

BARTON COUNTY COMMUNITY COLLEGE

Financial Statements With Independent Auditors' Report

For the Year Ended June 30, 2013

BARTON COUNTY COMMUNITY COLLEGE
Financial Statements With Independent Auditor's Report
For the Year Ended June 30, 2013

TABLE OF CONTENTS

| | |
|---|----|
| Independent Auditors' Report..... | 1 |
| Management's Discussion and Analysis | 4 |
| Statements of Net Position..... | 8 |
| Statements of Revenues, Expenses and Change in Net Position | 9 |
| Statement of Cash Flows | 10 |
| Notes to Financial Statements | 11 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 32 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133 | 34 |

Supplementary Information

| | |
|--|----|
| Schedule 1 Summary Schedule of Revenues, Expenditures, Encumbrances and Changes In Fund Balance –Budget and Actual – Current Funds – Unrestricted (Regulatory Basis) | |
| 1-1 General Fund | 36 |
| 1-2 Post Secondary Technical Education Fund | 37 |
| 1-3 Adult Basic Education Fund..... | 38 |
| 1-4 Adult Supplementary Education Fund..... | 39 |
| 1-5 Auxiliary Enterprise Funds | 40 |
| Notes to Supplementary Information..... | 42 |
| Schedule of Findings and Questioned Costs | 43 |
| Summary Schedule of Prior Audit Findings..... | 44 |
| Schedule of Expenditures of Federal Awards | 45 |
| Notes to Schedule of Expenditures of Federal Awards..... | 46 |



Phone (620)792-2428 ■ Fax (620)792-5559 ■ www.abbb.com

Bank of America Building ■ 2006 Broadway, Suite 2A

P.O. Drawer J ■ Great Bend, Kansas 67530

Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Barton County Community College
Great Bend, Kansas

Report on the Financial Statements

We have audited the accompanying statements of net position of **Barton County Community College**, as of June 30, 2013 and the related statements of revenues, expenses and change in net position and cash flows for the year ended June 30, 2013, 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 and the *Kansas Municipal Audit and Accounting Guide*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 entity'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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of **Barton County Community College** as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 **Barton County Community College's** basic financial statements. The individual fund financial statements 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial statements and 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, the individual fund financial statements and 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 December 10, 2013, on our consideration of **Barton County Community College's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal

control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Barton County Community College's** internal control over financial reporting and compliance.

Adams, Brown, Beran + Ball, Chtd.

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

December 10, 2013

BARTON COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Overview of the Financial Statements and Financial Analysis

Barton County Community College ("College") is presenting this discussion and analysis of its financial statements to provide an overview of the financial activities for the year. The annual financial statements are presented in accordance with pronouncements issued by the Government Accounting Standards Board (GASB), the authoritative body for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments, including public institutions of higher learning. The statements and notes continue to improve so that readers may receive full value from this information.

As defined by generally accounting principles established by GASB, the financial reporting entity consists of the College, as well as its component unit, the Barton County Community College Foundation. The following discussion focuses on the College; separately issued audited financial statements for the Foundation can be obtained as discussed in Note 1.

The basic financial statements focus on the College as a whole. The statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. There are three financial statements presented: the Statement of Net Position; the Statements of Revenues, Expenses and Change in Net Position; and the Statement of Cash Flows. The following discussions about these statements are based on comparative data.

Statement of Net Position

The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Barton County Community College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent) and Net Position (assets minus liabilities).

From the data presented, readers of the Statement of Net Position are able to determine the assets 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 assets (assets minus liabilities) and their availability for expenditure by the institution.

The Net Position is divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution, but must be spent for specific purposes as determined by donors, the Board and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful use of the institution.

| | <u>2013</u> | <u>2012</u> |
|------------------------|----------------------|-------------------|
| Assets | | |
| Current Assets | \$ 28,821,217 | 21,763,384 |
| Noncurrent Assets, Net | <u>16,573,700</u> | <u>16,787,867</u> |
| Total Assets | \$ <u>45,394,917</u> | <u>38,548,251</u> |

BARTON COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2013

| | | |
|--|----------------------|--------------------|
| Liabilities | | |
| Current Liabilities | \$ 2,656,761 | 2,201,047 |
| Noncurrent Liabilities | <u>11,836,785</u> | <u>7,895,525</u> |
| Total Liabilities | 14,493,546 | 10,096,572 |
| Net Position | | |
| Invested in Capital Assets, Net of Debt | 8,352,342 | 8,001,555 |
| Restricted - Non-Expendable | - | - |
| Restricted - Expendable | 12,090,732 | 3,136,030 |
| Unrestricted | <u>10,458,297</u> | <u>17,314,094</u> |
| Total Net Position | <u>30,901,371</u> | <u>28,451,679*</u> |
| Total Liabilities and Net Position | <u>\$ 45,394,917</u> | <u>38,548,251</u> |

The college's Total Net Position improved over last year. Our overall enrollment increased this past year, although state financial support did not keep up with the increase. The largest increases followed the nationwide trend toward distance education as the way the education is delivered.

* 2012 information was taken from the 2012 audit. Note 34 in the current audit restated the 2012 numbers due to receivable taxes and prepaid expenses. This amount adds \$504,185 to the 2012 Total Net Position.

Statement of Revenues, Expenses and Change in Net Position

The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution. In addition, Total Net Position is provided for both the beginning of the year as well as the end of the year.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. Examples of nonoperating revenues are state appropriations and local ad valorem taxes. These are "nonoperating" because the Kansas Board of Regents provides state appropriations to the institution, and the Kansas Board of Regents does not directly receive goods or services for those revenues. Like the state appropriations, the property owners of Barton County provide the local ad valorem taxes and the property owners do not directly receive goods or services for those revenues.

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Operating Revenues | \$ 20,821,047 | 28,852,545 |
| Operating Expenses | <u>(39,932,763)</u> | <u>(43,501,638)</u> |
| Net Operating Loss | (19,111,716) | (14,649,093) |
| Total Nonoperating Revenues (Expenses) | <u>21,057,222</u> | <u>17,076,550</u> |
| Change in Net Position | 1,945,506 | 2,427,457 |

BARTON COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2013

| | | | |
|--|----------------------|--------------------|--|
| Total Net Position - Beginning, as restated | <u>28,955,865</u> | <u>26,024,223</u> | |
| Total Net Position - Ending | \$ <u>30,901,371</u> | <u>28,451,680*</u> | |

The Statement of Revenues, Expenses, and Change in Net Position reflect a positive year for 2013 with our total net position improving as compared to last year. Although credit hour production increased for the year, and our in-state hours increased for the year, the state support per hour decreased. Our BartOnline distance education continues to increase, although our EduKan business experienced a significant decrease. Tuition rates remained the same as the previous year.

Operations at Ft. Riley remained relatively even over the previous year, although the expectation is that with the addition of Ft. Leavenworth we will see significant growth next year. The number of students occupying student housing remained stable as compared to last year.

We saw a slight increase in state support due to SB155 (high school students funded for tiered technical courses) and an increase in revenue due to increased local property valuation.

We were able to provide salary increases for our employees this past year. Our health insurance plan, which operates on a self-insured basis, continues to see increases in its costs. The cash reserve has stabilized, although due to health care reform, there is concern for the future of the plan. We continue to add to our health plan reserve in preparation for upcoming changes due to health care reform. Because health insurance is a major employee benefit, the college continues to cover the cost of a single plan for our employees.

* 2012 information was taken from the 2012 audit. Note 34 in the current audit restates the 2012 numbers due to receivable taxes and prepaid expenses. This amount adds \$504,185 to the 2012 Total Net Position.

Statement of Cash Flows

The final statement presented by Barton 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 operating cash flows and shows the net cash used by the operating activities of the institution (tuition and fees, grants, auxiliary enterprises, payments to employees and benefits, payments to suppliers, and activity revenues). The second section reflects cash flows from noncapital financing activities (state appropriations, local taxes, pell and SEOG grants, and contributions). This section reflects the cash received and spent for nonoperating, non-investing, and non-capital financing purposes. The third section reflects the cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items (purchase of capital assets, principle on debt, interest payments, loss on sale of assets). The fourth section deals with cash flows from investing activities and shows the interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Change in Net Position.

| | <u>2013</u> | <u>2012</u> | |
|--|-----------------|---------------|--|
| Operating Activities | \$ (17,840,835) | (13,625,573) | |
| Non-Capital Financing Activities | 21,316,288 | 17,048,383 | |
| Capital and Related Financing Activities | 3,077,448 | (904,329) | |
| Interest on Investments | <u>32,485</u> | <u>28,166</u> | |
| Net Change in Cash | 6,585,386 | 2,546,647 | |

BARTON COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Year Ended June 30, 2013

| | | |
|-------------------------|----------------------|-------------------|
| Cash - Beginning | <u>20,499,772</u> | <u>17,953,125</u> |
| Cash - Ending | \$ <u>27,085,158</u> | <u>20,499,772</u> |

The cash flow statement reflects the successful continued growth in cash, although a portion of this cash is due to the COP that will be used for the dorm. Due to our increased growth, our enrollment revenue was able to offset the decrease in state funding per credit hour. The college's cash balance increases will help the future operations of the college.

Capital Asset and Debt Administration

At fiscal year-end, the College had \$27,769,544 of property, plant and equipment, which is an increase of \$360,860 over the prior year. The related accumulated depreciation increased to \$11,634,464 with depreciation charges of \$710,267 recognized in the current fiscal year. More detailed financial activity related to the changes in Capital Assets is presented in Note 10 (Capital Assets).

The College increased long-term debt by a net amount of \$4,322,500 in 2013. This increases long-term debt to \$11,742,500 at fiscal year-end. This increase is due to the COP for the dorm. More detailed financial information related to long-term debt is presented in Note 32.

Economic Outlook

Barton's overall enrollment continues to grow, however the hours generated through face to face classes has declined. Our distance education (BartOnline) continues to grow, although the growth seems to have slowed down slightly. Operations at Ft. Riley remained relatively even over the previous year, but the expectation is that with the addition of Ft. Leavenworth we will see significant growth next year. The method of delivering education continues to move toward distance education versus traditional face-to-face delivery.

Our dependency on state funding and local valuations for funding play a major role in our financial success. The political and financial uncertainty of the state will continue to be a challenge for higher education. State support for state aid was frozen due to lack of state funds. The college continues to focus its efforts in areas that will provide funding such as SB155 and specific targeted markets.

The college will continue to be good stewards of the local and state funding that it receives, and will take appropriate actions to continue the growth and success of its educational operations.


Mark Dean
Dean of Administration

BARTON COUNTY COMMUNITY COLLEGE
 Statements of Net Position
 June 30, 2013

| | <u>Community College</u> | <u>Foundation</u> |
|---|--------------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash - Unrestricted | \$ 20,650,407 | 73,621 |
| Cash - Restricted | 6,434,751 | - |
| Total Cash | 27,085,158 | 73,621 |
| Investments | - | 2,318,844 |
| Accounts Receivable - 2012 Taxes in Process, Net of Uncollectible | 572,443 | - |
| Accounts Receivable, Students, Net of Allowance for Doubtful Accounts of \$842,260 | 765,487 | - |
| Other Receivables | 39,370 | 16,226 |
| Inventory | 327,142 | - |
| Prepaid Insurance and Other Expenses | 31,617 | - |
| Unconditional Promises to Give | - | 8,333 |
| Total Current Assets | 28,821,217 | 2,417,024 |
| Noncurrent Assets | | |
| Unconditional Promises to Give | - | 3,333 |
| Beneficial Interest in Remainder Trusts | - | 445,283 |
| Beneficial Interest in Assets Held by Others | - | 13,033 |
| Endowment Investments - Restricted | - | 3,308,668 |
| Capital Assets, Not Depreciated | 678,800 | 832,198 |
| Capital Assets, Net of Accumulated Depreciation of \$11,634,464 | 15,456,280 | - |
| Construction in Progress | 221,262 | - |
| Debt Issuance Costs, Net | 217,358 | - |
| Total Noncurrent Assets | 16,573,700 | 4,602,515 |
| Total Assets | \$ 45,394,917 | 7,019,539 |
| LIABILITIES | | |
| Current Liabilities | | |
| Current Obligations - Certificates of Participation | \$ 195,000 | - |
| Current Obligations - Capital Leases | 149,193 | - |
| Current Obligations - State Loan Payable | 162,500 | - |
| Accounts Payable | 393,939 | - |
| Accrued Payroll and Benefits | 652,936 | - |
| Accrued Interest Payable | 48,375 | - |
| Early Retirement Liability | 7,751 | - |
| Compensated Absences | 726,417 | - |
| Deposits and Other Payables | 320,650 | - |
| Total Current Liabilities | 2,656,761 | - |
| Noncurrent Liabilities | | |
| Noncurrent Obligations - Certificate of Participation | 11,060,000 | - |
| Unamortized Loss on Debt Refunding, Net of Accumulated Amortization of \$425 | (127,046) | - |
| Noncurrent Obligations - Capital Leases | 578,831 | - |
| Noncurrent Obligations - State Loan Payable | 325,000 | - |
| Total Noncurrent Liabilities | 11,836,785 | - |
| Total Liabilities | 14,493,546 | - |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 8,352,342 | - |
| Restricted - Expendable for | | |
| Board Designated | 4,279,956 | - |
| Encumbrances | 5,842,549 | - |
| Employee Health Insurance | 1,968,227 | - |
| Other | - | 2,175,250 |
| Restricted - Nonexpendable | - | 3,823,041 |
| Unrestricted | 10,458,297 | 1,021,248 |
| Total Net Position | 30,901,371 | 7,019,539 |
| Total Liabilities and Net Position | \$ 45,394,917 | 7,019,539 |

The notes to the financial statements are an integral part of this statement

BARTON COUNTY COMMUNITY COLLEGE
 Statements of Revenues, Expenses and Change in Net Position
 For the Year Ended June 30, 2013

| | <u>Community College</u> | <u>Foundation</u> |
|--|------------------------------|-------------------|
| Operating Revenues | | |
| Tuition and Fees | \$ 13,442,410 | - |
| Less: Student Scholarship Allowances | (4,395,818) | - |
| Net Tuition and Fees | 9,046,592 | - |
| Federal Grants and Contracts | 6,629,066 | - |
| Housing Payments | 1,348,570 | - |
| Bookstore Sales | 983,568 | - |
| Activity Revenue and Other | 2,813,251 | - |
| Contributions and Other Fundraisers | - | 563,898 |
| Total Operating Revenues | <u>20,821,047</u> | <u>563,898</u> |
| Operating Expenses | | |
| Instruction | 14,294,166 | - |
| Public Service | 904,741 | - |
| Academic Support | 3,431,284 | - |
| Student Services | 3,632,642 | - |
| Institutional Support | 6,692,471 | 82,859 |
| Physical Plant Operations | 2,741,637 | - |
| Student Financial Support | 5,123,546 | 467,260 |
| Auxiliary Services | 2,325,307 | - |
| Depreciation and Amortization | 786,969 | - |
| Total Operating Expenses | <u>39,932,763</u> | <u>550,119</u> |
| Net Operating Income (Loss) | <u>(19,111,716)</u> | <u>13,779</u> |
| Nonoperating Revenues (Expenses) | | |
| State Appropriations | 8,128,178 | - |
| County Property Taxes | 9,806,589 | - |
| Pell and SEOG Grants | 3,394,356 | - |
| Contributions | 80,000 | - |
| Interest Income | 32,485 | - |
| Investment Income | - | 587,366 |
| Loss From Sale of Assets | (5,543) | - |
| Interest Expense on Debt | (378,843) | - |
| Total Nonoperating Revenues (Expenses) | <u>21,057,222</u> | <u>587,366</u> |
| Change in Net Position | <u>1,945,506</u> | <u>601,145</u> |
| Total Net Position - Beginning, as restated | <u>28,955,865</u> | <u>6,418,394</u> |
| Total Net Position - Ending | <u>\$ 30,901,371</u> | <u>7,019,539</u> |

The notes to the financial statements are an integral part of this statement.

BARTON COUNTY COMMUNITY COLLEGE

Statement of Cash Flows - College

For the Year Ended June 30, 2013

| | |
|--|-------------------------------|
| Cash Flows From Operating Activities | |
| Student Tuition and Fees, Net of Scholarships | \$ 9,250,417 |
| Grants and Contracts | 6,629,066 |
| Auxiliary Enterprise Revenue | 2,330,794 |
| Payments to Employees and for Employee Benefits | (19,415,917) |
| Payments to Suppliers | (19,448,446) |
| Activity Revenue and Other | <u>2,813,251</u> |
| Net Cash Used by Operating Activities | <u>(17,840,835)</u> |
| Cash Flows From Noncapital Financing Activities | |
| State Appropriations | 8,128,178 |
| County Property Taxes | 9,713,754 |
| Pell and SEOG Grants | 3,394,356 |
| Contributions | <u>80,000</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>21,316,288</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Purchase of Capital Assets | (575,377) |
| Principal Paid on Long-Term Debt | (2,486,198) |
| Principal Received on Long-Term Debt | 6,537,530 |
| Interest Payments | (392,964) |
| Loss From Sale of Assets | <u>(5,543)</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>3,077,448</u> |
| Cash Flows From Investing Activities | |
| Interest on Investments | <u>32,485</u> |
| Net Increase in Cash | 6,585,386 |
| Cash - Beginning of Year | <u>20,499,772</u> |
| Cash - End of Year | <u>\$ 27,085,158</u> |
| Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities | |
| Net Operating Loss | \$ (19,111,716) |
| Adjustments to Reconcile Net Operating Loss to | |
| Net Cash Used by Operating Activities | |
| Depreciation and Amortization | 786,969 |
| (Increase) Decrease in | |
| Accounts Receivable | 177,393 |
| Inventory | (45,781) |
| Prepaid Expenses | (7,039) |
| Increase (Decrease) in | |
| Accounts Payable | 336,812 |
| Compensation and Related Benefits | (2,561) |
| Other Liabilities | <u>25,088</u> |
| Net Cash Used by Operating Activities | <u>\$ (17,840,835)</u> |

The notes to the financial statements are an integral part of this statement.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Barton County Community College is located in central Kansas in Barton County. The College is a modern comprehensive community college authorized by Kansas House Bill #893-1963 and approved by the State Superintendent of Education in July 1965. The College offers a multi-faceted curriculum for a student population of approximately 4,200 full-time equivalent students annually. Presently, about one-third of the students attend classes on the main campus. The other two-thirds are either enrolled in BartOnline courses or at one of a number of off-campus sites operated in the six surrounding counties, as well as, in or near the cities of Salina and Junction City, Kansas.

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

The Foundation is a not-for-profit corporation under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. 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. The component unit's financial data has, however, been aggregated into like categories for presentation purposes.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Financial Reporting Entity

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

Barton County Community College Endowment Foundation is a discretely presented component unit of the College and is included in the component unit column in the College's basic financial statements. It is reported in a separate column to emphasize that it is a not-for-profit entity legally separate from the College. Foundation board members are appointed by the existing Foundation board members. The discretely presented component unit has a June 30 year end.

Barton County Community College Endowment Foundation is a not-for-profit corporation whose purpose is to raise private sector funds by providing leadership and to prudently manage gifts to benefit educational opportunities and initiatives of **Barton County Community College**. The majority of the contributions received are from individual supporters of the Foundation. Scholarships totaling \$191,522 and expenditure reimbursements of \$275,738 were provided to the College during the year.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

Separately issued audited financial statements for the Foundation may be obtained from the College's administrative office.

Measurement Focus and Basis of Accounting

For financial statement reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis 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 intra-agency transactions have been eliminated.

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes property taxes; federal, state and local grants; state appropriations and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used in 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.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, and then unrestricted resources as needed.

Property Taxes

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

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the College; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

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

Revenue Classification

The college has classified its revenues as either operating or nonoperating according to the following criteria: Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of

BARTON COUNTY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2013

nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state aid, property taxes and investment income.

Cash

For purposes of the statements of cash flows, the College considers all unrestricted, highly liquid deposits with original maturities of three months or less as cash and cash equivalents.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments (including property taxes) or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon a level that in management's judgment is adequate to absorb the losses inherent to student services. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

Inventory and Prepaid Items

Inventory, consisting mainly of new and used textbooks, school supplies and soft goods held for resale by the bookstore is stated at the lower of cost or market. The College records certain payments to vendors that reflect costs applicable to future accounting periods as prepaid items in its financial statements.

Capital Assets

Capital assets include property, plant, equipment and infrastructure, such as streets, sidewalks, parking lots, the water system and the sewer system. Capital assets are defined by the College as assets with an initial unit cost of \$5,000 or more. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following estimated useful lives (see Note 10 for further detail):

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 80 |
| Improvements | 20-40 |
| Machinery and Equipment | 20-40 |
| Vehicles | 5 |
| Library Materials | 80 |
| Infrastructure | 10-80 |

The Foundation has an extensive collection of artwork that has been either donated to or purchased by the Foundation. All donations of artwork are recorded at fair value as of the date of the donation. All purchases of artwork are recorded at cost. The artwork has not had a recent appraisal and the current value of the collection is not known. The collection is not depreciated as part of capital assets.

Various individuals have donated books on Kansas history to the Foundation. The books are kept in the Cohen Center for Kansas History in the Barton County Community College Library. The books have been

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

recorded on the Foundation's books at fair value as of the date of the donation. The collection is not depreciated as part of capital assets.

Net Assets

The College's net assets are classified as follows:

- a. *Invested in capital assets, net of related debt*: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- b. *Restricted net assets – expendable*: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.
- c. *Restricted net assets – nonexpendable*: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The College has no restricted nonexpendable net assets at June 30, 2013.
- d. *Unrestricted net assets*: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any lawful purpose.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Federal Financial Assistance Programs

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

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 change in net assets. 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 student's behalf. Certain governmental grants, such as PELL, Supplemental Educational Opportunity Grants (SEOG), and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code 501(c)(3) and is not considered to be a private foundation. Therefore, income taxes are not provided for in the financial statements.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

Accounting principles generally accepted in the United States of America requires the Foundation's management to evaluate the tax positions taken and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not, would not be sustained upon examination by the IRS. The Foundation believes it does not have any material uncertain tax positions that should be reflected in the financial statements. Tax years that remain subject to examination in the Foundation's major jurisdictions are for the years ended June 30, 2013, 2012 and 2011.

NOTE 2 – BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 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, 2013.

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.

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

Budgetary Compliance – 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.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

NOTE 3 – CASH

Barton County Community College follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized in the individual fund financial statements.

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has 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 K.S.A. 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 does not use "peak periods". All deposits were legally secured at June 30, 2013.

At June 30, 2013, the College's carrying amount of deposits was \$27,085,158 and the bank balance was \$27,304,585. The bank balance was held by 10 banks resulting in a concentration of credit risk. Of the bank balance, \$3,460,967 was covered by federal depository insurance and \$23,843,618 was collateralized with securities held by the pledging financial institutions' agents in the College's name.

The carrying amount of deposits for Barton County Community College Foundation was \$73,621 and the bank balance was \$77,167. The entire bank balance was covered by federal depository insurance coverage.

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. The College had no investments at June 30, 2013.

NOTE 4 – INVESTMENTS

Investments are stated at fair value on a recurring basis using quoted prices in active markets for identical assets and consist of money market funds, mutual funds, stocks and bonds as follows:

Foundation Investments

| | |
|-------------------|---------------------------|
| Money Market Fund | \$ <u>2013</u> 194,640 |
|-------------------|---------------------------|

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

| | |
|------------------------------|----------------------------|
| Equity Funds | 1,633,969 |
| Common Stocks | 1,942,449 |
| Government Obligations | 893,735 |
| Non-governmental Obligations | 711,018 |
| Fixed Income Funds | <u>251,701</u> |
| Total | \$ <u>5,627,512</u> |

Investment return is summarized below.

| | | 2013 | | |
|-----------------------------------|-----------|-----------------------|---------------------------|-----------------------|
| | | Unrestricted | Temporarily Restricted | Total |
| Dividend and Investment Income | \$ | 62,407 | 82,896 | 145,303 |
| Net Realized and Unrealized Gains | | 180,360 | 239,573 | 419,933 |
| Investment Fees | | (16,112) | - | (16,112) |
| Net Investment Return | \$ | <u>226,655</u> | <u>322,469</u> | <u>549,124</u> |

The investment return has been allocated between unrestricted and temporarily restricted based on the donors' explicit stipulation.

Restricted Investments

Barton County Community College Foundation has recorded a portion of its investments as long-term due to restrictions placed by either the donor or granting agency. As of June 30, 2013, the Foundation has received \$2,639,560, in cash and stock contributions that are permanently restricted by the donors. The various donors have specified that the original donation must remain intact, but the investment income can be spent on scholarships or other educational purposes. The fair value of these permanently restricted donations was \$3,308,668 at June 30, 2013.

Fair Value Measurements

Accounting guidance establishes the framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2013.

BARTON COUNTY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2013

Common stock, non-governmental obligations and government obligations are valued at the closing price reported on the active market on which the individual securities are traded.

Equity and fixed income funds are valued at the daily closing price as reported by the fund. The funds are required to publish their daily net asset value and to transact at that price.

The beneficial interest in remainder trusts and the beneficial interest in the assets held by the Golden Belt Community Foundation are reported at the Foundation's proportionate share of the fair value of the underlying assets in the trusts or in the assets held by Golden Belt Community Foundation as reported by the trustees. These assets are revalued annually by the Foundation based on investment statements provided by the third party trustees.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| Fair Value Measurements at June 30, 2013 Using | | | | |
|--|---------------------|----------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investments | | | | |
| Equity Funds | \$ 1,633,969 | - | - | 1,633,969 |
| Common Stocks | 1,942,449 | - | - | 1,942,449 |
| Government Obligations | 893,735 | - | - | 893,735 |
| Non-governmental Obligations | 711,018 | - | - | 711,018 |
| Fixed Income Funds | 251,701 | - | - | 251,701 |
| Total Investments | \$ 5,432,872 | - | - | 5,432,872 |

| Fair Value Measurements at June 30, 2013 Using | | | | |
|---|-------------|----------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Split Interest Agreements | | | | |
| Beneficial Interest in Remainder Trusts | \$ - | - | 445,283 | 445,283 |
| Beneficial Interest in Assets Held by Others | - | - | 13,033 | 13,033 |
| Total Split Interest Agreements | \$ - | - | 458,316 | 458,316 |

The following summarizes the Foundation's activities related to those items measured at fair value using level three inputs for the year ended June 30, 2013:

| | | |
|---|----|--------------------------------------|
| Fair Value – June 30, 2012 | \$ | Split Interest Agreements 436,185 |
| Transfers In (Out) | | - |
| Total Gains and Losses (Realized and Unrealized) | | - |
| Change in Value of Split Interest Agreements | | 26,431 |
| Purchases | | - |
| Sales | | - |

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

| | | |
|-----------------------------------|-----------|-----------------------|
| Settlements | | - |
| Distributions | | (<u>4,300</u>) |
| Fair Value – June 30, 2013 | \$ | <u>458,316</u> |

There were no transfers between levels one and two and there were no transfers in or out of level three during the current year.

The carrying values of cash, receivables, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of the land, book collection and artwork owned by the Foundation is unknown. In order for the Foundation to determine the estimated fair value of these assets, the Foundation would incur excessive costs which could affect the Foundation's programs and activities.

NOTE 5 - INTEREST AND DIVIDEND RECEIVABLE

At June 30, 2013, Barton County Community College Foundation has recorded a receivable for interest and dividend income earned prior to year end on its investment accounts with UMB Bank, N.A. The receivable is comprised of the following:

| | | |
|-------------------------|----|-------------|
| | | <u>2013</u> |
| Earnings on Investments | \$ | 16,126 |

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Included in Unconditional Promises to Give for the Barton County Community College Foundation are pledges for the following purposes:

| | | |
|--|-----------|----------------------|
| | | <u>2013</u> |
| Fine Arts Building Renovation | \$ | 5,000 |
| Score Board Purchase | | <u>6,666</u> |
| Unconditional Promises to Give Before Allowance for Uncollectible Pledges | | 11,666 |
| Less: Allowance for Uncollectible Pledges | | <u>-</u> |
| Net Unconditional Promises to Give | \$ | <u>11,666</u> |

Pledges Due In:

| | | |
|--------------------------|-----------|----------------------|
| | | <u>2013</u> |
| Less Than One Year | \$ | 8,333 |
| One to Five Years | | <u>3,333</u> |
| Total Pledges Due | \$ | <u>11,666</u> |

In addition to the Unconditional Promises to Give reported above, **Barton County Community College** received the following Conditional Promises to Give, which are not recognized as an asset in the statements of financial position:

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

| | | | |
|---|----|-------------|--|
| | | <u>2013</u> | |
| Promises to Give Conditional Upon Continued Employment at Barton County Community College | \$ | 4,229 | |

NOTE 7 - BENEFICIAL INTEREST IN REMAINDER TRUSTS

Barton County Community College Foundation was named as a 20% beneficiary of two trusts which own farmland and a small amount of cash. The trust documents state that the farmland should remain in the trusts until 20 years and 9 months after the death of the last survivor. The last survivor passed away on August 14, 2000 and therefore, the trusts will continue until 2021. The Foundation's interests in these trusts are recorded in the financial statements at 20% of the fair value of the farmland (as reported by the Trustee) and cash. The amount recorded as the beneficial interest of these trusts is \$89,466 as of June 30, 2013.

The Foundation was named as a 50% beneficiary of a trust that contains cash and marketable securities. The income earned by the trust's assets is distributed to five beneficiaries and then, upon the death of the last income beneficiary, a portion of the trust corpus will be distributed to the Foundation. The Foundation has recorded its respective interest in the trust based on the fair value of the investments at year end. The amount recorded as the beneficial interest of this trust at June 30, 2013 is \$355,817.

NOTE 8 - BENEFICIAL INTEREST IN ASSETS HELD BY GOLDEN BELT COMMUNITY FOUNDATION

In a prior year, Barton County Community College Foundation irrevocably transferred money to the Golden Belt Community Foundation to establish an endowment fund. Under the terms of the agreement, the Foundation is able to receive 5% of the average market value of the endowed fund less any fees or administrative costs allocated to the fund by the Golden Belt Community Foundation. The average market value is computed using the market value of the fund during the past 16 calendar quarters. The Foundation can receive this distribution annually.

At the time of the transfer, the Organization granted Golden Belt Community Foundation variance power. That power gives Golden Belt Community Foundation the right to distribute the investment income to another not-for-profit organization of its choice if Barton County Community College Foundation ceases to exist or if the governing board of Golden Belt Community Foundation determines that continued payments to Barton County Community College Foundation are unnecessary, obsolete, inappropriate, incapable of fulfillment, impractical, illegal, or inconsistent with Golden Belt Community Foundation's mission.

The transfer has been recorded in the financial statements at June 30, 2013 at \$13,033.

NOTE 9 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

| | <u>Project Authorization</u> | <u>Cash Disbursements and Accounts Payable To Date</u> |
|----------------------|----------------------------------|--|
| Student Housing Dorm | \$ 4,236,187 | \$ 42,021 |

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

NOTE 10 – CAPITAL ASSETS

The following is a summary of changes in the various capital asset categories for the year ended June 30, 2013 for **Barton County Community College**:

| | <u>2013</u> | | | Ending Balance |
|--------------------------------|----------------------|-----------------|----------------|---------------------------|
| | Beginning Balance | Increases | Decreases | |
| Land | \$ 678,800 | - | - | 678,800 |
| Improvements | 279,186 | - | - | 279,186 |
| Infrastructure | 843,340 | - | - | 843,340 |
| Buildings | 18,753,387 | - | - | 18,753,387 |
| Vehicles | 1,180,283 | 145,471 | 41,073 | 1,284,681 |
| Machinery and Equipment | 3,889,974 | - | 53,817 | 3,836,157 |
| Library Materials | 1,783,714 | 16,134 | - | 1,799,848 |
| Equipment Not Yet in Service | - | 294,145 | - | 294,145 |
| Total | 27,408,684 | 455,750 | 94,890 | 27,769,544 |
| Less: Accumulated Depreciation | 10,924,197 | 772,339 | 62,072 | 11,634,464 |
| Construction in Progress | - | 221,262 | - | 221,262 |
| Capital Assets, Net | \$ 16,484,487 | (95,327) | 32,818 | 16,356,342 |
| Debt Issuance Costs | \$ 406,655 | 59,135 | 216,655 | 249,135 |
| Less: Accumulated Amortization | 106,184 | 14,687 | 89,094 | 31,777 |
| Other Assets, Net | \$ 300,471 | 44,448 | 127,561 | 217,358 |

The following is a summary of changes in the various capital asset categories for the year ended June 30, 2013 for Barton County Community College Foundation:

| | <u>2013</u> | | | Ending Balance |
|-----------------|----------------------|--------------|-----------|---------------------------|
| | Beginning Balance | Increases | Decreases | |
| Land | \$ 94,000 | - | - | 94,000 |
| Art Collection | 611,288 | 2,850 | - | 614,138 |
| Book Collection | 124,060 | - | - | 124,060 |
| Total | \$ 829,348 | 2,850 | - | 832,198 |

NOTE 11 - PROPERTY AND EQUIPMENT

The majority of the office equipment and office space that Barton County Community College Foundation uses in its day to day activities are owned by **Barton County Community College**. The fair value of the use of the property and equipment is estimated to be \$12,188 for the year ended June 30, 2013 and has been recorded in the financial statements.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for Barton County Community College Foundation are available for the following specific purposes:

| | | <u>2013</u> |
|---------------------------------------|-----------|-------------------------|
| Scholarships and Program Enhancements | \$ | 1,592,034 |
| Gifts and Grants | | 146,850 |
| Library | | 39,122 |
| Vocational Education | | 1,374 |
| Friends of the Gallery | | 18,556 |
| Fine Arts Building | | 93,329 |
| Cohen Center | | 208,467 |
| Wesley Assessment Center | | 54,662 |
| Library Renovation | | 4,085 |
| AAC Enhancements | | 5,917 |
| Other Various Restrictions | | <u>10,854</u> |
| Total | \$ | <u>2,175,250</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor. Net assets released were from the following restrictions:

| | | <u>2013</u> |
|---------------------------------------|-----------|----------------------|
| Scholarships and Program Enhancements | \$ | 28,421 |
| Gifts and Grants | | 25,693 |
| Other Various Restrictions | | <u>159</u> |
| Total | \$ | <u>54,273</u> |

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets for Barton County Community College Foundation have been restricted by the donors for the following purposes:

| | | <u>2013</u> |
|--|-----------|-------------------------|
| Scholarships and Educational Programs/Enhancements | \$ | 3,084,843 |
| Artwork | | 614,138 |
| Book Collection | | <u>124,060</u> |
| Total | \$ | <u>3,823,041</u> |

The income generated from the investment of endowment principal is to be spent on scholarships and educational programs or enhancements per the donor.

NOTE 14- ENDOWMENT FUNDS

The Foundation's endowment consists of individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent 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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

Barton County Community College Foundation's long-term financial objectives for its endowment funds are to generate income to provide for current needs and to preserve the principal of the endowment funds in order to provide a base for generating income to meet future needs. The Financial Planning Committee is charged with investing and managing the endowment funds as a prudent investor would while taking into consideration the purpose, terms, and distribution requirements of each endowment fund. In making and implementing investment decisions, the Committee has a duty to diversify the investments of the endowment funds unless, under the circumstances, it is not prudent to do so.

The recommended asset allocation of the endowment funds as of June 30, 2013 is as follows:

| | <u>Minimum</u> | <u>Maximum</u> |
|-----------------|----------------|----------------|
| Equity | 45% | 70% |
| Fixed Income | 25% | 45% |
| Cash Equivalent | 0% | 15% |

The overall investment policy of the Foundation is to obtain the best possible return on its investments and that such return is the sum of the yield (defined as interest, dividends, etc.) and gain (defined as appreciation) commensurate with the degree of risk the Foundation is willing to assume in obtaining such return.

Endowment funds shall generally be invested for no less than 12 months prior to the earnings being available to use. The earnings and appreciation generated from the endowments will be available for expenditure in accordance with the donor's restrictions. Any distribution from an endowment may not be in an amount which invades the endowment's principal balance. Furthermore, no expenditures are allowed from an endowment when the fair value falls below the endowment's principal balance.

All of the Foundation's endowment funds are donor restricted and the principal balances are included in permanently restricted net assets in the financial statements.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

Below is a reconciliation of the activity in the endowment investment accounts.

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|------------------------|-----------------------------------|-----------------------------------|-------------------------|
| Endowment Net Assets - June 30, 2012 | \$ (1,289) | 456,699 | 2,556,673 | 3,012,083 |
| Investment Return | | | | |
| Investment Income | 1,004 | 65,627 | - | 66,631 |
| Net Gain (Realized and Unrealized) | - | 278,305 | - | 278,305 |
| Contributions | - | - | 77,703 | 77,703 |
| Expenditures | - | (131,554) | - | (131,554) |
| Net Transfers From Endowments | - | 30 | 5,185 | 5,215 |
| Endowment Net Assets – June 30, 2013 | \$ <u>(285)</u> | <u>669,107</u> | <u>2,639,561</u> | <u>3,308,383</u> |

The above table includes the cash and investment accounts that are under the control of the Foundation and do not include other assets that may be part of an endowment, i.e., pledges, beneficial interests in remainder trusts, and/or other receivables.

NOTE 15- FUNDRAISING

Barton County Community College Foundation incurred \$16,775 in fundraising expenses during the year ended June 30, 2013. The fundraising expenses were incurred in connection with the Big Benefit Auction, Clay Shoot, and Barton Enhancement and Scholarship Team Fundraiser.

NOTE 16- PRINCIPAL INVASIONS

Market declines or expenditures have caused a deficiency in a few endowment funds. The restricted principal and the fair value of these endowments are as follows:

| <u>2013</u> | | | |
|--|------------------|-------------------|-------------------|
| <u>Number of Restricted Accounts</u> | <u>Principal</u> | <u>Fair Value</u> | <u>Deficiency</u> |
| 1 | \$ 20,000 | 19,715 | 285 |

NOTE 17 - CONCENTRATIONS

Barton County Community College provides the personnel that are used by Barton County Community College Foundation in its day to day operations and pays for some of the Foundation's office expenses. A change in this agreement between the College and the Foundation could adversely affect the Foundation's operations.

NOTE 18 - LITIGATION

Barton County Community College is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the College.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

NOTE 19 - CONTINGENT LIABILITY

During the month of June 2013, the Foundation notified students of their scholarship award for the 2013-2014 school year. The Foundation would be required to fulfill this commitment if the student enrolled in each semester at **Barton County Community College** and fulfilled other requirements outlined by the Foundation. The total commitment to the students was \$235,325.

The Foundation has agreed to award special scholarships to high school students who participate in Senior Day or in the Art Shows held on campus. The Foundation would be required to fulfill this commitment if the student attended **Barton County Community College** upon graduation from high school. The total commitment for special scholarships was \$5,400 at June 30, 2013.

Over the past few years, the Foundation Board has approved funding for GED testing expenses incurred by students at Barton County Community College's Adult Education Center. As of June 30, 2013, the Foundation had a remaining commitment of \$191.

NOTE 20 - IN-KIND DONATIONS

In-kind donations received during the year ended June 30, 2013 consisted of equipment, office supplies, insurance, office space, artwork and books for the benefit of **Barton County Community College** and/or Barton County Community College Foundation totaling \$37,708.

NOTE 21 – RISK MANAGEMENT

Barton County Community College carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, umbrella, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 22 - RISKS AND UNCERTAINTIES

Barton County Community College 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 the investment securities will occur in the near term and that such changes could materially affect the activities of the Foundation.

The Foundation has tried to minimize the risk associated with these investment securities by having an investment committee review the investment activity throughout the year and by having regular meetings with the investment company representatives.

NOTE 23 – SELF-INSURANCE PLANS

During the year ended June 30, 2013, employees of **Barton County Community College** were covered by the College's medical self-insurance plan. The total premium contributed is approximately \$1,627, \$1,094, \$1,145 and \$615 per month per employee with family, employees with dependents or spouses, and single coverage, respectively. The College contributes \$1,200, \$890, \$870 and \$615 per month per employee with family, employees with dependents or spouses, and single coverage, respectively, with the employee paying the difference through authorized payroll withholdings. Claims were paid by a third party administrator acting on behalf of the College. The administration contract between the College and the third party administration is renewable annually and administration fees are included in the contractual provisions. Stop loss coverage was in effect for individual claims exceeding \$75,000, which is based on a factor determined monthly by Gerber Life Insurance.

BARTON COUNTY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2013

| | | |
|---|--|---|
| <u>Self-Insurance Liability</u> 2013 | \$ <u>Current Year Beginning of Fiscal Year Liability</u> 171,296 | <u>Claims and Changes in Estimates</u> 1,506,284 |
| \$ <u>Claim Payments</u> 1,508,218 | <u>Balance at Fiscal Year-End</u> 169,362 | <u>Assets Available to Pay Claims at June 30</u> 1,958,154 |

NOTE 24 – GRANTS AND SHARED REVENUES

Barton County Community College participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the College, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 25 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Barton County Community College entered into contracts for construction, alteration, or repairs during the current fiscal year that did not comply with the mandatory nondiscrimination provision, which is a violation of K.S.A. 44-1030.

The College entered into a public works contract that exceeded \$100,000 with Concrete Services, Inc. and did not have a proper bond in place, which is a violation of K.S.A. 60-1111.

NOTE 26 – LEASES

Operating Leases

Barton County Community College is obligated under certain operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the College's account groups.

The College currently has operating leases for an educational building located in Junction City, and five copy machines. As of June 30, 2013, the total lease payments were as follows:

| | |
|----------------------|-----------|
| Educational Building | \$ 55,604 |
| Copy Machines | 1,508 |

The following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013.

| <u>Fiscal Year Ending</u> | <u>Educational Building</u> | <u>Copy Machines</u> | <u>Total</u> |
|---------------------------|-----------------------------|----------------------|--------------|
| 2014 | \$ 86,880 | 9,480 | 96,360 |
| 2015 | 86,880 | 9,480 | 96,360 |
| 2016 | 86,880 | 7,900 | 94,780 |

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

| | | | |
|--------------|--------------------------|----------------------|-----------------------|
| 2017 | 86,880 | - | 86,880 |
| 2018 | 86,880 | - | 86,880 |
| 2019 - 2020 | <u>434,400</u> | - | <u>434,400</u> |
| Total | \$ <u>868,800</u> | <u>26,860</u> | <u>895,660</u> |

Capital Leases

Capital lease obligations of the College at June 30, 2013 are comprised of the following:

| | <u>Outstanding July 01, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding June 30, 2013</u> | <u>Current Portion</u> | <u>Interest Paid</u> |
|-----------------------------|--------------------------------------|------------------|-----------------------|--------------------------------------|----------------------------|--------------------------|
| Capital Leases | | | | | | |
| Canon Copy Machine | \$ 1,119 | - | 1,119 | - | - | 143 |
| Track and Soccer Field | <u>870,603</u> | - | <u>142,579</u> | <u>728,024</u> | <u>149,193</u> | <u>38,317</u> |
| Total Capital Leases | \$ <u>871,722</u> | - | <u>143,698</u> | <u>728,024</u> | <u>149,193</u> | <u>38,460</u> |

A capital lease obligation in the amount of \$728,024 at June 30, 2013 consists of an obligation to purchase the track and soccer field. The effective interest rate is 4.58 percent per annum.

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

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|--------------------------|----------------------|-----------------------|
| 2014 | 149,193 | 31,703 | 180,896 |
| 2015 | 156,115 | 24,781 | 180,896 |
| 2016 | 163,358 | 17,538 | 180,896 |
| 2017 | 170,937 | 9,959 | 180,896 |
| 2018 | <u>88,420</u> | <u>2,028</u> | <u>90,448</u> |
| Total | \$ <u>728,023</u> | <u>86,009</u> | <u>814,032</u> |

NOTE 27 – DEFERRED COMPENSATION PLAN

Barton County Community College sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The College is not required to make any contributions.

NOTE 28 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

BARTON COUNTY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2013

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The State currently contributes 10.37% of covered payroll and 19.12% for non-licensed KPERS retirees and 23.12% for licensed KPERS retirees as of June 30, 2013. The State contributed 9.77% of covered payroll, 18.96% for non-licensed KPERS retirees and 22.96% for licensed KPERS retirees for June 30, 2012. These contribution requirements are established by KPERS and are periodically revised. The State of Kansas' contributions to KPERS for all Kansas public school employees for the years ended June 30, 2013 and 2012, were \$323,067,803 and \$293,635,383 respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the College for the years ended June 30, 2013, and 2012 were \$670,789 and \$609,152 respectively.

NOTE 29 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, **Barton County Community College** allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the College is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

NOTE 30 – TERMINATION BENEFITS

Prior to July 1, 2008 the College provided an early retirement program for certain eligible employees. Those eligible under the program received benefits for up to five years. Eligible employees received health insurance coverage (single membership) equal to that of a full-time employee from the time the employee chose to take early retirement and will continue until the early retirement employee reaches age 65. The College provided annual payments equating to 11% of the retiree's average base salary for the four highest years of employment at the College. Per GASB Statement No. 47 the College recognizes a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. Effective July 1, 2008 this program was terminated for any future retiree's, but continues for eligible retiree's already in the program at that time. Payments for the two retired employees under this plan were \$ 7,751 for the year ended June 30, 2013.

There are two retired employees who are still eligible for this plan. A liability totaling \$7,751 has been recorded for the remaining balance due, which will be paid in full during the 2014 year.

NOTE 31 – COMPENSATED ABSENCES

Vacation

All 12-month employees of **Barton County Community College**, such as the executive, 12-month faculty, hourly and exempt personnel are entitled to vacation under the following schedule:

1. Executive personnel shall earn vacation at the rate of 13.33 hours per month (20 days per year) and allowed to accrue a maximum of 320 hours (40 days).

BARTON COUNTY COMMUNITY COLLEGE

Notes to Financial Statements

June 30, 2013

2. 12-month faculty on the Barton Campus shall earn 8 hours of vacation per month (12 days per year) for the first 5 years and thereafter shall earn vacation at the rate of 11.33 hours per month (17 days per year) and allowed to accrue a maximum of 192 hours.
3. 12-month faculty on the Fort Riley Campus shall earn vacation at the rate of 20 hours per month (30 days per year) and allowed to accrue a maximum of 240 hours (30 days).
4. Exempt personnel shall earn 8 hours of vacation per month (12 days per year) for the first 5 years and thereafter shall earn vacation at the rate of 11.33 hours per month (17 days per year) and allowed to accrue a maximum of 192 hours (24 days).
5. Full-time hourly personnel shall earn 6.67 hours of vacation per month (10 days per year) for the first 5 years and thereafter shall earn vacation at the rate of 10 hours per month (15 days per year) and allowed to accrue a maximum of 160 hours (24 days).

The College's potential liability for vacation at June 30, 2013 has been estimated at \$691,567 and is recorded in the financial statements.

Sick Leave

The College provides sick leave to its eligible employees as follows:

1. Executive personnel shall earn sick leave at the rate of 8 hours per month and allowed to accrue a maximum of 960 hours.
2. Faculty shall earn sick leave at the rate of 8 hours per month and allowed to accrue a maximum of 960 hours.
3. Full-time exempt staff shall earn sick leave at the rate of 8 hours per month and allowed to accrue a maximum of 960 hours.
4. 3/4-time exempt staff shall earn sick leave at the rate of 6 hours per month and allowed to accrue a maximum of 960 hours. Halftime exempt staff shall earn sick leave at the rate of 4 hours per month and allowed to accrue a maximum of 960 hours.
5. Full-time hourly staff shall earn sick leave at the rate of 8 hours per month and allowed to accrue a maximum of 960 hours.
6. Part-time hourly staff shall earn sick leave at the rate of .0462 hours per each hour worked and allowed to accrue a maximum of 960 hours.

Accumulated sick leave is not paid upon termination of employment except for those employees qualifying for early retirement. A qualified early retiree will be paid for accumulated sick leave at a rate of the retiree's average base salary for the last four years of employment times the number of accrued sick days up to \$100 per day. The College's potential liability for sick leave at June 30, 2013 has been estimated at \$2,583,896 and is not recorded in the financial statements.

The College provides personal leave to its eligible employees as follows:

All full-time staff shall earn 16 hours of personal leave per year (2 days per year) and are allowed to accrue a maximum of 16 hours (2 days). The College's potential liability for personal leave at June 30, 2013 has been estimated at \$35,850 and is recorded in the financial statements.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

The College has a donated leave program that allows its employees to contribute their paid leave time to their colleagues who are in need of it. Maximum leave which could be transferred to an employee requesting donated leave is 480 hours. Individuals must have a minimum of 126 hours of accrued sick leave before being eligible to donate sick leave under this program. The College's potential liability for donated leave at June 30, 2013 has been estimated at \$5,241 and is not recorded in the financial statements.

NOTE 32 – BOND REFUNDING

On May 16, 2013, the College issued Series 2013 certificate of participation bonds in the amount of \$6,665,000 (par value) with interest rates of 2.0% - 4.5% to advance refund \$2,090,000 in term bonds and fund a student dorm project. The Series 2013 bonds mature on August 1, 2029, and are not subject to redemption prior to maturity. The Series 2013 bonds were issued at a premium and, after paying issuance costs of \$74,733, the net proceeds were \$6,621,656. The net proceeds in the amount of \$2,119,618 were used to pay principal and interest on the refunded obligations. The remainder of the proceeds in the amount of \$4,502,038 from the issuance of the certificate of participation bonds were invested in Federated Government Obligations to be used at a later date to pay construction costs of the new dorm. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the College's financial statements. As a result of the advance refunding, the economic gain to the College (difference between the present value of the debt service payments on the old and new debt) was \$270,283.

NOTE 33 – LONG-TERM DEBT

Certificates of Participation Bonds

Series 2005

On May 26, 2004, the College issued certificate of participation bonds to finance the construction of the Student Suites Housing. These were paid off in the current fiscal year by issuing refunding certificate of participation bonds on May 16, 2013.

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--------------------------|-----------------------|---------------|
| Business-type Activities | 4.1%-4.5% | \$2,705,000 |

Series 2008

On December 3, 2008, the College issued certificate of participation bonds to finance the remodeling and improvements to the Library and Technical Building.

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--------------------------|-----------------------|---------------|
| Business-type Activities | 4.4%-5.25% | \$4,590,000 |

Series 2013

On May 16, 2013, the College issued certificate of participation bonds to finance the construction of a student housing facility in the amount of \$4,575,000 and \$2,090,000 for the purpose of providing funds for refunding the series 2005 certificates of participation bonds.

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--------------------------|-----------------------|---------------|
| Business-type Activities | 2.0%-4.5% | \$6,665,000 |

State of Kansas Loan Payable

On March 18, 2008, the College entered into a non-interest bearing loan agreement with the Kansas Board of Regents in an amount not to exceed \$1,300,000. This agreement is known as the Post-Secondary Educational Institution (PEI) Infrastructure Improvement Program Loan Agreement. The proceeds were used to renovate the Library.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
June 30, 2013

Long-term debt activity for the year ended June 30, 2013 was as follows:

| | <u>Outstanding June 30, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding June 30, 2013</u> | <u>Current Portion</u> | <u>Interest Paid</u> |
|------------------------------------|--------------------------------------|------------------|-------------------|--------------------------------------|----------------------------|--------------------------|
| Business - Type Activities: | | | | | | |
| Certificates of Participation | | | | | | |
| Series 2013 | \$ - | 6,665,000 | - | 6,665,000 | 195,000 | - |
| Series 2005 | 2,180,000 | - | 2,180,000 | - | - | 123,485 |
| Series 2008 | 4,590,000 | - | - | 4,590,000 | - | 231,018 |
| Loan | | | | | | |
| State of Kansas | 650,000 | - | 162,500 | 487,500 | 162,500 | - |
| Total Long-Term Liabilities | \$ 7,420,000 | 6,665,000 | 2,342,500 | 11,742,500 | 357,500 | 354,503 |

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

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|----------------------|------------------|-------------------|
| 2014 | \$ 357,500 | 373,118 | 730,618 |
| 2015 | 362,500 | 427,730 | 790,230 |
| 2016 | 492,500 | 423,730 | 916,230 |
| 2017 | 340,000 | 413,230 | 753,230 |
| 2018 | 360,000 | 402,380 | 762,380 |
| 2019-2023 | 2,190,000 | 1,831,350 | 4,021,350 |
| 2024-2028 | 2,635,000 | 1,475,102 | 4,110,102 |
| 2029-2033 | 3,270,000 | 984,232 | 4,254,232 |
| 2034-2038 | 1,735,000 | 323,938 | 2,058,938 |
| Total | \$ 11,742,500 | 6,654,810 | 18,397,310 |

NOTE 34 – PRIOR PERIOD ADJUSTMENT

The prior period financial statements have been restated due to a correction of an error relating to accounts receivable for tax revenues. The College did not record the taxes receivable as of June 30, 2012. The effect of the adjustment to the financial statements increased tax revenue by \$479,608. The College did not record the prepaid portion of the Insurance payments or maintenance agreements on their computer software. The effect of the adjustment to the financial statements decrease expenses by \$24,578.

The cumulative effect of these changes on net position are as follows:

| | |
|---|-----------------------------|
| 2012 Beginning Net position | \$ 28,451,680 |
| Prepaid Expenses – Increase | 24,577 |
| Taxes Receivable – Increase | <u>479,608</u> |
| Adjusted 2012 Beginning Net Assets | <u>\$ 28,955,865</u> |

This adjustment has a positive material effect and the current financial statements reflect this adjustment.

NOTE 35 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 16, 2013 for Barton County Community College Foundation, which is the date the financial statements were available to be issued.



Certified
Public
Accountants

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

To the Board of Trustees
Barton County Community College
Great Bend, Kansas

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 **Barton County Community College**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 **Barton County Community College's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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

December 10, 2013



Phone (620)792-2428 ■ Fax (620)792-5559 ■ www.abbb.com

Bank of America Building ■ 2006 Broadway, Suite 2A

P.O. Drawer J ■ Great Bend, Kansas 67530

Certified
Public
Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
Barton County Community College
Great Bend, Kansas

Report on Compliance for Each Major Federal Program

We have audited **Barton County Community College's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Barton County Community College's** major federal programs for the year ended June 30, 2013. **Barton County Community College's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Barton County Community College's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Accounting and Auditing Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Barton County Community College's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, **Barton County Community College** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of **Barton County Community College** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Barton County Community College's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 **Barton County Community College's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Adams, Brown, Beran & Ball, Chtd.

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

December 10, 2013

BARTON COUNTY COMMUNITY COLLEGE

Supplementary Information

BARTON COUNTY COMMUNITY COLLEGE
General Fund
Summary Schedule of Revenues, Expenditures,
Encumbrances and Changes in Fund Balance - Budget and Actual
Current Funds - Unrestricted (Regulatory Basis)
For the Year Ended June 30, 2013

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------------|-------------------|------------------------------------|
| Revenues | | | |
| Tuition and Fees | \$ 17,772,277 | 10,933,884 | (6,838,393) |
| Activity Revenue and Other | 821,731 | 377,305 | (444,426) |
| State Appropriations | 4,795,227 | 4,629,612 | (165,615) |
| County Property Taxes | 10,732,276 | 9,713,755 | (1,018,521) |
| Interest Income | - | 25,940 | 25,940 |
| Total Revenues | <u>34,121,511</u> | <u>25,680,496</u> | <u>(8,441,015)</u> |
| Expenditures | | | |
| Instruction | 8,711,000 | 7,571,404 | 1,139,596 |
| Academic Support | 2,550,000 | 1,611,391 | 938,609 |
| Student Services | 2,500,000 | 1,583,013 | 916,987 |
| Institutional Support | 6,000,000 | 3,994,154 | 2,005,846 |
| Physical Plant Operations | 4,500,000 | 2,810,425 | 1,689,575 |
| Student Financial Support | 500,000 | 272,383 | 227,617 |
| Interest Payments | - | 269,336 | (269,336) |
| Total Expenditures | <u>24,761,000</u> | <u>18,112,106</u> | <u>6,648,894</u> |
| Excess Revenues Over (Under) Expenditures | 9,360,511 | 7,568,390 | (1,792,121) |
| Other Financing Sources | | | |
| Transfers In (Out) | 13,239,000 | (8,963,946) | (22,202,946) |
| Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures | 22,599,511 | (1,395,556) | (23,995,067) |
| Fund Balance - Beginning | 10,989,517 | 10,014,644 | (974,873) |
| Fund Balance - Ending | <u>\$ 33,589,028</u> | <u>8,619,088</u> | <u>(24,969,940)</u> |

BARTON COUNTY COMMUNITY COLLEGE
Post Secondary Technical Education Fund
 Summary Schedule of Revenues, Expenditures,
 Encumbrances and Changes in Fund Balance - Budget and Actual
 Current Funds - Unrestricted (Regulatory Basis)
 For the Year Ended June 30, 2013

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------------|-------------------|------------------------------------|
| Revenues | | | |
| Federal Appropriations | \$ - | 111,325 | 111,325 |
| State Grants and Contracts | 250,000 | - | (250,000) |
| State Appropriations | 3,366,217 | 3,385,696 | 19,479 |
| Other Revenues | 1,983,783 | 12,357 | (1,971,426) |
| Total Revenues | <u>5,600,000</u> | <u>3,509,378</u> | <u>(2,090,622)</u> |
| Expenditures | | | |
| Instruction | 15,574,000 | 5,818,562 | 9,755,438 |
| Public Service | - | 170 | (170) |
| Academic Support | 631,000 | 1,692,969 | (1,061,969) |
| Student Services | 30,000 | 619,183 | (589,183) |
| Institutional Support | 2,030,000 | 2,076,085 | (46,085) |
| Physical Plant Operations | 235,000 | 1,825,340 | (1,590,340) |
| Student Financial Support | - | 153,215 | (153,215) |
| Total Expenditures | <u>18,500,000</u> | <u>12,185,524</u> | <u>6,314,476</u> |
| Excess Revenues Over (Under) Expenditures | (12,900,000) | (8,676,146) | 4,223,854 |
| Other Financing Sources | | | |
| Transfers In (Out) | 12,850,000 | 8,668,446 | (4,181,554) |
| Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures | (50,000) | (7,700) | 42,300 |
| Fund Balance - Beginning | 50,000 | 27,645 | (22,355) |
| Fund Balance - Ending | \$ - | 19,945 | 19,945 |

BARTON COUNTY COMMUNITY COLLEGE
Adult Basic Education Fund
 Summary Schedule of Revenues, Expenditures,
 Encumbrances and Changes in Fund Balance - Budget and Actual
 Current Funds - Unrestricted (Regulatory Basis)
 For the Year Ended June 30, 2013

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------------|----------------|------------------------------------|
| Revenues | | | |
| Federal Appropriations | \$ 100,667 | 73,694 | (26,973) |
| State Appropriations | 50,333 | 54,646 | 4,313 |
| Other Revenues | 389,000 | - | (389,000) |
| Total Revenues | <u>540,000</u> | <u>128,340</u> | <u>(411,660)</u> |
| Expenditures | | | |
| Instruction | 423,000 | 147,644 | 275,356 |
| Public Support | 2,000 | - | 2,000 |
| Academic Support | 35,000 | - | 35,000 |
| Student Services | 15,000 | - | 15,000 |
| Institutional Support | 15,000 | 48,627 | (33,627) |
| Physical Plant Operations | 60,000 | - | 60,000 |
| Total Expenditures | <u>550,000</u> | <u>196,271</u> | <u>353,729</u> |
| Excess Revenues Over (Under) Expenditures | (10,000) | (67,931) | (57,931) |
| Other Financing Sources | | | |
| Transfers In | - | 70,000 | 70,000 |
| Excess Revenues and Other Financing Sources (Uses) Over (Under) Expenditures | (10,000) | 2,069 | 12,069 |
| Fund Balance - Beginning | <u>10,000</u> | <u>7,806</u> | <u>(2,194)</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>9,875</u> | <u>9,875</u> |

BARTON COUNTY COMMUNITY COLLEGE
Adult Supplementary Education Fund
 Summary Schedule of Revenues, Expenditures,
 Encumbrances and Changes in Fund Balance - Budget and Actual
 Current Funds - Unrestricted (Regulatory Basis)
 For the Year Ended June 30, 2013

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--|------------------------------|----------|------------------------------------|
| Revenues | | | |
| Tuition and Fees | \$ 40,000 | - | (40,000) |
| Other Revenues | 10,000 | - | (10,000) |
| Total Revenues | <u>50,000</u> | <u>-</u> | <u>(50,000)</u> |
| Expenditures | | | |
| Instruction | 41,000 | - | 41,000 |
| Public Support | 1,000 | - | 1,000 |
| Academic Support | 2,000 | - | 2,000 |
| Student Services | 1,000 | - | 1,000 |
| Physical Plant Operations | 5,000 | - | 5,000 |
| Total Expenditures | <u>50,000</u> | <u>-</u> | <u>50,000</u> |
| Excess Revenues Over (Under) Expenditures | - | - | - |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>-</u> | <u>-</u> |

BARTON COUNTY COMMUNITY COLLEGE
Auxiliary Enterprise Funds
 Summary Schedule of Revenues, Expenditures,
 Encumbrances and Changes in Fund Balance - Budget and Actual
 Current Funds - Unrestricted (Regulatory Basis)
 For the Year Ended June 30, 2013

| | Student Dormitory Fund | | | Student Union Fund | | | Athletic Fund | | |
|--|------------------------------|-------------------------|------------------------------------|------------------------------|-------------------------|------------------------------------|------------------------------|-----------------------|------------------------------------|
| | Original and Final Budget | Actual | Variance Positive (Negative) | Original and Final Budget | Actual | Variance Positive (Negative) | Original and Final Budget | Actual | Variance Positive (Negative) |
| Revenues | | | | | | | | | |
| Tuition and Fees | \$ - | - | - | 800,000 | 282,893 | (517,107) | - | - | - |
| Housing Payments | 2,980,000 | 1,354,270 | (1,625,730) | - | - | - | - | - | - |
| Bookstore Sales | - | - | - | 3,150,000 | 1,018,916 | (2,131,084) | - | - | - |
| Debt Proceeds | - | 6,737,124 | 6,737,124 | - | - | - | - | - | - |
| Interest | - | 52 | 52 | - | 3,764 | 3,764 | - | - | - |
| Other Revenue | 20,000 | - | (20,000) | 50,000 | 469,577 | 419,577 | 170,000 | - | (170,000) |
| Total Revenues | <u>3,000,000</u> | <u>8,091,446</u> | <u>5,091,446</u> | <u>4,000,000</u> | <u>1,775,150</u> | <u>(2,224,850)</u> | <u>170,000</u> | <u>-</u> | <u>(170,000)</u> |
| Expenditures | | | | | | | | | |
| Auxiliary Services | 2,812,530 | 5,517,992 | (2,705,462) | 4,000,000 | 1,867,388 | 2,132,612 | 170,000 | - | 170,000 |
| Debt Principal Payments | 187,470 | 2,224,198 | (2,036,728) | - | - | - | - | - | - |
| Debt Interest Payments | - | 123,485 | (123,485) | - | - | - | - | - | - |
| Legal Budget | 3,000,000 | 7,865,675 | (4,865,675) | 4,000,000 | 1,867,388 | 2,132,612 | 170,000 | - | 170,000 |
| (a) Adjustment for Qualifying Budget Credit | 6,737,124 | - | 6,737,124 | - | - | - | - | - | - |
| Total Expenditures | <u>9,737,124</u> | <u>7,865,675</u> | <u>1,871,449</u> | <u>4,000,000</u> | <u>1,867,388</u> | <u>2,132,612</u> | <u>170,000</u> | <u>-</u> | <u>170,000</u> |
| Excess Revenues Over (Under) Expenditures | <u>(6,737,124)</u> | <u>225,771</u> | <u>6,962,895</u> | <u>-</u> | <u>(92,238)</u> | <u>(92,238)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance - Beginning | <u>1,784,263</u> | <u>1,767,819</u> | <u>(16,444)</u> | <u>660,730</u> | <u>650,319</u> | <u>(10,411)</u> | <u>159,186</u> | <u>159,186</u> | <u>-</u> |
| Fund Balance - Ending | <u>\$ (4,952,861)</u> | <u>1,993,590</u> | <u>6,946,451</u> | <u>660,730</u> | <u>558,081</u> | <u>(102,649)</u> | <u>159,186</u> | <u>159,186</u> | <u>-</u> |
| (a) Adjustment for Qualifying Budget Credit | | | | | | | | | |
| Debt Proceeds Over Budgeted Amount | \$ | <u>6,737,124</u> | | | | | | | |

BARTON COUNTY COMMUNITY COLLEGE
Auxiliary Enterprise Funds
 Summary Schedule of Revenues, Expenditures,
 Encumbrances and Changes in Fund Balance - Budget and Actual
 Current Funds - Unrestricted (Regulatory Basis)
 For the Year Ended June 30, 2013

| | Cosmetology Fund | | | Camp Aldrich Fund | | | Total Auxiliary Enterprise Funds | | |
|--|------------------------------|----------|------------------------------------|------------------------------|-----------------|------------------------------------|----------------------------------|------------------|------------------------------------|
| | Original and Final Budget | Actual | Variance Positive (Negative) | Original and Final Budget | Actual | Variance Positive (Negative) | Original and Final Budget | Actual | Variance Positive (Negative) |
| Revenues | | | | | | | | | |
| Tuition and Fees | \$ 10,000 | - | (10,000) | 40,000 | 3,706 | (36,294) | 850,000 | 286,599 | (563,401) |
| Housing Payments | - | - | - | - | - | - | 2,980,000 | 1,354,270 | (1,625,730) |
| Bookstore Sales | - | - | - | - | - | - | 3,150,000 | 1,018,916 | (2,131,084) |
| Debt Proceeds | - | - | - | - | - | - | - | 6,737,124 | 6,737,124 |
| Interest | - | - | - | - | - | - | - | 3,816 | 3,816 |
| Other Revenue | 500,000 | - | (500,000) | 160,000 | 44,100 | (115,900) | 900,000 | 513,677 | (386,323) |
| Total Revenues | 510,000 | - | (510,000) | 200,000 | 47,806 | (152,194) | 7,880,000 | 9,914,402 | 2,034,402 |
| Expenditures | | | | | | | | | |
| Auxiliary Services | 510,000 | - | 510,000 | 200,000 | 82,274 | 117,726 | 7,692,530 | 7,467,654 | 224,876 |
| Debt Principal Payments | - | - | - | - | - | - | 187,470 | 2,224,198 | (2,036,728) |
| Debt Interest Payments | - | - | - | - | - | - | - | 123,485 | (123,485) |
| Legal Budget | 510,000 | - | 510,000 | 200,000 | 82,274 | 117,726 | 7,880,000 | 9,815,337 | (1,935,337) |
| (a) Adjustment for Qualifying Budget Credit | - | - | - | - | - | - | 6,737,124 | - | 6,737,124 |
| Total Expenditures | 510,000 | - | 510,000 | 200,000 | 82,274 | 117,726 | 14,617,124 | 9,815,337 | 4,801,787 |
| Excess Revenues Over (Under) Expenditures | - | - | - | - | (34,468) | (34,468) | (6,737,124) | 99,065 | 6,836,189 |
| Other Financing Sources | | | | | | | | | |
| Transfers In | - | - | - | - | 60,000 | 60,000 | - | 60,000 | 60,000 |
| Excess Revenues and Other Financing Sources Over Expenditures | - | - | - | - | 25,532 | 25,532 | (6,737,124) | 159,065 | 6,896,189 |
| Fund Balance - Beginning | - | - | - | 11,422 | 5,140 | (6,282) | 2,615,601 | 2,582,464 | (33,137) |
| Fund Balance - Ending | \$ - | - | - | 11,422 | 30,672 | 19,250 | (4,121,523) | 2,741,529 | 6,863,052 |

BARTON COUNTY COMMUNITY COLLEGE
Notes to Supplementary Information
June 30, 2013

Reconciliation of Revenues, Expenditures and Other Financing Sources (Uses) for Budgetary Funds on a Regulatory Basis to GAAP Basis.

| | General | Post Secondary Technical | Adult Basic Education | Auxiliary Enterprise | Total Budgetary Funds | Non-budgetary Funds | Total All Funds |
|---|----------------------|-----------------------------|--------------------------|-------------------------|-----------------------------|------------------------|--------------------|
| REVENUES | | | | | | | |
| Actual Amounts (Regulatory Basis) Revenues | \$ 25,680,496 | 3,509,378 | 128,340 | 9,914,402 | 39,232,616 | 16,915,116 | 56,147,732 |
| Adjustments | | | | | | | |
| Debt Proceeds | - | - | - | (6,665,000) | (6,665,000) | - | (6,665,000) |
| Accounts Receivable Adjustment | 94,325 | - | - | 26,432 | 120,757 | - | 120,757 |
| Change in Allowance for Doubtful Accounts | (239,072) | - | - | - | (239,072) | - | (239,072) |
| Tax in Process 6/30/11 | (479,608) | - | - | - | (479,608) | - | (479,608) |
| Tax in Process 6/30/12 | 572,443 | - | - | - | 572,443 | - | 572,443 |
| Total Revenues as Reported on the Statement of Revenues, Expenses and Change in Net Position | <u>25,628,584</u> | <u>3,509,378</u> | <u>128,340</u> | <u>3,275,834</u> | <u>32,542,136</u> | <u>16,915,116</u> | <u>49,457,252</u> |
| EXPENDITURES | | | | | | | |
| Actual Amounts (Regulatory Basis) Expenditures | 18,112,106 | 12,185,524 | 196,271 | 9,815,337 | 40,309,238 | 15,514,075 | 55,823,313 |
| Adjustments: | | | | | | | |
| Inventory Adjustment | - | - | - | (45,781) | (45,781) | - | (45,781) |
| Change in Debt | (143,698) | - | - | (2,180,000) | (2,323,698) | (162,500) | (2,486,198) |
| Change in Construction in Process | - | - | - | (221,262) | (221,262) | - | (221,262) |
| Accrued Interest on Debt | (19,812) | - | - | 5,690 | (14,122) | - | (14,122) |
| Change in Prepaid Expenses | (7,039) | - | - | - | (7,039) | - | (7,039) |
| Change in Debt Issuance Costs | 6,786 | - | - | (50,807) | (44,021) | - | (44,021) |
| Depreciation Expense | 702,487 | - | - | 69,492 | 771,979 | 358 | 772,337 |
| Additions to Capital Assets | (428,475) | - | - | - | (428,475) | - | (428,475) |
| Loss on Sale of Assets | 5,543 | - | - | - | 5,543 | - | 5,543 |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for regulatory purposes, but in the year the items are received for GAAP reporting - Less 2013 Encumbrances | <u>(1,379,362)</u> | <u>-</u> | <u>-</u> | <u>(4,463,187)</u> | <u>(5,842,549)</u> | <u>-</u> | <u>(5,842,549)</u> |
| Total Expenditures as Reported on the Statement of Revenue, Expenses and Change in Net Position | <u>16,848,536</u> | <u>12,185,524</u> | <u>196,271</u> | <u>2,929,482</u> | <u>32,159,813</u> | <u>15,351,933</u> | <u>47,511,746</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Actual Amounts (Regulatory Basis) Other Financing Sources (Uses) From Schedules 1 | <u>(8,963,946)</u> | <u>8,668,446</u> | <u>70,000</u> | <u>60,000</u> | <u>(165,500)</u> | <u>165,500</u> | <u>-</u> |
| Net Increase in Net Position, as Reported on the Statement of Revenue, Expenses and Change in Net Position | (183,898) | (7,700) | 2,069 | 406,352 | 216,823 | 1,728,683 | 1,945,506 |
| Net Position - Beginning, as Restated | 18,754,621 | 27,645 | 7,806 | 4,628,095 | 23,418,167 | 5,537,698 | 28,955,865 |
| Net Position - Ending | <u>\$ 18,570,723</u> | <u>19,945</u> | <u>9,875</u> | <u>5,034,447</u> | <u>23,634,990</u> | <u>7,266,381</u> | <u>30,901,371</u> |

BARTON COUNTY COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? _____ Yes X No
- Significant deficiency identified? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? _____ Yes X No
- Significant deficiency identified? _____ Yes X No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|---|
| 84.007 | Federal Supplemental Educational Opportunity Grants (FSEOG) |
| 84.033 | Federal Work-Study Program (FWS) |
| 84.063 | Federal Pell Grant Program (PELL) |
| 84.268 | Federal Direct Student Loans (FDL) |
| 84.042A | TRIO Student Support Services (SSS) |
| 84.066A | TRIO Educational Opportunity Centers |
| 84.047 | TRIO Barton County Upward Bound |
| 84.047A | TRIO Central Kansas Upward Bound |

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

BARTON COUNTY COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

No material findings or questioned costs for the year ended June 30, 2012 are required to be disclosed under OMB Circular A-133.

BARTON COUNTY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal CFDA Number | Agency or Pass-through Number | Federal Expenditures |
|--|---------------------------|-------------------------------------|----------------------------|
| U.S. Department of Education | | | |
| Direct Funding | | | |
| Student Financial Assistance Program Cluster - Title IV | | | |
| Federal Pell Grant Program | 84.063 | P063P122527 | 3,328,888 |
| Federal Supplemental and Educational Opportunity Grants | 84.007 | P007A1111491/P007A121491 | 44,577 |
| Federal Work-Study Program | 84.033 | P033A121491 | 47,227 |
| Federal Direct Student Loans | 84.268 | N/A | <u>4,337,180</u> |
| Total Student Financial Assistance Program Cluster - Title IV | | | <u>7,757,872</u> |
| TRIO Cluster | | | |
| TRIO Student Support Services | 84.042A | P042A100313-12 | 305,830 |
| TRIO Educational Opportunity Centers | 84.066A | P066A120247 | 265,268 |
| TRIO Upward Bound | 84.047 | P047A120716 | 264,753 |
| TRIO Upward Bound | 84.047A | P047A120905 | <u>231,688</u> |
| Total TRIO Cluster | | | <u>1,067,539</u> |
| Higher Education Institutional Aid | 84.031A | P031A090166 | 336,164 |
| Adult Education National Leadership Activities | 84.191C | V191C130039 | 23,808 |
| Child Care Access Means Parents in School | 84.335A | P335A090181-12 | 20,067 |
| Passed Through State Board of Regents | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 111,325 |
| Adult Education - Basic Grants to States | 84.002 | N/A | <u>84,294</u> |
| Total U.S. Department of Education | | | <u>9,401,069</u> |
| U.S. Department of Labor | | | |
| Direct Funding | | | |
| Community Based Job Training | 17.269 | CR-18219-09-60-A-20 | 198,241 |
| Passed Through State Department of Commerce | | | |
| Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Cells - ARRA | 17.275 | N/A | <u>244,503</u> |
| Total U.S. Department of Labor | | | <u>442,744</u> |
| U.S. Department of Agriculture | | | |
| Passed Through State Department of Education | | | |
| Summer Food Service Program for Children | 10.559 | N/A | 2,818 |
| Child and Adult Care Food Program | 10.558 | N/A | <u>13,893</u> |
| Total U.S. Department of Agriculture | | | <u>16,711</u> |
| Corporation for National and Community Service | | | |
| Direct Funding | | | |
| Retired and Senior Volunteer Program | 94.002 | 10SRWKS003 | 49,494 |
| Passed Through State Department of Education | | | |
| Volunteer Generation Fund | 94.021 | 10VGHKS001 | <u>3,648</u> |
| Total Corporation for National and Community Service | | | <u>53,142</u> |
| Total Expenditures of Federal Awards | | | \$ <u>9,913,666</u> |

See accompanying notes to schedule of expenditures of federal awards.

BARTON COUNTY COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Barton County Community College** and is presented on the accrual basis of accounting; therefore, some amounts presented in this schedule may differ from amounts present or used in the preparation of the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 - FEDERAL LOAN PROGRAMS

The Federal Direct Student Loans is a program where a student or student's parent applies for a federal loan. When the loan is approved, the money is transferred to a bank account in **Barton County Community College's** name, but the loan funds are designated for the individual student. Total new loans made to eligible students and/or students' parents pursuant to this program totaled \$4,337,180 for the year ended June 30, 2013.

NOTE 3 - ADMINISTRATIVE COST ALLOWANCE

Barton County Community College can receive an administrative cost allowance from the U.S. Department of Education federal awards for administering the federal awards program based upon Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study Program costs (FWS), Federal Perkins Loan Program costs, and Federal Pell Grant Program disbursed to students during the year. The College received \$630 as an administrative cost allowance, which is less than the administrative cost allowance allowed for the year ended June 30, 2013.

NOTE 4 - MATCHING CONTRIBUTIONS

The Federal Supplemental Educational Opportunity Grant (FSEOG) program provides grants to eligible undergraduate students with priority given to Pell grant recipients who have the lowest expected family contributions. **Barton County Community College** was granted a waiver from matching these funds by the U.S. Department of Education, so the College did not provide any matching contributions for FSEOG grants for the year ended June 30, 2013.

The Federal Work-Study Program (FWS) provides part-time employment to eligible undergraduate and graduate students who need the earnings to help meet costs of postsecondary education. **Barton County Community College** was granted a waiver from matching these funds by the U.S. Department of Education, so the College did not provide any matching contributions for FWS grants for the year ended June 30, 2013.