

COLBY COMMUNITY COLLEGE

Financial Statements With Independent Auditors' Report

For the Years Ended June 30, 2012 and 2011

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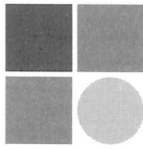
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Colby Community College
Colby, Kansas

We have audited the accompanying balance sheets of **Colby Community College**, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of **Colby Community College's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The College is in compliance with K.S.A. 12-5040 in which the College is subsidizing health insurance premiums regardless of age and, as a result, the College is not accounting for post employment benefits. Accounting principles generally accepted in the United States of America require that accounting and financial reporting of post employment benefits other than pensions be included in **Colby Community College's** financial statements, which would increase the liability and the expenditures in the above financial statements. The amount by which this departure would affect the liabilities, net assets and expenses are not reasonably determinable.

In our opinion, except for the effects of not accounting for post employment benefits, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **Colby Community College** as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the departure noted above and in the following paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **Colby Community College** as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Colby Community College Endowment Foundation does not present its financial statements in conformity with accounting principles generally accepted in the United States of America. Furthermore, the Foundation does not present a statement of cash flows as of June 30, 2012 and 2011. The difference between generally accepted accounting principles and the modified cash basis, although not readily determinable, is thought to be material.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, on our consideration of **Colby Community College's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Colby Community College's** financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

February 25, 2013

COLBY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Years Ended June 30, 2012 and 2011

Introduction

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

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

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

Balance Sheet

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

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

Net assets are presented in four categories: 1) Unrestricted net assets are available for operational requirements relative to day-to-day college activities. 2) Restricted assets are those that have some specific purpose or time-based requirement relative to the utilization of funds. These funds are available for use after said stipulations are fulfilled. 3) Invested in Capital Assets, Net of Related Debt represents that portion of college net assets committed to long-term investments such as buildings and equipment. 4) Restricted - Non-Expendable net assets are endowments for which only the interest portion can be spent. The College has no restricted nonexpendable net assets at June 30, 2012 or 2011.

Following is a summary of the Balance Sheets as of June 30, 2012 and 2011 respectively (in millions):

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets	\$ 1.8	\$ 1.1
Non-Current Assets	<u>13.8</u>	<u>9.4</u>
Total Assets	<u>\$ 15.6</u>	<u>\$ 10.5</u>
Liabilities		
Current Liabilities	\$ 1.6	\$ 1.1
Non-Current Liabilities	<u>9.7</u>	<u>5.3</u>
Total Liabilities	<u>\$ 11.3</u>	<u>\$ 6.4</u>
Net Assets		
Unrestricted	\$ 0.8	\$ 0.3
Restricted – Expendable	0.6	0.6
Invested in Capital Assets	<u>2.9</u>	<u>3.2</u>
Total Net Assets	<u>\$ 4.3</u>	<u>\$ 4.1</u>

COLBY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Years Ended June 30, 2012 and 2011

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the College's financial results for the fiscal year. The statement includes the College's revenues and expenses, both operating and non-operating. Following is a summary of the Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2012 and 2011 respectively (in millions):

	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 6.0	\$ 6.5
Operating Expenses	<u>14.2</u>	<u>14.4</u>
Operating Loss	(8.2)	(7.9)
Non-Operating Revenues, Net	<u>8.4</u>	<u>7.2</u>
Change in Net Assets	0.2	(.7)
Net Assets, Beginning of Year	<u>4.1</u>	<u>4.8</u>
Net Assets, End of Year	<u>\$ 4.3</u>	<u>\$ 4.1</u>

Statement of Cash Flows

The Statement of Cash Flows presents information about the cash activity of the College. The statement shows the major sources and uses of cash. Following is a summary of the Statement of Activities for the years ended June 30, 2012 and 2011 respectively (in millions):

	<u>2012</u>	<u>2011</u>
Cash (Used) By:		
Operating Activities	\$ (7.4)	\$ (7.6)
Noncapital Financing Activities	8.4	7.3
Capital and Related Financing Activities	<u>(0.6)</u>	<u>(0.4)</u>
Net Change in Cash	0.4	(0.7)
Cash, Beginning of Year	<u>0.6</u>	<u>1.3</u>
Cash, End of Year	<u>\$ 1.0</u>	<u>\$ 0.6</u>

Economic Outlook

Recent events have caused significant economic concern across the nation, and even on a world-wide basis. While Thomas County is not isolated from such economic downturn, we are in a better position than many urban areas. Continued reduction in state funding challenges the College to develop alternative sources of income; this will continue to be an issue in coming years. The College will continue to seek ways of increasing enrollment both through additional programs and strong recruiting initiatives across the tri-state area. Although our enrollment increased nearly eight percent in the fall of 2012 semester over last year, we do not expect continued growth at these levels. Management will continue to be diligent in utilization of all resources, enabling continued program enhancement and growth.

Three-fourths of our revenue comes primarily from three sources, with each of the three being approximately equal. Of the three primary sources, local property taxes along with student tuition and fees remain relatively strong and constant (even increasing). However, relative to our third primary source of revenue (state operating grant funding), we continue to experience significant declines. Replacing this loss with other revenue (increase enrollment, more diverse non-traditional offerings, etc.) will be necessary to maintain the current level of operations. The remaining fourth of our revenue is generated from room and board, a variety of grant funding sources, bookstore sales, and various others. We expect no significant problems or reductions with these sources of revenue.

COLBY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Years Ended June 30, 2012 and 2011

Expenditures are categorized as follows: Academics – 40%, Student Support and Scholarships – 23%, Institutional and Athletics – 18%, General and Debt Service – 19%. Over 54% of our costs relate to Salaries, Wages and Benefits (this amounts to nearly 85% after eliminating relatively fixed costs). The College administration and Board of Trustees continue to seek methods of increasing operational efficiency, leveraging current resources to generate additional revenue, and broaden our revenue base to effectively absorb necessary program and operational costs. This challenge will be especially acute moving forward, based on the premise that we will experience even lower state funding than current levels.

The component units' separately issued financial statements can be obtained by contacting the College business office. Also, further questions concerning this report or the financial status of Colby Community College should be directed to the College business office at 1255 S. Range, Colby Kansas (785) 460-5550.



Alan Waites
Colby Community College
Chief Financial Officer

COLBY COMMUNITY COLLEGE
Balance Sheets
June 30, 2012 and 2011

	<u>Community College</u>		<u>Endowment Foundation - Modified Cash Basis</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>				
Current Assets				
Cash - Unrestricted	\$ 626,203	224,378	1,116,781	956,728
Cash - Restricted for Project	375,549	-	-	-
Accounts Receivable - 2011 Taxes in Process, Net of Uncollectible	281,530	220,997	-	-
Accounts Receivable, Students, Net of Allowance for Doubtful Accounts of \$185,104 and \$400,630	263,112	338,074	-	-
Grants Receivable	75,563	55,425	-	-
Inventory	187,676	184,981	-	-
Prepaid Insurance and Other Expenses	44,578	82,984	-	-
Total Current Assets	1,854,211	1,106,839	1,116,781	956,728
Noncurrent Assets				
Cash - Debt Service Reserve	347,019	347,019	-	-
Investments	-	-	4,681,906	4,033,431
Loans to Students, Net of Allowance for Uncollectible Loans of \$161,695 and \$166,772	305,422	341,537	-	-
Capital Assets, Net of Accumulated Depreciation of \$6,522,681 and \$6,092,743	12,828,413	8,574,292	-	-
Bond Issuance Costs, Net	283,078	163,119	-	-
Total Noncurrent Assets	13,763,932	9,425,967	4,681,906	4,033,431
Total Assets	\$ 15,618,143	10,532,806	5,798,687	4,990,159
<u>LIABILITIES</u>				
Current Liabilities				
Current Obligations - Capital Leases	\$ 185,248	201,194	-	-
Current Obligations - Revenue Bonds	100,000	95,000	-	-
Current Obligations - Certificates of Participation	24,000	-	-	-
Accounts Payable	575,516	254,709	-	-
Accrued Payroll and Benefits	499,221	547,417	-	-
Accrued Interest Payable	246,587	42,500	-	-
Deposits and Other Payables	14,639	-	-	-
Total Current Liabilities	1,645,211	1,140,820	-	-
Noncurrent Liabilities				
Non-Current Obligations - Capital Leases	290,000	475,273	-	-
Non-Current Obligations - Revenue Bonds	4,750,000	4,850,000	-	-
Non-Current Obligations - Certificate of Participation Bonds	4,635,000	-	-	-
Total Noncurrent Liabilities	9,675,000	5,325,273	-	-
Total Liabilities	11,320,211	6,466,093	-	-
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt Restricted for	2,891,315	3,152,816	-	-
Encumbrances	214,635	132,200	-	-
Perkins Loan and Grant Funds	60,299	103,337	-	-
Other	347,019	347,019	742,326	94,094
Restricted - Nonexpendable	-	-	4,191,085	3,957,915
Unrestricted	784,664	331,341	865,276	938,150
Total Net Assets	4,297,932	4,066,713	5,798,687	4,990,159
Total Liabilities and Net Assets	\$ 15,618,143	10,532,806	5,798,687	4,990,159

The accompanying notes are an integral part of these financial statements.

COLBY COMMUNITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	Community College		Endowment Foundation - Modified Cash Basis	
	2012	2011	2012	2011
<u>REVENUES</u>				
Operating Revenues				
Tuition and Fees	\$ 3,477,689	3,598,710	-	-
Less: Student Aid/Discount	(991,511)	(861,316)	-	-
Net Tuition and Fees	2,486,178	2,737,394	-	-
Federal Grants and Contracts	1,047,271	1,249,052	-	-
State Grants and Contracts	81,378	104,155	-	-
Other Grants and Contracts	166,641	196,090	-	-
Auxiliary Income	1,721,992	1,563,915	-	-
Other Income	508,431	607,343	-	-
Contributions and Other Fundraisers	-	-	1,010,803	229,950
Total Operating Revenues	6,011,891	6,457,949	1,010,803	229,950
<u>EXPENSES</u>				
Operating Expenses				
Educational Services				
Academics, Instructional and Support	5,690,723	5,694,898	-	-
Student Support Services	3,237,302	3,407,482	207,767	275,394
Support Services				
Development, Facilities and Athletics	2,582,515	2,768,644	127,829	116,432
General and Administrative	2,279,405	2,165,881	-	-
Depreciation and Amortization Expense	443,879	439,085	-	-
Total Operating Expenses	14,233,824	14,475,990	335,596	391,826
Operating Income (Loss)	(8,221,933)	(8,018,041)	675,207	(161,876)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
State Appropriations	2,048,489	2,072,201	-	-
County Property Taxes	4,085,971	3,344,984	-	-
Pell Grants	1,767,266	1,757,370	-	-
Investment Income	369	902	133,321	182,696
Gain From Sale of Assets	178,078	-	-	-
Interest on Student Loans Receivable	5,526	6,695	-	-
Donations	69,500	62,000	-	-
Estate Bequest	500,000	-	-	-
Interest on Capital Asset Debt	(202,047)	128	-	-
Total Nonoperating Revenues (Expenses)	8,453,152	7,244,280	133,321	182,696
Increase (Decrease) in Net Assets	231,219	(773,761)	808,528	20,820
Net Assets, Beginning of Year	4,066,713	4,840,474	4,990,159	4,969,339
Net Assets, End of Year	\$ 4,297,932	4,066,713	5,798,687	4,990,159

The accompanying notes are an integral part of these financial statements.

COLBY COMMUNITY COLLEGE
Statements of Cash Flows - College
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees, Net of Discount	\$ 2,577,117	2,748,445
Grants and Contracts	1,295,290	1,549,297
Auxiliary Enterprise Revenue	1,721,992	1,563,915
Payments to Employees and for Employee Benefits	(7,740,023)	(7,995,685)
Payments to Suppliers	(5,726,961)	(6,091,232)
Other Receipts	508,431	607,343
Net Cash Used by Operating Activities	<u>(7,364,154)</u>	<u>(7,617,917)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	2,048,489	2,072,201
County Property Taxes	4,025,438	3,426,547
Pell Grants	1,767,266	1,757,370
Donations	69,500	62,000
Estate Bequest	500,000	-
Net Cash Provided by Noncapital Financing Activities	<u>8,410,693</u>	<u>7,318,118</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(5,193,508)	(109,035)
Principal Received (Paid) on Long-Term Debt	4,362,781	(300,272)
Interest Income	2,040	128
Proceeds From Sale of Assets	178,078	-
Net Cash Used by Capital and Related Financing Activities	<u>(650,609)</u>	<u>(409,179)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	369	902
Interest on Student Loans	5,526	6,695
Net Cash Provided by Investing Activities	<u>5,895</u>	<u>7,597</u>
Net Increase (Decrease) in Cash and Debt Service Reserve	401,825	(701,381)
Cash and Debt Service Reserve, Beginning of Year	<u>571,397</u>	<u>1,272,778</u>
Cash and Debt Service Reserve, End of Year	<u>\$ 973,222</u>	<u>571,397</u>

The accompanying notes are an integral part of these financial statements.

COLBY COMMUNITY COLLEGE
Statements of Cash Flows - College
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (8,221,933)	(8,018,041)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities		
Depreciation and Amortization	443,879	439,085
Changes in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	54,824	(16,438)
Inventory	(2,695)	(6,502)
Prepaid Expenses	38,406	(58,430)
Loans to Students	36,115	27,489
Increase (Decrease) in		
Accounts Payable	320,807	13,045
Compensation and Related Benefits	(48,196)	1,875
Other Liabilities	14,639	-
Net Cash Used by Operating Activities	\$ <u>(7,364,154)</u>	<u>(7,617,917)</u>

The accompanying notes are an integral part of these financial statements.

COLBY COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2012 and 2011

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The financial statements of the College have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The College'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 financial records of the Endowment Foundation (reported as a component unit of the College) are maintained on a modified cash basis. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The differences between modified cash and accrual basis accounting are not determined, but are thought to be immaterial to these financial statements taken as a whole.

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 **Colby Community College** (the primary government) and its component unit. The component unit is included in the College's reporting entity because of the significance of its operational or financial relationship with the College.

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

Colby 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.

Colby Community College Endowment Foundation is a not-for-profit corporation organized to raise funds to support educational undertakings at **Colby Community College**, and to receive and hold in trust any property transferred to the Foundation for the benefit of the College, or any student or employee of the College, managing all property received according to the uses specified by the donors or, in case the gift is a general one, to such uses as may be agreed upon by the Board of Directors. Scholarships totaling \$136,800 were provided to the College during the year.

Complete financial statements of the Foundation can be obtained from the College's business office or from its respective office at 1255 S. Range, Colby, Kansas 67701.

COLBY COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2012 and 2011

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 of the fiscal year when use is first permitted; matching requirements, in which the College must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the current funds – unrestricted. The statutes provide for the following sequence and timetable for the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 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, 2012.

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

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

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 – Legal Basis

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

COLBY COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2012 and 2011

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, and (3) most federal, state and local grants.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB 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.

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.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable are recorded net of estimated allowances for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged accounts receivable. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

Grants receivable includes amounts due from federal financial assistance programs and other grants.

Capital Assets

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

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

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

Inventory and Prepaid Items

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

Federal Financial Assistance Programs

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

Net Assets

The College's net assets are classified as follows:

- 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.
- 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.
- 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, 2012.
- 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.

Compensated Absences

The College provides paid vacation to all full-time employees based on years of employment. Employees are allowed to carry over unused vacation. Accumulated vacation must be used within four months after the contract year has ended (or by October 31) or the vacation will be lost. The estimated liability for accrued vacation at June 30, 2012 and 2011 totaled \$26,547 and \$24,857 respectively.

The College's policy regarding sick leave permits employees to accumulate sick leave at a rate of 10 days per year up to 90 days. Upon retirement or accepted resignation of employment at the College, a professional employee will be reimbursed 10 percent of the sick days the employee has accumulated. This does not apply if early retirement is used. The estimated liability for sick leave at June 30, 2012 and 2011 totaled \$103,453

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and \$106,786 respectively.

Use of Estimates

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

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.

Scholarship Discounts and Allowances

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

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.

Income Taxes

Colby Community College Endowment Foundation is exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (IRC), as an Organization described in IRC Section 501(c)(3). Further, the Foundation has been classified as an Organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Foundation qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation did not have any material unrelated business income tax liability for the years ended June 30, 2012 and 2011.

Generally accepted accounting principles prescribe the accounting for uncertainty in income taxes and a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. There was no affect on the financial statements as a result of adopting this interpretation as the Foundation believes it does not have any material uncertain tax positions reflected in its financial statements. Tax years that remain subject to examination in the Foundation's major jurisdictions are for the years ended June 30, 2012, 2011, and 2010.

NOTE 2 – CASH

Deposits

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

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

Concentration of credit risk

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

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College did not use "peak periods" during the fiscal year ending June 30, 2012. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the College's carrying amount of deposits was \$1,348,771 and the bank balance was \$1,514,957. Of the bank balance, \$1,410,742 was covered by federal depository insurance and \$104,215 was collateralized with securities held by pledging financial institutions' agents in the College's name.

The carrying amount of deposits for the Endowment Foundation, a discretely presented component unit, was \$1,116,781 and the bank balance was also \$1,116,781. The entire bank balance was covered by FDIC or SIPC 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.

NOTE 3 – INVESTMENTS

At year end, the Endowment Foundations' investment balances consisted of \$4,563,339 in marketable securities with an estimated fair value of \$4,854,004, \$10,467 in Thomas County Community Foundation Magnet Money Investment – Designated Until Funds are Matched, \$107,200 in land held for investment and \$900 in mineral interest property.

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 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

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Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Mutual funds, stocks, bonds and securities are valued at the closing price reported on the active market on which the individual securities are traded. The value of the TCCF Magnet Money is based on the percentage of pooled securities held by the third-party trustee.

The current fair value of the land held for investment was determined by the investment company's internal appraisal that is completed on an annual basis. Every three years, the investment company receives an appraisal on the land by an independent outside third party. The fair value for the land for years ended June 30, 2012 and 2011 were determined by the investment company. The next certified appraisal for the land is during 2013.

The fair value of the mineral rights 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.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2012 and 2011 for Colby Community College Endowment Foundation.

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2012				
Stocks	\$ 760,002	760,002	-	-
Mutual Funds	1,385,973	1,385,973	-	-
Bonds and Securities	2,708,029	2,708,029	-	-
Total	4,854,004	4,854,004	-	-
TCCF Magnet Money	11,810	-	11,810	-
Land Held for Investment	117,510	-	-	117,510
Mineral Interest	900	-	-	900
Total Investments	\$ 4,984,224	4,854,004	11,810	118,410
June 30, 2011				
Stocks	\$ 640,316	640,316	-	-
Mutual Funds	1,048,786	1,048,786	-	-
Bonds and Securities	2,368,634	2,368,634	-	-
Total	4,057,736	4,057,736	-	-
TCCF Magnet Money	11,185	-	11,185	-
Land Held for Investment	117,510	-	-	117,510
Mineral Interest	900	-	-	900
Total Investments	\$ 4,187,331	4,057,736	11,185	118,410

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NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the various capital asset categories for the years ended June 30, 2012 and 2011:

	2012			Ending Balance
	Beginning Balance	Increases	Decreases	
Land	\$ 340,877	-	55,097	285,780
Land Improvements	288,000	-	-	288,000
Buildings	11,609,552	80,085	-	11,689,637
Equipment	1,005,137	241,035	-	1,246,172
Vehicles	513,298	-	-	513,298
Computer Hardware/Software	854,902	101,740	7,900	948,742
Total	14,611,766	422,860	62,997	14,971,629
Less Accumulated Depreciation	6,092,743	437,838	7,900	6,522,681
Construction in Progress	55,269	4,379,465	55,269	4,379,465
Capital Assets, Net	\$ 8,574,292	4,364,487	110,366	12,828,413
 Bond Issuance Costs	 \$ 181,243	 126,000	 -	 307,243
Less Accumulated Amortization	18,124	6,041	-	24,165
Other Assets, Net	\$ 163,119	119,959	-	283,078
	2011			Ending Balance
	Beginning Balance	Increases	Decreases	
Land	\$ 340,877	-	-	340,877
Land Improvements	288,000	-	-	288,000
Buildings	11,609,552	-	-	11,609,552
Equipment	999,482	5,655	-	1,005,137
Vehicles	507,298	6,000	-	513,298
Computer Hardware/Software	812,791	42,111	-	854,902
Total	14,558,000	53,766	-	14,611,766
Less Accumulated Depreciation	5,659,700	433,043	-	6,092,743
Construction in Progress	-	55,269	-	55,269
Capital Assets, Net	\$ 8,898,300	-324,008	-	8,574,292
 Bond Issuance Costs	 \$ 181,243	 -	 -	 181,243
Less Accumulated Amortization	12,082	6,042	-	18,124
Other Assets, Net	\$ 169,161	-6,042	-	163,119

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NOTE 5 – LEASE OBLIGATIONS

Capital lease obligations of the College at June 30, 2012 and 2011 are comprised of the following:

	Outstanding July 1, 2011	Additions	Reductions	Outstanding June 30, 2012	Current Portion	Interest Paid
Capital Leases						
Building	\$ 615,000	-	160,000	455,000	165,000	29,150
1999 Prevost Bus	39,380	-	19,132	20,248	20,248	1,899
Ford Motor Credit Company	17,340	-	17,340	-	-	1,110
IP Office Phone System	4,747	-	4,747	-	-	70
Total Capital Leases	\$ 676,467	-	201,219	475,248	185,248	32,229

	Outstanding July 1, 2010	Additions	Reductions	Outstanding June 30, 2011	Current Portion	Interest Paid
Capital Leases						
Building	\$ 770,000	-	155,000	615,000	160,000	36,048
1999 Prevost Bus	57,537	-	18,157	39,380	19,107	2,875
Copier	760	-	760	-	-	39
(2) 2007 Ford E-350 Vans	9,132	-	9,132	-	-	405
Ford Motor Credit Company	33,636	-	16,296	17,340	17,340	2,153
IP Office Phone System	15,674	-	10,927	4,747	4,747	636
Total Capital Leases	\$ 886,739	-	210,272	676,467	201,194	42,156

A building capital lease obligation in the amount of \$455,000 at June 30, 2012 consists of an indenture for the issuance of Refunding Certificates of Participation dated September 1, 2001, for the new classroom building and an addition to the Northwest Kansas Cultural Arts Center. The College leases the property from the trustee of the indenture and is required to make lease payments sufficient to retire the Certificates of Participation, and will obtain title to the property upon full payment of the obligation. The effective interest rate is 4.482 percent per annum. The lease includes an original term of 10 years commencing September 1, 2001, and a renewal term commencing on the last day of the original term for an additional four-year period. The lease contains a purchase option wherein the College may retire the obligation prior to the end of the lease. The purchase option price is the amount necessary to pay the currently due basic rental payment, any additional rental due and any additional amount necessary to redeem the outstanding certificates at maturity or on the earliest redemption date.

A capital lease obligation in the amount of \$20,248 at June 30, 2012, consists of an obligation for the purchase of a 1999 Prevost Bus. The effective interest rate is 4.85 percent per annum.

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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>
2013	\$ 185,248	22,775	208,023
2014	175,000	14,035	189,035
2015	115,000	5,635	120,635
Totals	\$ <u>475,248</u>	<u>42,445</u>	<u>517,693</u>

NOTE 6 – LONG-TERM DEBT

Revenue Bonds – Series 2007

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

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

Certificate of Participation Bonds – Series 2011

The College issued certificate of participation bonds to finance energy conservation improvements in certain buildings on campus.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type Activities	1.9-5.15%	\$4,659,000

Long-term debt activity for the year ended June 30, 2012 was as follows:

	<u>Outstanding July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2012</u>	<u>Current Portion</u>	<u>Interest Paid</u>
Revenue Bonds:						
Series 2007	\$ 4,945,000	-	95,000	4,850,000	100,000	251,124
Certificate of Participation Bonds						
Series 2011	-	4,659,000	-	4,659,000	24,000	-
Total Long-Term Liabilities	\$ 4,945,000	4,659,000	95,000	9,509,000	124,000	251,124

Long-term debt activity for the year ended June 30, 2011 was as follows:

	<u>Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2011</u>	<u>Current Portion</u>	<u>Interest Paid</u>
Revenue Bonds:						
Series 2007	5,035,000	-	90,000	4,945,000	95,000	255,174

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The annual requirements to retire the revenue bonds as of June 30, 2012 are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 124,000	471,549	595,549
2014	145,000	464,736	609,736
2015	160,000	459,156	619,156
2016	165,000	452,974	617,974
2017	180,000	446,429	626,429
2018-2022	1,140,000	2,110,256	3,250,256
2023-2027	1,655,000	1,812,384	3,467,384
2028-2032	2,335,000	1,334,172	3,669,172
2033-2037	3,280,000	653,892	3,933,892
2038-2042	325,000	25,800	350,800
Totals	<u>\$ 9,509,000</u>	<u>8,231,348</u>	<u>17,740,348</u>

NOTE 7 – COMPLIANCE WITH REVENUE BOND PROVISION

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

The College produced net revenues equal to or greater than 125% of the System's annual service requirement for the year ended June 30, 2012.

Net Revenues	\$ 587,272
Average Annual Debt Service Requirement	350,240
	<u>125%</u>
Minimum Required	<u>437,800</u>
Excess	<u>\$ 149,472</u>

The bond resolution requires that the College maintain a debt service reserve account not to exceed the lesser of 10% of the original principal amount of the Parity Bonds, the maximum annual debt service requirements for the Parity Bonds, or 125% of the average annual debt service requirements for the Parity Bonds. The College is in compliance with their debt service reserve account requirements.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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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 9.77% of covered payroll and 18.96% for non-licensed KPERS retirees and 22.96% for licensed KPERS retirees as of June 30, 2012. The State contributed 9.17% of covered payroll, 16.48% for non-licensed KPERS retirees and 20.48% for licensed KPERS retirees for June 30, 2011. 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 ending June 30, 2012, 2011, and 2010 were \$293,635,383, \$253,834,044, and \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the College for the years ending June 30, 2012, 2011, and 2010 were \$246,705, \$227,161, and \$212,863, respectively.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. During the year ended June 30, 2012, approximately 8 retirees participated in this plan and the College paid \$43,936 premiums for these retirees. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the College makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the College under this program.

NOTE 10 – TERMINATION BENEFITS

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

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

The College also provides annual payments in amounts based upon the final year of contracted salary for eligible individuals retiring from employment. 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.

Those eligible under this program may receive benefits for up to five years. Payments to retired employees under this plan were \$30,254 for the year ended June 30, 2012.

NOTE 11 – RISK MANAGEMENT

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

The College carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto, and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three calendar years.

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NOTE 12 - LITIGATION

The College is 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.

NOTE 13 – COMPARATIVE DATA

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

NOTE 14 – INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
General	\$ 979,915	\$1,677,412
Adult Basic Education	-	8,074
Adult Supplemental Education	6,095	-
Student Union	-	615,835
Athletics	818,103	12,570
Non-Budgeted Funds	<u>4,320,817</u>	<u>3,811,039</u>
Total	<u>\$6,124,930</u>	<u>\$6,124,930</u>

NOTE 15 – CAPITAL PROJECTS

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

	Project Authorization	Cash Disbursements and Accounts Payable To Date
Honeywell Energy Improvements	<u>\$ 4,533,000</u>	<u>\$ 4,379,465</u>

NOTE 16 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures must be made in compliance with the cash basis law which requires that no indebtedness be created for a fund in excess of available monies in that fund. Colby Community College had expenditures in excess of the available monies in the Athletics Fund, which is a violation of K.S.A. 10-1113.

Expenditures exceeded the budgeted amounts in the following funds, which is a violation of K.S.A. 79-2935.
Student Union – Dormitory Fund \$331,116

The College failed to remit to the state fiscal agent at least 20 days before the day of maturity of a bond or the interest thereon, funds sufficient for the redemption of such bonds and the payment of the interest thereon per KSA 10-130.

The College is not documenting if vendors are in compliance with the mandatory nondiscrimination provisions detailed in K.S.A. 44-1030. This statute requires that every contract on behalf of the College for the construction, alteration, or repair of any public building or for the acquisition of materials, equipment, supplies or services shall contain provisions by which the contractor agrees to comply with the provisions of the Kansas

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act against discrimination, be an equal opportunity employer, and comply with other requirements set forth in this statute. We recommend the College obtain verification from all vendors that they are in compliance with this statute and add this information to their vendor files.

NOTE 17 - SUBSEQUENT EVENTS

On November 2, 2012 the governing body of Colby Community College approved a resolution to sell 3.63 acres of land for \$200,000.

COLBY COMMUNITY COLLEGE

Supplementary Financial Information

COLBY COMMUNITY COLLEGE

(a) Adjustment for Qualifying Budget Credits
Local Match on Grant Over Amount Budgeted

COLBY COMMUNITY COLLEGE

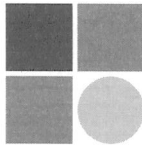
Combining Schedule of Revenues, Expenditures,
Encumbrances and Changes in Fund Balance - Actual and Budget -
Current Funds - Unrestricted (Statutory Basis)
For the Year Ended June 30, 2012

	Student Union - Dormitory			Athletics			Auxiliary Total (Memorandum Only)		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES									
Student Tuition and Fees	\$ 200,000	-	200,000	-	-	-	200,000	-	200,000
Less: Student Aid/Discounts	-	-	-	-	-	-	-	-	-
Net Student Tuition and Fees	200,000	-	200,000	-	-	-	200,000	-	200,000
Local	-	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-	-
Investment	98	-	98	-	-	-	98	-	98
Other	1,758,108	1,620,000	138,108	22,032	20,000	2,032	1,780,140	1,640,000	140,140
Transfers In	-	-	-	818,103	878,000	(59,897)	818,103	878,000	(59,897)
Total Revenues	1,958,206	1,620,000	338,206	840,135	898,000	(57,865)	2,798,341	2,518,000	280,341
EXPENDITURES AND ENCUMBRANCES									
Academics									
Payroll and Benefits	-	-	-	-	-	-	-	-	-
Operational Costs	-	-	-	-	-	-	-	-	-
Student Support									
Payroll and Benefits	84,044	-	-	-	-	-	84,044	-	84,044
Operational Costs	553,686	-	-	-	-	-	553,686	-	553,686
Development, Facilities and Athletics									
Payroll and Benefits	27,851	-	-	478,724	-	-	506,575	-	506,575
Operational Costs	200,885	-	-	337,503	-	-	538,388	-	538,388
General and Administrative									
Payroll and Benefits	66,292	-	-	-	-	-	66,292	-	66,292
Operational Costs	402,523	-	-	-	-	-	402,523	-	402,523
Transfers Out	615,835	-	-	12,570	-	-	628,405	-	628,405
Total Expenditures and Encumbrances	1,951,116	1,620,000	(331,116)	828,797	898,000	69,203	2,779,913	2,518,000	(261,913)
Revenues Over (Under) Expenditures and Encumbrances	7,090	-	7,090	11,338	-	11,338	18,428	-	18,428
(Increase) Decrease in Receivables, Inventories, and Prepaids	(31,252)	-	(31,252)	395	-	395	(30,857)	-	(30,857)
Increase (Decrease) in Reserve for Encumbrances	(4,400)	-	(4,400)	(1,600)	-	(1,600)	(6,000)	-	(6,000)
Fund Balance, Beginning of Year	60,740	2,000	58,740	(183,148)	1,264	(184,412)	(122,408)	3,264	(125,672)
Fund Balance, End of Year	\$ 32,178	2,000	30,178	(173,015)	1,264	(174,279)	(140,837)	3,264	(144,101)

COLBY COMMUNITY COLLEGE
Notes to Required Supplementary Information
For the Year Ended June 30, 2012

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

	General	Adult Basic Education	Adult Supplementary Education	Student Union Dormitory	Athletics	Total Budgetary Funds	Non-budgetary Funds	Total All Funds
REVENUES								
Actual amounts (budgetary basis) revenues from combining schedules (Schedules 1 and 2)	\$ 9,474,294	192,028	8,660	1,958,206	840,135	12,473,323	1,710,580	14,183,903
Adjustments:								
Accounts Receivable Adjustment	215,530	-	-	-	-	215,530	5,077	220,607
Tax in process 6/30/11	(220,997)	-	-	-	-	(220,997)	-	(220,997)
Tax in process 6/30/12	281,530	-	-	-	-	281,530	-	281,530
Total revenues as reported on the Statement of Revenues, Expenses and Changes in Net Assets	9,750,357	192,028	8,660	1,958,206	840,135	12,749,386	1,715,657	14,465,043
EXPENDITURES								
Actual amounts (budgetary basis) expenditures from combining schedules (Schedule 1 and 2)	9,262,063	204,334	7,169	1,951,116	828,797	12,253,479	1,824,800	14,078,279
Adjustments:								
Inventory Adjustment	23,855	-	-	(26,550)	-	(2,695)	-	(2,695)
Accounts Payable Adjustment	-	-	-	58,014	-	58,014	(19,060)	38,954
Accrued Bond Interest	-	-	-	-	-	-	204,087	204,087
Change in Prepaid Expenses	(1,759)	-	-	(212)	(395)	(2,366)	-	(2,366)
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the items are received for GAAP reporting -	(27,800)	-	(2,300)	(100)	(1,000)	(31,200)	(183,435)	(214,635)
Less 2012 Encumbrances	49,900	5,200	2,300	4,500	2,600	64,500	67,700	132,200
Plus 2011 Encumbrances								
Total expenditures as reported on the Statement of Revenue, Expenses and Changes in Net Assets	9,306,259	209,534	7,169	1,986,768	830,002	12,339,732	1,894,092	14,233,824
Net Increase (Decrease) in Net Assets, as reported on the Statement of Revenue, Expenses and Changes in Net Assets	444,098	(17,506)	1,491	(28,562)	10,133	409,654	(178,435)	231,219
Net Assets, Beginning of Year	307,889	45,391	(1,491)	60,740	(183,148)	229,381	3,837,332	4,066,713
Net Assets, End of Year	\$ 751,987	27,885	-	32,178	(173,015)	639,035	3,658,897	4,297,932



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
Colby Community College
Colby, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **Colby Community College**, as of and for the year ended June 30, 2012, and the related notes to the financial statement, and have issued our report thereon dated February 25, 2013. The financial statements of Colby Community College Endowment Foundation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered **Colby 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 statement, but not for the purpose of expressing an opinion on the effectiveness of **Colby Community College's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Colby Community College's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2012-1) to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2012-2) to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether **Colby 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*.

Colby Community College's Response to Findings

Colby Community College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Colby Community College's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

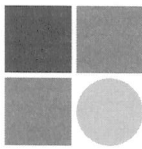
Purpose of this Report

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

February 25, 2013



Certified
Public
Accountants

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

To the Board of Trustees
Colby Community College
Colby, Kansas

Report on Compliance for Each Major Federal Program

We have audited **Colby 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 **Colby Community College's** major federal programs for the year ended June 30, 2012. **Colby Community College's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. **Colby Community College's** basic financial statements include the operations of Colby Community College Endowment Foundation, which received \$0 in federal awards during the year ended June 30, 2012. Our audit described below, did not include the operation of this component unit because it received no federal awards.

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 **Colby 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 Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Colby Community College's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, **Colby 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, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-3. Our opinion on each major federal program is not modified with respect to these matters.

Colby Community College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Colby Community College's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of **Colby 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 **Colby 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 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 **Colby 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-3 that we consider to be a significant deficiency.

Colby Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **Colby Community**

College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Certified Public Accountants

February 25, 2013

COLBY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial report:

- | | | | | |
|---|---------------|-----|---------------|----|
| • Material weakness identified? | <u>X</u> | Yes | <u> </u> | No |
| • Significant deficiency identified? | <u>X</u> | Yes | <u> </u> | No |
| • Noncompliance material to financial statements noted? | <u> </u> | Yes | <u>X</u> | No |

FEDERAL AWARDS

Internal control over major programs:

- | | | | | |
|--------------------------------------|---------------|-----|---------------|-----|
| • Material weakness identified? | <u> </u> | Yes | <u>X</u> | No |
| • Significant deficiency identified? | <u>X</u> | Yes | <u> </u> | Yes |

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? X Yes 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)
84.038	Federal Perkins Loan Program (FPL)
84.063	Federal Pell Grant Program (PELL)
84.375	Academic Competitiveness Grants (ACG)
84.268	Federal Direct Student Loans (FDL)

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

Auditee qualified as low-risk auditee? Yes X No

COLBY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2012-1

Criteria or specific requirement

Internal controls should be in place to insure that all material payables and encumbrances are recorded in the financial records.

Condition

A material accounts payable was not recorded in the proper accounting period.

Context

We reviewed purchase orders paid after year end for cutoff and proper period classification. We noted a payable of \$218,550 for capital improvements for the Honeywell project that were completed prior to year end but not recorded as a payable. There was also an additional encumbrance of \$153,535 for these capital improvements that represents the remaining balance of the project expenditures to be paid after year end. The board's approval of this capital project created an encumbrance for the entire amount of the project.

Effect

The accounts payable balance was understated and the construction in process account was understated by \$218,550 for improvements that were completed at year end.

Cause

The capital project expenditures were not being tracked through the accounting software and the amount was overlooked as a payable.

Recommendation

All payables, whether for routine expenditures or capital projects, should follow the same procedures for recording and processing in the accounts payable system.

Views of responsible officials and planned corrective actions

The college will record all capital project expenditures through the accounts payable procedures established for routine accounts payable to remedy this issue.

B. Significant Deficiency in Internal Control

2012-2

Criteria or specific requirement

Internal controls should be in place to insure that bank account balances agree with the general ledger balance.

Condition

Bank reconciliations are not being tied back to the general ledger balance resulting in a cash variance of \$13,644.

COLBY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

2012-2 (continued)

Context

Bank reconciliations and supporting documentation selected for testing was reviewed but the ending balance was not reconciled back to the general ledger balance.

Effect

Reconciled bank account balance could be different than the general ledger balance.

Cause

The accounts receivable system was incorrectly posting transactions to the bank account when amounts were applied to the student accounts. This caused the error in the bank account because amounts drawn down were not always equal to the amounts applied to student accounts.

Recommendation

Procedures should be established and implemented where the CFO reconciles the balance per the bank reconciliation to the general ledger balance. Bank reconciliations should be reviewed for accuracy.

Views of responsible officials and planned corrective actions

The controller has taken steps to code the federal aid drawdowns to a clearing account instead of the bank account to prevent this error in the future.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiency in Internal Control

2012-3

Information on the Federal Program

US Department of Education Perkins Loan Program – CFDA No. 84.038

Criteria or specific requirement

The College is required to establish repayment plans and have exit interviews on file.

Condition

Out of 60 files reviewed, one file could not be produced by the college.

Questioned Costs

All files should be kept in a secure, fireproof location and contain all of the appropriate documentation. No questioned costs were noted.

Context

A total of 60 Perkins loan files were examined. Of the 60, one file could not be produced for testing these items.

Effect of Condition

When a student begins and ultimately completes their education at the college, they should have several important pieces of documentation, including master promissory notes, entrance interviews, and exit interviews. If this is not complete, the student may not understand what their loan obligations will be after

COLBY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

2012-3 (continued)

they are out of deferment. Also, the institution may not be fully informed of the student's loan balance or any amounts in default.

Cause

The College has a number of older files that have not been well maintained due to past personnel turnover and lack of student payments on accounts.

Recommendation

The College needs to properly maintain all Perkins Loan documentation in the student files.

Views of responsible officials and planned corrective actions

The College is aware of the issues with the Perkins Loan program files. They plan to review the files to ensure that their location is known and contains the required documentation.

COLBY COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

Significant Deficiency in Internal Control

2011-3

Information on the Federal Program
US Department of Education Perkins Loan Program – CFDA No. 84.038

Criteria or specific requirement
The College is required to establish repayment plans and have exit interviews on file.

Condition
Out of 60 files reviewed, one file did not contain an exit interview and one file could not be produced by the college.

Questioned Costs
Exit interviews should be included in the files. No questioned costs were noted.

Context
A total of 60 Perkins loan files were examined. Of the 60, one file contained no exit interview and one file could not be produced for testing these items.

Effect of Condition
When a student has completed their education at the college, they should have a copy of the exit interview on file. If this is not complete, the student may not understand what their loan obligations will be after they are out of deferment.

Cause
The College has a number of older files that have not been well maintained due to past personnel turnover and lack of student payments on accounts.

Recommendation
The College needs to properly maintain copies of the exit interviews for their files.

Current Year Follow-up
We reviewed a sample of student files and one student file in the selection was missing. This item will remain a current year finding.

2011-4

Information on the Federal Program
US Department of Education Higher Education Institutional Aid – CFDA No. 84.031A

Criteria or specific requirement
The College is required to label each item purchased with Title III money to indicate that the item was funded with Title III funds.

Condition
Out of 37 items observed, six items were not labeled as Title III assets by the college.

COLBY COMMUNITY COLLEGE
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

2011-4 (continued)

Questioned Costs

Per the Title III requirements, the assets purchased with Title III funds should be labeled with this information. No questioned costs were noted.

Context

A total of 37 items were observed for proper labeling. Of the 37, six items were not labeled as Title III assets by the college.

Effect of Condition

If the items that are purchased with Title III funds are not labeled, then the college may not be able to determine if they are complying with the budget they outlined in their grant agreement. This could result in possible overspending of the Title III funds during the award period and the college would have to recover the additional costs from their general fund.

Cause

The College has failed to properly label their Title III assets due to a change in the Director and lack of communication between the present and prior personnel.

Recommendation

The College needs to properly label each item that is purchased with Title III fund.

Current Year Follow-up

We reviewed a sample of equipment and all items were labeled as purchased with Title III funds.

COLBY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Program Cluster - Title IV			
TRIO Student Support Services	84.042	N/A	\$ 221,325
Federal Perkins Loan Program	84.038	N/A	45,100
Federal Pell Grant Program	84.063	N/A	1,712,604
Federal Supplemental Educational Opportunity Grants	84.007	N/A	29,708
Federal Work-Study Program	84.033	N/A	54,011
Academic Competitiveness Grants	84.375	N/A	325
Federal Direct Student Loans	84.268	N/A	2,651,531
Higher Education Institutional Aid	84.031	N/A	<u>245,000</u>
Total Student Financial Assistance Program Cluster - Title IV			<u>4,959,604</u>
Passed Through Kansas Board of Regents			
Adult Education - Basic Grants to States	84.002	3042-3000, 3010, 3020	89,242
State Fiscal Stabilization Fund - Education	84.394	48-2-1180-411	1,607
Career and Technical Education - Basic Grants to States	84.048	3051-3004,3005, 3006, 3052	<u>108,502</u>
Total Passed Through Kansas Board of Regents			<u>199,351</u>
Total U.S. Department of Education			5,158,955
Corporation for National and Community Service			
Passed Through Western Kansas			
Community Services Consortium:			
Retired and Senior Volunteer Program	94.002	95-2728-0-0-000	44,818
U.S. Department of Agriculture			
National Institute of Food and Agriculture			
Agricultural Research and Special Research Grants	10.200	29-2-1360-411	225,000
National Science Foundation			
Biological Services	47.074	27-2-1450-411	<u>82,720</u>
Total Expenditures of Federal Awards			\$ <u>5,511,493</u>

See accompanying notes to schedule of expenditures of federal awards.

COLBY COMMUNITY COLLEGE
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Colby Community College** and is presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. 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 Perkins Loan is a program where a student applies for an institutional loan. When the loan is approved, the money is transferred to a bank account in **Colby Community College's** name, but the loan funds are designated for the individual student. Outstanding loans at June 30, 2012 under the Federal Perkins Loan Program totaled \$529,364.

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 **Colby Community College's** name, but the loan funds are designated for the individual student. Total new loans made to eligible students and/or student's parents pursuant to this program totaled \$2,651,531 for the year ended June 30, 2012.

NOTE 3 - ADMINISTRATIVE COST ALLOWANCE

Colby 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 \$2,815 as an administrative cost allowance, which is less than the administrative cost allowance allowed for the year ended June 30, 2012.

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. Colby 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, 2012.

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. Colby 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, 2012.