

## College Audit 2011-2012

The College audit is accomplished each year to assess whether the Institution is appropriately handling the institutional funds and conforms to Kansas statutes. An audit report for fiscal year 2011-2012 will be given by Doug Volkland of D. McMillen & Associates, P.A. The audit report will be presents to the Board at the February 28<sup>th</sup> Board meeting for approval.

The college received a clean audit for 2011-2012. The auditor found that:

- In the auditor's opinion, the financial statements provided by the college present fairly, in all material respects, the respective financial position of the College and Foundation, as of June 30, 2012.
- The audit did not identify any deficiencies in internal control over financial reporting that they consider to be a material weakness.
- The results of the auditor's tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
- In the auditor's opinion, the College complied, in all material respects, with the requirements that are applicable to each of its major federal programs for the year.
- The audit did not identify any deficiencies in internal control over compliance with any of the major federal programs that they consider to be a material weakness.

As reported at the July 2012 Board meeting, the financial statement shows an increase in cash at the end of the year of approximately \$1,384,000. This increased the College's cash reserve and was primarily due to an increase in our business as well as a decrease in our expenses. The other funds within the college (Student housing, Union, Agency, Financial aid) also saw increases in cash for year 2011-2012.

The following information is the Management Discussion and Analysis. It is designed to provide the reader with a summary of the information found within the audit. Much of the information provided is required by the Government Accounting Standards Board.

# BARTON COUNTY COMMUNITY COLLEGE

## Management's Discussion and Analysis

June 30, 2012

### **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 Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows. The discussions about these statements are based on comparative data and certain ratios.

### **Statement of Net Assets**

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

From the data presented, readers of the Statement of Net Assets 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 Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are 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 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 purpose of the institution.

### Statement of Net Assets

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 21,763,384	\$ 19,317,926
Capital assets, net	16,484,486	16,741,787
Other assets	300,381	315,408
Total Assets	<u>\$ 38,548,251</u>	<u>\$ 36,375,121</u>
Liabilities:		
Current Liabilities	\$ 2,201,047	\$ 2,059,066
Non-current Liabilities	7,895,525	8,291,832
Total Liabilities	<u>\$ 10,096,572</u>	<u>\$ 10,350,898</u>
Net Assets:		
Invested in capital assets, net of debt	\$ 8,001,555	\$ 7,864,022
Restricted – non-expendable	0	0
Restricted – expendable	3,136,030	4,208,687
Unrestricted	17,314,094	13,951,514
Total Net Assets	<u>\$ 28,451,679</u>	<u>\$ 26,024,223</u>

The college's net assets increased 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.

For 2012, capital assets comprised 43% of total assets, which is a slight decrease over last year. Total liabilities are 26% of total assets, which is a decrease from the past year. Unrestricted net assets are 61% of total net assets, which is an increase over the previous year. Financially, we saw an increase in assets over the previous year.

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

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the 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. Non-operating revenues are revenues received for which goods and services are not provided. Examples of non-operating revenues are state appropriations and local ad valorem taxes. These are “non-operating” because 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.

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

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 28,852,545	\$ 26,080,313
Operating expenses	<u>43,501,638</u>	<u>40,067,172</u>
Operating loss	(14,649,093)	(13,986,859)
Net non-operating revenues (expenses)	<u>17,076,550</u>	<u>16,976,520</u>
Net increase (decrease) in net assets	2,427,457	2,989,661
Net assets - beginning of year	<u>26,024,223</u>	<u>22,530,325</u>
Net assets - end of year	\$ 28,451,680	\$ 26,024,223

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year for 2012 with our net assets increasing 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 for these hours decreased. Our BartOnline distance education continues to increase, and our EduKan business also ended up increasing. Increases in student tuition helped offset the decrease in state funding.

Operations at Ft. Riley increased by 11% over the previous year and with the addition of Ft. Leavenworth our expectation is that we will continue to see growth next year. The number of students occupying student housing remained stable as compared to last year,

and with a change in housing rates, our housing revenues increased slightly over the previous year.

State support decreased by almost \$100,000 over the previous year which was partially made up by local property taxes.

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. Two years ago the health plan's cash reserve was at an all-time low. The college increased the contributions for each employee and the reserve had stabilized by the end of the last FY. 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.

### 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. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, 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. 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 Changes in Net Assets.

### Cash Flows for the Year

	<u>2012</u>	<u>2011</u>
Net cash provided (used) by:		
Operating activities	\$ (13,625,573)	\$ (13,446,055)
Non-capital financing activities	17,048,383	16,943,925
Capital and related financing activities	(904,329)	(1,786,169)
Investing activities	<u>28,166</u>	<u>32,593</u>
Net Change in Cash	2,546,647	1,744,294
Cash - beginning of year	<u>17,953,125</u>	<u>16,208,832</u>
Cash - end of year	\$ 20,499,772	\$ 17,953,126

The cash flow statement reflects the successful continued growth in cash. Due to our increased growth, our enrollment revenue was able to offset the decrease in state funding. 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 \$27,408,684 of plant, property, and equipment which is an increase of \$362,606 over the prior year. The related accumulated depreciation increased to \$10,924,197 with depreciation charges of \$619,907 recognized in the current fiscal year. More detailed financial activity related to the changes in Capital Assets is presented in Note 3 (Capital Assets).

The College decreased long-term debt by a net amount of \$394,833 in 2012. This decreases long-term debt to \$8,290,603 at fiscal year-end. More detailed financial information related to Long Term Debt is presented in note 4 and 5.

## Economic Outlook

Barton's enrollment in all of our sectors of education has been impacted positively. Our distance education continues to grow and we do not see any indicators that this growth has leveled off. Our Ft. Riley operations increased over the past year and with the addition of Ft. Leavenworth our expectation is that we will continue to see increases in enrollment in this area. The method of delivering education continues to move to distance education versus traditional face-to-face delivery, although our EduKan enrollment appears to have leveled off.

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. An alternative funding formula was adopted for community colleges and has replaced the funding formula that has been used since SB345 was passed. As long as Barton's growth outpaces the average community college growth, the new funding formula will benefit us.

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