, 2020, the date which the Foundation's financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Required Supplementary Information
June 30, 2019

Schedule 1

Schedule of Changes in the Net OPEB Liability - Healthcare
 Last Two Fiscal Years *

Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability - Healthcare		
Service cost	\$ 201,301	\$ 64,213
Interest cost	86,306	32,461
Differences between expected and actual experience	(660,812)	-
Changes in assumptions and other inputs	30,855	339,329
Employer contributions (benefit payments)	<u>(149,000)</u>	<u>(132,000)</u>
Net change in total OPEB liability	<u>(491,350)</u>	<u>304,003</u>
Total OPEB Liability - beginning	1,260,526	956,523
Prior Period Restatement - error correction	<u>1,228,013</u>	<u>-</u>
Total OPEB Liability - beginning, as restated	2,488,539	956,523
Total OPEB liability - ending	<u>\$ 1,997,189</u>	<u>\$ 1,260,526</u>
Covered-employee payroll	\$ 7,707,303	\$ 7,707,303
Total OPEB liability as a percentage of covered employee payroll	25.91%	16.35%

Notes to Schedule

No assets are accumulated in a trust to pay related benefits.

Changes in assumptions and other inputs

The discount rate was changed from 3.4% in 2017, 3.3% in 2018, and 3.0% in 2019.

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

* GASB 75 requires presentation of ten years. As of June 30, 2019, only two years of information is available

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Required Supplementary Information
June 30, 2019

Schedule 2

Schedule of Changes in the Net OPEB Liability - KPERS Death and Disability
 Last Two Fiscal Years *

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>
College's proportion of the collective net OPEB liability	0%	0%
Total OPEB Liability - KPERS Death and Disability		
Service cost	\$ 16,606	\$ 18,748
Interest cost	13,081	11,083
Effect of economic/demographic gains or losses	(255,244)	-
Changes in assumptions and inputs	(1,064)	(11,868)
Benefit payments	<u>(28,039)</u>	<u>(50,479)</u>
Net change in total OPEB liability	(254,660)	(32,516)
Total OPEB Liability - beginning	<u>362,680</u>	<u>395,196</u>
Total OPEB liability - ending	<u>\$ 108,020</u>	<u>\$ 362,680</u>
State's proportionate share of the total OPEB liability	\$ 108,020	\$ 362,680
College's proportionate share of the total OPEB liability	\$ -	\$ -
Covered-employee payroll	\$ 7,734,830	\$ 8,002,887
Total OPEB liability as a percentage of covered employee payroll	1.40%	4.53%

Notes to Schedule

No assets are accumulated in a trust to pay related benefits.

Changes in assumptions and other inputs

The discount rate was changed from 2.85% in 2017, 3.58% in 2018, and 3.87% in 2019.

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

* GASB 75 requires presentation of ten years. As of June 30, 2019, only two years of information is available

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Required Supplementary Information
June 30, 2019

Schedule 3

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

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
College's proportion of the collective net pension liability	1.05%	0.83%	0.02%	0.16%	0.00%	0.00%
College's proportionate share of the collective net pension liability	\$ 121,402	\$ 105,353	\$ 3,121	\$ 22,555	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the College	<u>11,414,682</u>	<u>12,639,689</u>	<u>13,158,331</u>	<u>13,656,854</u>	<u>12,284,585</u>	<u>14,123,787</u>
Total collective net pension liability	<u>\$ 11,536,084</u>	<u>\$ 12,745,042</u>	<u>\$ 13,161,452</u>	<u>\$ 13,679,409</u>	<u>\$ 12,284,585</u>	<u>\$ 14,123,787</u>
College's covered employee payroll	\$ 8,115,032	\$ 8,402,292	\$ 8,399,928	\$ 8,644,951	\$ 8,413,915	\$ 8,304,745
College's proportionate share of the collective net pension liability as a percentage of its covered employee payroll	1.50%	1.25%	0.04%	0.26%	0.00%	0.00%
Plan (KPERs) fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.94%	66.60%	59.94%

* GASB 68 requires presentation of ten years. As of June 30, 2019, only six years of information is available

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

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Required Supplementary Information
June 30, 2018

Schedule 4

Schedule of the College's Contributions
 Kansas Public Employees Retirement System (KPERS)
 Last Six Fiscal Years*

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Contractually required contribution	\$ 10,656	\$ 7,775	\$ 217	\$ 1,415	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(10,656)</u>	<u>(7,775)</u>	<u>(217)</u>	<u>(1,415)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 8,115,032	\$ 8,402,292	\$ 8,399,928	\$ 8,644,951	\$ 8,413,915	\$ 8,304,745
Contributions as a percentage of covered payroll	0.1313%	0.0925%	0.0026%	0.0164%	0.0000%	0.0000%

* GASB 68 requires presentation of ten years. As of June 30, 2019, only six years of information is available

Note: Contractually required contributions for the College consist of "working after retirement" contributions for KPERS retirees who are filling KPERS covered positions as College employees under K.S.A. 74-4937

Effective January 1, 2015, a new KPERS 3 cash balance retirement plan for new hires was created. Also, effective January 1, 2015, Kansas law established the KPERS member employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members.

SUPPLEMENTARY INFORMATION

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2019

Schedule 5 is prepared in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (Regulatory Basis), which differs from generally accepted accounting principles (GAAP Basis). Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund in which the cash is transferred. Expenditures include cash disbursements, transfers, accounts payable and encumbrances – that is, commitments related to unperformed (executory) contracts for goods and services which are usually evidenced by a purchase order or written contract.

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 General Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	General Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Taxes and Shared Receipts			
Prior year ad valorem property tax	\$ 134,953	\$ 1,071,263	\$ (936,310)
Current year ad valorem property tax	9,464,566	10,089,565	(624,999)
Motor vehicle tax	747,941	713,376	34,565
Recreational vehicle tax	4,798	4,549	249
Delinquent tax	203,289	95,702	107,587
In lieu of tax - IRB	811	-	811
Student tuition and fees	1,553,427	1,548,171	5,256
Federal sources	2,260	2,225	35
State sources	2,705,549	2,560,978	144,571
Interest income	197,802	100,000	97,802
Operating transfers in	68,707	-	68,707
Other receipts	162,301	160,000	2,301
Total Receipts	15,246,404	\$ 16,345,829	\$ (1,099,425)
Expenditures:			
Instruction	2,661,878	\$ 3,500,000	\$ (838,122)
Academic support	168,151	155,000	13,151
Student services	2,117,091	2,200,000	(82,909)
Institutional support	2,891,683	3,000,000	(108,317)
Operation and maintenance of plant	2,595,180	6,120,000	(3,524,820)
Scholarships	237,249	250,000	(12,751)
Operating transfers out	2,937,527	3,885,354	(947,827)
Total Expenditures	13,608,759	\$ 19,110,354	\$ (5,501,595)
Receipts Over (Under) Expenditures	1,637,645		
Unencumbered Cash, Beginning of Year	9,574,304		
Prior Year Cancelled Encumbrances	84,698		
Unencumbered Cash, End of Year	\$ 11,296,647		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Post Secondary Technical Education Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	Post Secondary Technical Education Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 769,915	\$ 714,000	\$ 55,915
State sources	1,168,732	1,168,732	-
Other receipts	3,152	-	3,152
Operating transfers in	2,675,000	3,605,354	(930,354)
Total Receipts	4,616,799	\$ 5,488,086	\$ (871,287)
Expenditures:			
Instruction	3,013,275	\$ 3,447,241	\$ (433,966)
Academic support	54,032	65,438	(11,406)
Student services	249,399	399,605	(150,206)
Institutional support	553,879	690,108	(136,229)
Operation and maintenance of plant	769,736	889,694	(119,958)
Total Expenditures	4,640,321	\$ 5,492,086	\$ (851,765)
Receipts Over (Under) Expenditures	(23,522)		
Unencumbered Cash, Beginning of Year	3,980		
Prior Year Cancelled Encumbrances	24,036		
Unencumbered Cash, End of Year	\$ 4,494		

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Adult Supplementary Education Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	Adult Supplementary Education Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 136,926	\$ 685,000	\$ (548,074)
State sources	-	-	-
Other receipts	12,935	70,913	(57,978)
Total Receipts	149,861	\$ 755,913	\$ (606,052)
Expenditures:			
Instruction	112,891	\$ 800,000	\$ (687,109)
Total Expenditures	112,891	\$ 800,000	\$ (687,109)
Receipts Over (Under) Expenditures	36,970		
Unencumbered Cash, Beginning of Year	37,125		
Prior Year Cancelled Encumbrances	-		
Unencumbered Cash, End of Year	\$ 74,095		

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Truck Driver Training Course Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	Truck Driver Training Course Fund		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Student tuition and fees	\$ 70,833	\$ 87,044	\$ (16,211)
State sources	24,600	23,000	1,600
Other receipts	-	-	-
Operating transfers in	150,000	150,000	-
Total Receipts	245,433	\$ 260,044	\$ (14,611)
Expenditures:			
Instruction	234,373	\$ 263,000	\$ (28,627)
Total Expenditures	234,373	\$ 263,000	\$ (28,627)
Receipts Over (Under) Expenditures	11,060		
Unencumbered Cash, Beginning of Year	2,956		
Prior Year Cancelled Encumbrances	-		
Unencumbered Cash, End of Year	\$ 14,016		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Auxiliary Enterprises
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	Bookstore			Dorm/Cafeteria		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:						
Sales	\$ 551,366	\$ 970,000	\$ (418,634)	\$ 797,229	\$ 1,275,000	\$ (477,771)
Other income	88,433	7,000	81,433	112,594	65,000	47,594
Total Receipts	639,799	\$ 977,000	\$ (337,201)	909,823	\$ 1,340,000	\$ (430,177)
Expenditures:						
Salaries and benefits	147,259	\$ 150,000	\$ (2,741)	258,311	\$ 260,000	\$ (1,689)
General operating expenses	40,267	40,000	267	21,206	7,000	14,206
Supplies	4,942	15,000	(10,058)	1,339	40,000	(38,661)
Cost of goods sold	398,503	700,000	(301,497)	484,093	550,000	(65,907)
Equipment	84,054	5,000	79,054	44,603	20,000	24,603
Travel	3,570	5,000	(1,430)	-	-	-
Utilities	-	-	-	15,740	17,000	(1,260)
Buildings	-	-	-	-	50,000	(50,000)
Mandatory transfers	-	50,000	(50,000)	100,000	270,000	(170,000)
Total Expenditures	678,595	\$ 965,000	\$ (286,405)	925,292	\$ 1,214,000	\$ (288,708)
Receipts Over (Under) Expenditures	(38,796)			(15,469)		
Unencumbered Cash, Beginning of Year	215,713			1,340,244		
Prior Year Cancelled Encumbrances	-			-		
Unencumbered Cash, End of Year	\$ 176,917			\$ 1,324,775		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Auxiliary Enterprises
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2019

Schedule 5
 Page 6 of 12

	Cosmetology			Auto Parts Management		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:						
Sales	\$ 88,106	\$ 135,000	\$ (46,894)	\$ 3,319	\$ 200,000	\$ (196,681)
Other income	61	1,200	(1,139)	125	1,000	(875)
Total Receipts	<u>88,167</u>	<u>\$ 136,200</u>	<u>\$ (48,033)</u>	<u>3,444</u>	<u>\$ 201,000</u>	<u>\$ (197,556)</u>
Expenditures:						
Salaries and benefits	-	\$ -	\$ -	-	\$ -	\$ -
General operating expenses	449	4,721	(4,272)	-	-	-
Supplies	62,753	81,763	(19,010)	-	321	(321)
Cost of goods sold	1,220	11,551	(10,331)	-	200,000	(200,000)
Equipment	-	-	-	-	-	-
Travel	2	2,389	(2,387)	-	-	-
Utilities	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Mandatory transfers	-	-	-	-	-	-
Total Expenditures	<u>64,424</u>	<u>\$ 100,424</u>	<u>\$ (36,000)</u>	<u>-</u>	<u>\$ 200,321</u>	<u>\$ (200,321)</u>
Receipts Over (Under) Expenditures	23,743			3,444		
Unencumbered Cash, Beginning of Year	111,842			3,633		
Prior Year Cancelled Encumbrances	<u>1,063</u>			<u>-</u>		
Unencumbered Cash, End of Year	<u>\$ 136,648</u>			<u>\$ 7,077</u>		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Auxiliary Enterprises
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2019

	Total Auxiliary Enterprises		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Sales	\$ 1,440,020	\$ 2,580,000	\$ (1,139,980)
Other income	201,213	74,200	127,013
Total Receipts	1,641,233	\$ 2,654,200	\$ (1,012,967)
Expenditures:			
Salaries and benefits	405,570	\$ 410,000	\$ (4,430)
General operating expenses	61,922	51,721	10,201
Supplies	69,034	137,084	(68,050)
Cost of goods sold	883,816	1,461,551	(577,735)
Equipment	128,657	25,000	103,657
Travel	3,572	7,389	(3,817)
Utilities	15,740	17,000	(1,260)
Buildings	-	50,000	(50,000)
Mandatory transfers	100,000	320,000	(220,000)
Total Expenditures	1,668,311	\$ 2,479,745	\$ (811,434)
Receipts Over (Under) Expenditures	(27,078)		
Unencumbered Cash, Beginning of Year	1,671,432		
Prior Year Cancelled Encumbrances	1,063		
Unencumbered Cash, End of Year	\$ 1,645,417		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Capital Outlay
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	Capital Outlay		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
State sources	\$ 131,543	\$ 131,543	\$ -
Other income	761	9,868,457	(9,867,696)
Mandatory transfers	62,527	-	62,527
Total Receipts	194,831	\$ 10,000,000	\$ (9,805,169)
Expenditures:			
Plant equipment and facility	172,280	\$ 10,165,000	\$ (9,992,720)
Principal on debt	-	-	-
Interest and fees on debt	-	-	-
Transfers	-	-	-
Total Expenditures	172,280	\$ 10,165,000	\$ (9,992,720)
Receipts Over (Under) Expenditures	22,551		
Unencumbered Cash, Beginning of Year	165,820		
Prior Year Cancelled Encumbrances	-		
Unencumbered Cash, End of Year	\$ 188,371		

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Certificates of Participation Debt Service Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended June 30, 2019

	Certificates of Participation Debt Service		
	Actual - Regulatory Basis	Original and Final Budget	Variance- Over (Under)
Receipts:			
Interest income	\$ 24	-	
Mandatory transfers	414,199	\$ 412,100	\$ 2,099
Total Receipts	414,223	\$ 412,100	\$ 2,099
Expenditures:			
Principal on COP	320,000	\$ 320,000	\$ -
Interest and fees	92,100	92,100	-
Total Expenditures	412,100	\$ 412,100	\$ -
Receipts Over (Under) Expenditures	2,123		
Unencumbered Cash, Beginning of Year	1,105,000		
Prior Year Cancelled Encumbrances	-		
Unencumbered Cash, End of Year	\$ 1,107,123		

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 Notes to Schedule
For the Year Ended June 30, 2019

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

	General	Post Sec Tech Ed	Adult Supplemental
Revenues:			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 4 pages 1 to 9)	\$ 15,246,404	4,616,799	149,861
Adjustments			
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.	13,612	2,240	(4,766)
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting	(787,491)	-	-
Transfers reported separately for GAAP reporting	(68,707)	(2,675,000)	-
Total revenues on GAAP basis	\$ 14,403,818	1,944,039	145,095
Expenditures:			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 4 pages 1 to 9)	\$ 13,608,759	4,640,321	112,891
Adjustments			
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.	4,066	-	-
Net OPEB obligations and other retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.	130,906	-	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.	(458,385)	(31,439)	-
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.	(121,279)	-	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.	-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting	-	-	-
Transfers reported separately for GAAP reporting	(2,937,527)	-	-
Total Expenditures on GAAP basis	\$ 10,226,540	4,608,882	112,891

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 Notes to Schedule
For the Year Ended June 30, 2019

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

	<u>Truck Driver</u>	<u>Auxiliary Enterprises</u>	<u>Capital Outlay</u>
Revenues:			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 4 pages 1 to 9)	\$ 245,433	1,641,233	194,831
Adjustments			
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.	1,487	55,156	-
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting	-	-	-
Transfers reported separately for GAAP reporting	<u>(150,000)</u>	<u>(81,439)</u>	<u>(62,527)</u>
Total revenues on GAAP basis	\$ <u>96,920</u>	<u>1,614,950</u>	<u>132,304</u>
Expenditures:			
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 4 pages 1 to 9)	\$ 234,373	1,668,311	172,280
Adjustments			
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.	-	-	-
Net OPEB obligations and other retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.	-	-	-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.	-	(83,145)	164,664
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.	-	12,404	-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.	-	-	-
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting	-	19,276	-
Transfers reported separately for GAAP reporting	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Total Expenditures on GAAP basis	\$ <u>234,373</u>	<u>1,516,846</u>	<u>336,944</u>

(See Auditors' Report)

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 Notes to Schedule
For the Year Ended June 30, 2019

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

		<u>COP Debt Service</u>
Revenues:		
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 4 pages 1 to 9)	\$	414,223
Adjustments		
Revenues accrued but not received are reported in the year received for regulatory basis, but in the year earned for GAAP reporting.		-
Revenues received in current year, but deferred for future fiscal years, are reported in the year received for regulatory basis, but in the future years for GAAP reporting		-
Transfers reported separately for GAAP reporting		<u>(414,199)</u>
Total revenues on GAAP basis	\$	<u><u>24</u></u>
Expenditures:		
Actual amounts (regulatory basis) from the schedule of receipts and expenditures (Schedule 4 pages 1 to 9)	\$	412,100
Adjustments		
Compensated absences are reported in the year paid for regulatory basis, but in the year earned for GAAP reporting.		-
Net OPEB obligations and other retirement benefits are reported in the year paid for regulatory basis but in the year earned for GAAP reporting.		-
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory basis, but in the year the items are received for GAAP reporting.		-
Amounts paid in advance for future expenses are reported in the year paid for regulatory basis, but in the year used or expired for GAAP reporting.		-
Interest accrued on the bonds but not paid yet are reported in the year paid for regulatory basis, but in the year accrued for GAAP reporting.		(5,889)
Expenditures for cost of goods sold are reported in year ordered for budgetary purposes, but in the year sold for GAAP reporting		-
Transfers reported separately for GAAP reporting		<u>-</u>
Total Expenditures on GAAP basis	\$	<u><u>406,211</u></u>

(See Auditors' Report)

SINGLE AUDIT SECTION



BYRON BIRD AND ASSOCIATES, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting 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 the business-type activities and the discretely presented component unit of Seward County Community College (College), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 2, 2020. Our report includes a reference to other auditors who audited the financial statements of Seward County Community College Foundation (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* or the *Kansas Municipal Audit and Accounting Guide*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
Liberal, Kansas
March 2, 2020



BYRON BIRD AND ASSOCIATES, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Seward County Community College's (College) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
Liberal, Kansas
March 2, 2020

SEWARD COUNTY COMMUNITY COLLEGE
 Liberal, Kansas
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Schedule 6

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Federal Direct Unsubsidized Stafford Loans			\$ 235,727
Federal Direct Subsidized Stafford Loans			269,226
Total Federal Direct Student Loans	84.268		<u>504,953</u>
Federal Pell Grant Program	84.063		1,837,162
Federal Work-Study Program	84.033		52,213
Federal Supplemental Educational Opportunity Grants	84.007		44,100
Total Student Financial Assistance Cluster			<u>2,438,428</u>
TRIO Cluster			
TRIO - Student Support Services Program	84.042A		221,076
Total TRIO Cluster			<u>221,076</u>
Passed Through Kansas Board of Regents			
Adult Education - Basic Grants to States	84.002	3042-3000	256,554
Career and Technical Education - Carl Perkins	84.048	3539	138,880
Total U.S. Department of Education			<u>3,054,938</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Passed Through Kansas Department of Wildlife, Parks and Tourism			
Recreational Trails Program	20.219	NRT2018-3	54,432
Total Highway Planning and Construction Cluster			<u>54,432</u>
National Science Foundation			
Passed Through Kansas State University			
Education and Human Resources	47.076	NS9757	44,030
Passed Through Fort Hays State University			
Education and Human Resources	47.076	Noyce	1,616
Total National Science Foundation			<u>45,646</u>
U.S. Department of Health and Human Services			
Passed Through Kansas State University			
Biomedical Research and Research Training	93.859	HH9836	54,917
Total U.S. Department of Health and Human Services			<u>54,917</u>
Small Business Administration			
Passed Through Fort Hays State University			
Small Business Development Center	59.037	10760	56,502
Total Small Business Administration			<u>56,502</u>
U.S. Department of Defense			
Passed Through University of Kansas			
Centers for Academic Excellence	12.598	HHM402-17-1-0003	9,306
Total U.S. Department of Defense			<u>9,306</u>
Total Expenditures of Federal Awards			\$ <u>3,275,741</u>

(The Accompanying Notes to Schedule of Expenditures of Federal Awards are an Integral Part of This Schedule)

SEWARD COUNTY COMMUNITY COLLEGE
Liberal, Kansas
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note A: **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Seward County Community College under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Seward County Community College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

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

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

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

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

SEWARD COUNTY COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Schedule 7

None

SEWARD COUNTY COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Schedule 8

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X none reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal Control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

_____ Yes X No

Identification of major federal programs:

CFDA Numbers

Name of Federal Program or Cluster

84.007, 84.033, 84.063, & 84.268

Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported