

**FORT SCOTT
COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

Financial Statements and
Independent Auditors' Report with
Supplemental Information and
Federal Compliance Section
For the Fiscal Year Ended June 30, 2016

**FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

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FORT SCOTT COMMUNITY COLLEGE
Fort Scott, Kansas

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis - This report consists of Management's Discussion and Analysis, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. This discussion provides an overview of the College's financial activities for the year ended June 30, 2016. The discussion provides current year data with comparable data from the previous fiscal year in accordance with Governmental Accounting Standards Board (GASB) Statements 34 and 35. Information presented focuses on the College as a whole.

The component unit section of the financial statements includes the financial data of the Fort Scott Community College Endowment Association. The component unit is reported separately to emphasize that it is legally separate from the College. None of the information from the component unit are included in the graphs and tables in this "Management's Discussion and Analysis". The economic resources received or held by the component unit are held almost entirely for the direct benefit of the College. The Fort Scott Community College Endowment Association was formed to promote and foster the educational purposes of the College, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the College. The Association acts largely as a fundraising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Association serves essentially as a conduit. Contributions that are not designated are used where the need is considered the greatest, as determined by the Association board of directors. The Association disbursed to, or on behalf of, the College for the year ended June 30, 2016, \$570,894. The Association can sue and be sued, and can buy, sell, or lease real property. Separate audited financial statements are prepared and are available at the Association, and can be requested through the Director of the Endowment Association. The Association is considered a component unit.

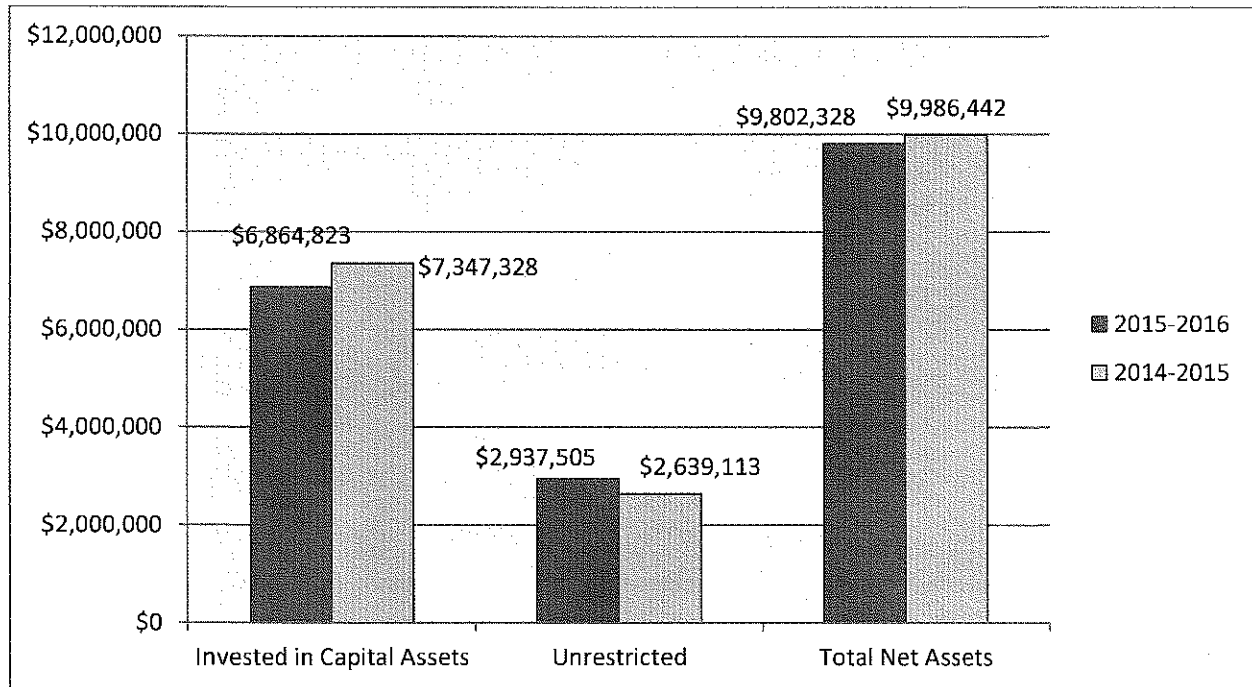
There are three financial statements presented: the Statement of Net Position (page 3); the Statement of Revenues, Expenses, and Changes in Net Position (page 4); and, the Statement of Cash Flows (page 5).

Statement of Net Position – The Statement of Net Position presents the assets, liabilities, and net position of the College as of the end of the fiscal year.

Net positions are divided into three categories. Category one, "Invested in capital assets, net of debt", provides information on property, plant, and equipment owned by the institution. Category two, "Restricted", expendable and non-expendable, are funds that must be spent by the institution as determined by donors/external entities that have placed time or purpose restrictions on the use of the assets or resources available only for investment purposes. The final category, "Unrestricted", are funds available to be used for any lawful purpose by the institution.

Information presented allows readers to determine assets available to continue operations of the College, along with information of monies owed vendors/investors/lending institutions. The following chart provides a picture of net position and the availability for expenditure. Net position decreased during the fiscal year ending June 30, 2016, by \$184,113 over the previous year.

Net Position



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

Generally speaking, operating revenues are received for providing goods and services to customers/constituencies. Operating expenses are monies paid to acquit/produce the goods and services provided in return for the operating revenues, and to carry out the College's mission. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving goods or services for those revenues.

The following table summarizes the College's revenues, expenses, and changes in net position for the years ending June 30, 2016 and 2015.

Revenue, Expenses and Changes in Net Position

	<u>2015/2016</u>	<u>2014/2015</u>
Operating Revenue	\$8,362,715	\$8,557,786
Operating Expenses	\$17,642,950	\$18,395,818
Operating Loss	\$(9,280,235)	\$(9,838,032)
Non-operating Revenues and Expenses	\$ 9,096,121	\$ 9,648,202
Increase/Decrease in Net Position	\$ (184,114)	\$ (189,830)

Operating Revenues – Operating Revenues of \$8,362,715 decreased \$195,071 when compared to the prior year. The following table summarizes the College’s operating revenues for the years ending June 30, 2016 and 2015.

Operating Revenues			
	<u>2015/2016</u>		<u>2014/2015</u>
Tuition and Fees	\$ 3,214,592	\$	2,999,386
Federal Grants and Contracts	\$ 2,146,377	\$	2,487,546
State Grants and Contracts	\$ 676,293	\$	642,918
Auxiliary Enterprises	\$ 494,160	\$	543,571
Other	\$ 1,831,293	\$	1,884,365
Total Operating Revenues	\$ 8,362,715	\$	8,557,786

Increase/decrease in revenues from the following; tuition and fees, decreased enrollment; federal and state grants- revenues decreased; auxiliary enterprises increased housing participants; and other revenue, increase miscellaneous income and reclassification of auxiliary funds.

Operating Expenses- Operating Expenses of \$17,642,950 decreased \$752,868 compared to the prior year. The following table summarizes the College’s operating expenses for the years ended June 30, 2016 and 2015.

Operating Expenses			
	<u>2015/2016</u>		<u>2014/2015</u>
Instruction	\$ 8,899,802	\$	9,595,430
Public Service	\$ 15,946	\$	4,910
Academic Support	\$ 339,640	\$	361,934
Student Services	\$ 2,442,333	\$	2,540,885
Institutional Support	\$ 1,728,561	\$	1,761,830
Operation and Maintenance	\$ 1,323,728	\$	1,127,736
Scholarships and Awards	\$ 1,885,122	\$	2,000,595
Auxiliary Enterprises	\$ 1,007,818	\$	1,002,498
Total Operating Expenses	\$ 17,642,950	\$	18,395,818

Non-Operating Revenues and Expenses- Non-operating revenues and expenses of \$9,096,121 decreased \$610,959 when compare to the prior year. Decreased federal funding accounted for most of that reduction.. The following table summarizes the College’s non-operating revenues and expenses for the years ended June 30, 2016 and 2015.

Nonoperating Revenues and Expenses		
	<u>2015/2016</u>	<u>2014/2015</u>
State Appropriations	\$ 3,799,357	\$ 3,841,412
County Appropriations (local taxes)	\$ 3,106,369	\$ 3,041,904
Federal Pell Grants	\$ 2,453,811	\$ 3,064,770
Interest on Capital Assets-related debt	\$ (263,416)	\$ (299,884)
Total Nonoperating Revenues and Expenses	\$ 9,096,121	\$ 9,648,202

Statement of Cash Flows- The Statement of Cash Flows presents detailed information about the cash activity of the institution during the fiscal year. The statement is divided into five parts:

- 1) Operating Activities- This section deals with the operating cash flows and shows net cash provided by (used in) operating activities of the institution.
- 2) Non-Capital Financing Activities- This section shows the cash received and spent for non-operating, non-investing, and non-capital financing purposes.
- 3) Capital Financing Activities – This section deals with the cash used for the acquisition and construction of capital and related items.
- 4) Investing Activities- This section reflects cash flow from investing activities and shows purchases, proceeds, and interest received from investing activities.
- 5) Net Change in Cash- The Final section reconciles net cash used in relation to operating income or loss reflected in the Statement of Revenues, Expenses, and Change in Net Position.

The following summarizes the College’s cash flows for the years ending June 30, 2012 through 2016. **Additional information is presented on page 5 of the audit report.**

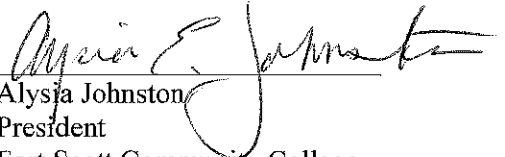
Cash and Cash Equivalents, End of Year					
	<u>2015/2016</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>	<u>2011/2012</u>
30-Jun	\$ 2,321,682	\$ 1,693,764	\$ 1,606,421	\$1,827,504	\$1,645,024

Capital Assets and Debt Administration-At June 30, 2016, the College had \$25,794,585 invested in capital assets net of accumulated depreciation of \$13,685,012. Depreciation charges for the current year total \$988,777 compared to \$978,015 in the prior year.

The outstanding long-term debt of the College includes three larger capital leases and three smaller capital leases totaling \$6,820,189 as of June 2016. Included is the Boileau Hall dorm constructed in 2002. Major mechanical equipment replacements for energy efficiency and the Ellis Fine Arts Center.

Economic Outlook- The College has maintained past success of close management to control expenditures and operations in spite of reductions in enrollment. The following table reflects enrollment over the past five years.

	Credit Hour History				
	<u>2015/2016</u>	<u>2014/2015</u>	<u>2013/2014</u>	<u>2012/2013</u>	<u>2011/2012</u>
Academic Hours	26,806	26,331	27,280	26,935	30,517
Vocational Hours	12,062	15,888	17,695	18,580	20,056
Total	38,868	42,219	44,972	45,515	50,573


 Alysja Johnston
 President
 Fort Scott Community College

*Diehl
Banwart
Bolton*

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Fort Scott Community College
Fort Scott, Kansas 66701

Report on Financial Statements

We have audited the accompanying financial statements of Fort Scott Community College (College), Fort Scott, Kansas, which are comprised of the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements which collectively comprise the College's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Scott Community College as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The other schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Diehl, Banwart, Bolton, CPAs, PA

DIEHL, BANWART, BOLTON, CPAs PA

December 22, 2016

Fort Scott, Kansas

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Statement of Net Position
June 30, 2016

	Primary Institution- College	Component Unit- Endowment Association
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,321,682.44	\$ 790,669.64
Receivables, net of allowance	1,638,390.57	-
Total Current Assets	3,960,073.01	790,669.64
Noncurrent Assets		
Restricted Assets		
Endowment Association Investments	-	4,532,678.19
Change in Assets held for others in Charitable Remainder Trusts in excess of future liability for others	-	9,782.23
Capital assets, net of accumulated depreciation	13,685,011.79	-
Total Noncurrent Assets	13,685,011.79	4,542,460.42
 TOTAL ASSETS	 \$ 17,645,084.80	 \$ 5,333,130.06
 LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 419,443.95	\$ 64,645.25
Compensated Absences	128,352.00	-
Deposits Held in Custody for Others	142,723.99	-
Current Portion of Long-Term Liabilities	368,335.00	-
Total Current Liabilities	1,058,854.94	64,645.25
Noncurrent Liabilities		
Long Term Liabilities		
Other Post Employment Benefit (OPEB) Obligations	332,048.00	-
Capital Leases Payable	6,820,188.89	-
Less Current Portion included above	(368,335.00)	-
Total Noncurrent Liabilities	6,783,901.89	-
 TOTAL LIABILITIES	 7,842,756.83	 64,645.25
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	6,864,822.90	-
Restricted - Expendable	-	1,190,198.05
Restricted - Nonexpendable	-	3,871,238.13
Unrestricted	2,937,505.07	207,048.63
TOTAL NET POSITION	9,802,327.97	5,268,484.81
 TOTAL LIABILITIES AND NET POSITION	 \$ 17,645,084.80	 \$ 5,333,130.06

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

	Primary Institution- College	Component Unit- Endowment Association
REVENUES		
Student Tuition and Fees, net of scholarship Discounts and Allowances of \$715,040		
Student Tuition and Fees	\$ 3,214,591.94	\$ -
Federal Grants and Contracts	2,146,377.36	-
State Grants and Contracts	676,293.00	-
Other	1,831,292.50	-
Auxiliary Enterprises	494,159.82	-
Total Operating Revenues	<u>8,362,714.62</u>	<u>-</u>
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	8,899,802.46	-
Public Service	15,946.00	-
Academic Support	339,639.63	33,422.14
Student Services	2,442,333.39	-
Institutional Support	1,728,560.86	-
Operation and Maintenance	1,323,727.91	-
Scholarships and Awards	1,885,121.76	537,472.02
Auxiliary Enterprise	1,007,817.69	-
Total Operating Expenses	<u>17,642,949.70</u>	<u>570,894.16</u>
Net Operating Income (Loss)	<u>(9,280,235.08)</u>	<u>(570,894.16)</u>
Nonoperating Revenues (Expenses)		
State Appropriations	3,799,356.61	-
County Appropriations	3,106,369.68	-
Federal Pell Grants	2,453,811.00	-
Gifts	-	806,217.95
Investment Income (Loss)	-	(48,088.05)
Interest on Capital Assets -- related debt	(263,415.97)	-
Net Nonoperating Revenue (Expenses)	<u>9,096,121.32</u>	<u>758,129.90</u>
Net Increase (Decrease) in Net Position Before Other Revenue and Expenses	(184,113.76)	187,235.74
Other Revenue and (Expenses)		
Additions to Permanent Endowments	<u>-</u>	<u>21,041.07</u>
INCREASE (DECREASE) IN NET POSITION	(184,113.76)	208,276.81
NET POSITION -- Beginning of Year	<u>9,986,441.73</u>	<u>5,060,208.00</u>
NET POSITION -- End of Year	<u>\$ 9,802,327.97</u>	<u>\$ 5,268,484.81</u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Statement of Cash Flows - Primary Institution - College
For the Fiscal Year Ended June 30, 2016

	<u>Primary Institution- College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees	\$ 3,320,657.17
Federal Grants and Contracts	2,276,176.85
State Grants and Contracts	676,293.00
Sales and Services of Auxiliary Enterprises	494,159.82
Other	1,726,967.35
Payments on Behalf of Employees	(9,795,455.62)
Payments for Supplies and Materials	(4,031,237.00)
Payments for Other Expenses	(2,629,492.29)
Net Cash Provided by (Used in) Operating Activities	<u>(7,961,930.72)</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACITIVITIES	
State Appropriations	3,799,356.61
County Appropriations	3,106,369.68
County Appropriations	2,453,811.00
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>9,359,537.29</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Payments for Purchase of Fixed Assets	(289,831.40)
Proceeds from New Long Term Debt	2,941,247.00
Principal Paid on Long Term Debt	(3,157,687.47)
Interest Paid on Long Term Debt	(263,415.97)
Net Cash Provided by (Used in) Financing Activities	<u>(769,687.84)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned on Investments	-
Net Cash Provided by (Used in) Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	627,918.73
Cash and Cash Equivalents, Beginning of Year	<u>1,693,763.71</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,321,682.44</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (9,280,235.08)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	988,777.45
(Increase) Decrease in Accounts Receivable	131,539.57
Increase (Decrease) in Accounts Payable	86,356.72
Increase (Decrease) in Compensated Absences & OPEB Obligation	68,125.00
Increase (Decrease) in Deposits Held for Others	43,505.62
Net Cash Provided by (Used in) Operating Activities	<u>\$ (7,961,930.72)</u>

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

**FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

Statement of Cash Flows - Component Unit - Endowment Association
For the Fiscal Year Ended June 30, 2016

	<u>Component Unit- Endowment Association</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Increase (Decrease) in Net Assets	\$ 208,276.81
Adjustments to reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities	
(Gain) loss on investments sold	(25,075.47)
Unrealized (gain) loss on investments held	176,861.23
Amortization of present value of future liability pertaining to Charitable Remainder Trusts	(20,517.00)
Contributions restricted for Endowment	<u>(21,041.07)</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>318,504.50</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash from investments sold or matured	1,388,588.21
Purchases of investments	<u>(1,332,728.21)</u>
 Net Cash Provided by (Used in) Investing Activities	 <u>55,860.00</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections from endowment contributions	<u>21,041.07</u>
 Net Cash Provided by (Used in) Financing Activities	 <u>21,041.07</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 395,405.57
Cash and Cash Equivalents, Beginning of Year	<u>395,264.07</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 790,669.64</u></u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fort Scott Community College (College), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The significant accounting policies of the College follow:

Financial Reporting Entity

The financial statements of the College are required by accounting principles generally accepted in the United States to include those of separately administered entities that are controlled by or dependent on the College. Control or dependence is determined on the basis of the significance of their operational or financial relationships with the College. Entities that are legally separate tax-exempt organizations are required to be reported in the College's financial statements if the resources of the affiliated organization benefit the College, the College is entitled to or can otherwise access the resources, and the resources are considered significant to the College.

Fort Scott Community College Endowment Association (Association) is a legally separate, tax-exempt component unit of the College. The Association acts primarily as a fund-raising organization to supplement funds to provide scholarships to students at the College and to provide other financial support to the College. The majority of the resources, or income thereon, that the Association holds and invests are restricted to the activities to the College by the donors. Because these restricted resources held by the Association can only be used by, or for the benefit of the College or its constituents, the Association is considered a component unit of the College and is discretely presented in the College's financial statements.

The Association is a nonprofit organization that reports under standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Association's financial information in the College's financial reporting entity for these differences. Separately issued audited financial statements for the Association may be obtained from the College's administrative office at Fort Scott, Kansas.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fiduciary Funds

Fiduciary funds are used to report activities whereby the College acts as a trustee or fiduciary to hold resources for the benefit of parties outside the College. The accrual basis of accounting is used for fiduciary funds and is similar to the accounting for business type activities. The basic financial statements exclude fiduciary fund activities and balances, because these assets are restricted in purpose and cannot be used by the College to finance its operations. The College must ensure that assets reported in fiduciary funds are used for their intended purpose. The College's fiduciary funds are classified as agency funds.

Cash and Investments

Applicable state statutes authorize the College to invest in (1) temporary notes or no-fund warrants issued by the governmental unit; (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks; (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's Office; and (7) trust departments of commercial banks. Investments are reported at fair value. For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments held by the Foundation include marketable equity securities, mutual funds, debt securities, and government and municipal obligations. Investments are carried at fair value, with both unrealized and realized gains and losses reported as an increase or decrease in unrestricted or temporarily restricted net position based upon donor imposed restrictions. Interest income is recognized as earned.

Accounts Receivable and Deferred Revenue

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Kansas. Accounts receivable also includes amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

For revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. Property taxes levied in November are recorded as taxes receivable. Taxes levied but not received as of June 30 are presented as accounts receivable—taxes in process and deferred revenue to indicate that they are not appropriable. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for current funds - unrestricted and plant funds (unless specifically exempted by statute). Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budgets amended in 2016.

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.

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

A legal operating budget is not required for Current Funds - Restricted and Agency funds.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment purchased as a single asset, the College's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. When multiple equipment items are purchased as an integrated system of assets, they are considered as a single asset when applying the above capitalization rules. Items purchased together, but that can function individually on a stand-alone basis, are considered on an item-by-item basis when applying the above thresholds. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and Additions	10 to 40 Years
Machinery and Equipment	5 to 20 Years
Vehicles and Trailers	4 to 10 Years

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, or capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; or (3) other liabilities that although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Position

The College's net position is classified as follows:

Invested in Capital Assets, Net of Related Debt: This represents the College's total investment in capital assets, net of accumulated depreciation, and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of investment in capital assets, net of related debt.

Restricted Net Position – expendable: Restricted expendable net position 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 Position – nonexpendable: Nonexpendable restricted net position 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Unrestricted Net Position: Unrestricted net position represent resources derived from student tuition and fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Endowment Association is exempt from income taxes under Section 501(C) (3) of the Internal Revenue Code. It is not subject to income taxes except on unrelated business income. No unrelated business income tax has been paid in the current year. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examination for years prior to 2013.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues 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 discounts and allowances, (2) sales of services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, state and local grants and contracts, and Federal appropriations.

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 No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, such as state appropriations, tax revenues, and investment income. Pell grant receipts are classified as nonoperating revenues and any amounts applied to student receivable accounts are recorded as scholarship discounts or allowances per guidance provided in GASB No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. 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 students' behalf. Certain governmental grants, such as Pell grants, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

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

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statement of net assets, and a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

A total of 10 to 15 days of vacation per year can be accumulated by administrators and support staff up to a maximum of 15 days. A total of 10 days per year of sick leave are granted to employees, which can be accumulated by each employee up to a maximum of 120 days. Accumulated sick days are lost when employment at the College ends.

The College accrues a liability for compensated absences which meet the following criteria:

1. The College's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria the College has not accrued a liability for sick pay which has been earned but not taken inasmuch as the amount cannot be reasonably estimated. The liability for vacation pay totaled \$128,352, which is considered a long-term liability of the College, which is not to be paid from current resources.

Termination and Post Employment Benefits

No termination benefits are provided to College employees when employment with the College ends except for the accrued Compensated Absences as discussed in Note 1 and Early Retirement Program as discussed in Note 9.

As provided by K.S.A. 12-5040, the College allows retirees to participate in the group health insurance plan. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. Each retiree pays the full amount of the applicable premium at a higher premium than the active employees. Accordingly, the College has determined that there is no cost to the College under this program.

Pension Plan

Substantially all full-time College employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The College's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

On-behalf Payments for Employee Benefits

The College recognizes revenues and expenses for the contributions (Note 8) made by the State of Kansas to the Kansas Public Employees Retirement System (KPERs) on behalf of the College's employees.

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Compliance with Kansas Statutes

The College was in compliance with the cash basis and budgeted laws of the State of Kansas. There were no apparent violations of Kansas statutes identified during the current fiscal year.

3. **CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

Primary Institution: College

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 Government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

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

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 Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College does not have any "peak periods" designated.

At June 30, 2016 the College's carrying amount of deposits was \$2,320,682.44 and the bank balance was \$3,251,920.72. Although the bank balance was held by four banks, over 95% is held at one bank resulting in a concentration of credit risk. Of the bank balance, \$359,073.55 was covered by federal depository insurance, and \$2,892,847.17 was collateralized with securities totaling \$3,359,575.83 held by the pledging financial institutions' agents in the College's name.

Component Unit – Endowment Association

At year-end the carrying amount of the Association's deposits totaled \$790,669.64. Although cash deposits are sometimes in excess of limits insured by the Federal Deposit Insurance Corporation, the amount of credit risk to the Association is considered minimal.

4. INVESTMENTS

Primary Institution - FSCC:

Investments are made in accordance with an investment policy established by the Board of Trustees of the College and are stated at cost, which approximates the market value.

There were no investments at June 30, 2016.

Component Unit – FSCC Endowment Association:

Investments are made in accordance with an investment policy established by the Board of Directors of the Association and are stated at market value.

Investments at June 30, 2016 are held in Trust by a financial institution and are comprised of the following:

	<u>JUNE 30, 2016</u>	
	<u>COST</u>	<u>MARKET</u>
Equity Securities	\$ 3,645,064.56	\$ 4,110,533.68
U.S. Government Obligations	9,595.85	10,029.23
Non-Government Obligations	50,477.00	53,511.00
Insurance Policies	34,317.15	15,838.19
Alternative Investments	239,271.60	254,848.20
Money Market Funds and short-term debt obligations	87,917.89	87,917.89
	<u>\$ 4,066,644.05</u>	<u>\$ 4,532,678.19</u>

Investment income of the Association is comprised of the following:

Dividends and Interest	\$ 83,180.71
Realized gains (losses)	25,075.47
Unrealized gains (losses)	(176,861.23)
Change in value of CRAT	20,517.00
	<u>\$ (48,088.05)</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The *Fair Value Measurements and Disclosures Topic* of the Financial Accounting Standards Board Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation utilizes certain assumptions that market participants would use in pricing the assets, including assumptions about risk and the risks inherent in the inputs to the valuation techniques. The inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The observability of the inputs used in the valuation techniques is the basis for determining the appropriate fair value hierarchy level.

4. **INVESTMENTS** (Continued)

Certain of the Association’s financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed income, and equity instruments. The three levels of the fair value hierarchy and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments such as money market securities and listed equities.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain U.S. government agency and sponsored entity debt securities and interest rate swap contracts.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

The Endowment Associations investments are reported at fair value as follows:

	Level 1	Level 2	Level 3	Total
Equity and Debt Securities	\$ 4,516,840.00	\$ -	\$ -	\$ 4,516,840.00
Insurance Policies	-	-	15,838.19	15,838.19
Total Assets at Fair Value	<u>\$ 4,516,840.00</u>	<u>\$ -</u>	<u>\$ 15,838.19</u>	<u>\$ 4,532,678.19</u>

Changes in level 3 investments for the year ended June 30, 2016 were as follows:

	Insurance Policies
Balance June 30, 2015	<u>\$ 15,838.19</u>
Unrealized gain (loss)	-
Balance June 30, 2016	<u>\$ 15,838.19</u>

5. **ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2016, consisted of the amounts due as follows:

	Primary Institution
Accounts Receivable -	
Federal Grants	\$ 377,483.32
Tuition and fees	604,937.39
Other Receivables	655,969.86
Total Accounts Receivable	<u>\$ 1,638,390.57</u>

5. **ACCOUNTS RECEIVABLE** (Continued)

The College charges any uncollectible accounts directly to current revenues. Current year student tuition, fees, and auxiliary enterprises revenues have been reduced by \$168,780.54 for old receivables deemed uncollectible. All accounts at June 30, 2016 are considered fully collectible. Uncollectible amounts for unconditional promises to give to the Association are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

6. **CAPITAL ASSETS**

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2016</u>
<u>Capital Assets:</u>				
Land and Improvements	\$ 985,633.50	\$ -	\$ -	\$ 985,633.50
Building and Improvements	19,534,501.78	2,280.00	29,148.00	19,507,633.78
Furniture and Equipment	4,079,444.90	294,271.40	-	4,373,716.30
Vehicles and Trailers	<u>931,601.19</u>	<u>-</u>	<u>4,000.00</u>	<u>927,601.19</u>
Subtotal:	<u>25,531,181.37</u>	<u>296,551.40</u>	<u>33,148.00</u>	<u>25,794,584.77</u>
<u>Accumulated Depreciation:</u>				
Building and Improvements	7,594,518.46	533,019.87	22,428.00	8,105,110.33
Furniture and Equipment	2,743,356.10	416,866.03	-	3,160,222.13
Vehicles and Trailers	<u>809,348.97</u>	<u>38,891.55</u>	<u>4,000.00</u>	<u>844,240.52</u>
Subtotal:	<u>11,147,223.53</u>	<u>988,777.45</u>	<u>26,428.00</u>	<u>12,109,572.98</u>
Net Capital Assets	<u>\$ 14,383,957.84</u>	<u>\$ (692,226.05)</u>	<u>\$ 6,720.79</u>	<u>\$ 13,685,011.79</u>

Depreciation expense was charged to the following functions:

Instruction	\$ 585,931.47
Academic Support	130,485.52
Institutional Support	82,484.89
Auxiliary	124,317.93
Student Support	<u>65,557.64</u>
	<u>\$ 988,777.45</u>

7. **LONG-TERM DEBT**

Long-term debt of the College consisted of the following as of June 30, 2016:

Capital Leases

Equipment lease purchase agreement, dated December 2006, in the original amount of \$2,128,888 to purchase and install building improvements payable in monthly installments ranging from \$13,074 to \$15,596, with an interest rate of 4.285%, scheduled to mature November 2025.

\$ 1,418,853.93

7. **LONG-TERM DEBT** (Continued)

Building improvements lease purchase agreement, dated June 6, 2014, in the original amount of \$93,077 to finance building improvements, payable in monthly installments of \$2,687 with an interest rate of 2.51%, scheduled to mature in June 2017.	31,807.69
Building lease purchase agreement, dated October 1, 2010, in the original amount of \$200,000 to purchase the Armory building, payable in monthly installments of \$1,485 with an interest rate of 4.0%, scheduled to mature in October 2025.	138,280.27
Dormitory building lease purchase agreement, dated January 4, 2010 to refinance the dormitory building built with revenue bonds issued in 2001, originally totaling \$2,900,000. The revenue bonds were refinanced on January 4, 2010 with a capital lease for \$2,585,000. The lease requires semi-annual lease payments of \$51,857.50 thru February 2013, and then semi-annual principal and interest payments of approximately \$100,000 with a final payment of \$204,500 in August 2031. Interest rates range from 2.50% for the principal due through August 2013 to 4.50% for principal due February 2028 through maturity.	2,290,000.00
Fine arts building lease purchase agreement, dated October 6, 2015 in the original amount of \$2,766,451. The lease requires semi-annual interest payments at 4.35% and annual principal payments for a total annual debt service payment of approximately \$206,000 per year. The agreement is scheduled to mature in September 2035 but can be paid off early beginning in September 2025. The agreement is secured by the fine arts building.	2,766,451.00
Equipment and furnishings for the Fine arts building lease purchase agreement, dated October 6, 2015 in the original amount of \$100,000. The lease requires semi-annual interest payments at 4.35% and annual principal payments for a total annual debt service payment of approximately \$7,400 per year. The agreement is scheduled to mature in September 2035 but can be paid off early beginning in September 2025. The agreement is secured by the equipment and furnishing in the fine arts building.	100,000.00
Baseball scoreboard lease purchase agreement, dated June 30, 2016 in the original amount of \$74,796. The lease requires annual payments of \$15,175 including interest at .72%, with a scheduled maturity in 2021. The agreement is secured by the scoreboard.	<u>74,796.00</u>
Total Long Term Debt	<u>\$ 6,820,188.89</u>

7. **LONG-TERM DEBT** (Continued)

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2016:

Long Term Debt	Principal June 30, 2015	Received or (Paid)	Principal June 30, 2016	Interest Paid
<u>Capital Leases</u>				
Building Improvements	\$ 1,523,589.17	\$ (104,735.24)	\$ 1,418,853.93	\$ 63,258.32
Fine Arts Building	2,910,000.00	(43,549.00)	2,866,451.00	95,892.54
Dormitory Building	2,390,000.00	(100,000.00)	2,290,000.00	97,151.78
City of Fort Scott Armory	150,215.18	(11,934.91)	138,280.27	5,888.09
Cosmetology	62,825.01	(31,017.32)	31,807.69	1,225.24
Baseball Scoreboard	-	74,796.00	74,796.00	1,225.24
Total Long Term Debt	<u>\$ 7,036,629.36</u>	<u>\$ (216,440.47)</u>	<u>\$ 6,820,188.89</u>	<u>\$ 264,641.21</u>

The bond principal and interest requirements are as follows:

Fiscal Year Ending June 30,	Capital Leases		
	Principal	Interest	Totals
2017	\$ 368,335.00	\$ 280,849.80	\$ 649,184.80
2018	353,614.32	267,633.35	621,247.67
2019	367,036.12	253,603.52	620,639.64
2020	391,112.34	238,620.72	629,733.06
2021	405,905.86	222,635.25	628,541.11
2022 to 2026	2,149,011.25	844,824.56	2,993,835.81
2027 to 2031	1,620,822.00	449,570.05	2,070,392.05
2032 to 2036	1,164,352.00	113,020.45	1,277,372.45
Totals	<u>\$ 6,820,188.89</u>	<u>\$ 2,670,757.70</u>	<u>\$ 9,490,946.59</u>

8. **DEFINED BENEFIT PENSION PLAN**

Plan Description: The College participates in the Kansas Public Employees Retirement System ("KPERs"), a cost-sharing multiple - employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides benefit provisions to statewide pension groups for State/School employees, Local employees, Police and Firemen, and Judges under one plan. Those employees participating in the pension plan for the College are included in the State/School employee group. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service may retire as early as age 55 with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points." Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from

8. **DEFINED BENEFIT PENSION PLAN** (Continued)

the membership accumulated reserve fund as established by K.S.A. 74-4922. Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

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, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919, as amended, establishes a three tier benefit structure. Tier 1 members include active members hired before July 1, 2009. The member-employee contribution rate for Tier 1 members increased from 4% to 6% on January 1, 2015. Tier 2 members include active members hired between July 1, 2009 and December 31, 2014. The member-employee contribution rate for Tier 2 members is 6%. Tier 3 members include those first employed in a KPERS covered position after January 1, 2015. The member-employee contribution rate for Tier 3 members is 6%. 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 statutorily required employer's share. For fiscal year 2015, the State of Kansas contributed 11.27% for the period July 1, 2014 to September 2014; 8.65% for the period October 1, 2014 to March 31, 2015, and 10.91% for the period April 1, 2015 to June 30, 2015 of covered payroll. For the periods July 1, 2015 to March 31, 2016 and April 1 to June 30, 2016, the State contributed 11.91% and 10.91% respectively of covered payroll.

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. To facilitate the separate actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The individual employer allocation percentages for the pension amounts were based on the ratio of the employer and nonemployer contributions for the individual employer in relation to the total of all employer and nonemployer contributions of the group. At June 30, 2015, the proportion recognized by the State of Kansas on behalf of the College was 0.1292%, which was a decrease of 0.0028% from the proportion measured at June 30, 2014.

Special Funding Situation: The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are funded by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68. The State of Kansas is treated as a non-employer contributing entity to KPERS and is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and expenses for the pension plan attributable to the

8. **DEFINED BENEFIT PENSION PLAN** (Continued)

College. At June 30, 2015 and 2014, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$8,947,025 and \$8,443,935, respectively. Since the College does not contribute directly to KPERS there is no net pension liability or deferred inflows or outflows to report in the College's Statements of Net Position or the College's Statements of Revenues, Expenses and Changes in Net Position.

The State of Kansas contributed \$675,263 and \$641,888 directly to KPERS on behalf of the College for the year ended June 30, 2016 and 2015, respectively. The payments made by the State of Kansas on behalf of the College have been recorded as both revenues and expenses in the Statements of Revenues, Expenses and Changes in Net Position.

9. **OTHER POST RETIREMENT BENEFITS**

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 government under this program.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

Plan description: The College sponsors a single-employer other post-employment benefit plan that provides medical benefits to qualifying retirees and their dependents. Employees, who qualify for pension benefits under the Kansas Public Employee Retirement System (KPERS) and are enrolled in the College's insurance benefits during the benefit plan year prior to retirement, are eligible for benefits. Under KPERS, a participant must be at least age 55 with at least 10 years of service or meet Rule of 85 (age + service \geq 85) at any age to be eligible. Also, a retiring employee who waives continuing participation in the College's health plan at the time of retirement is not eligible to participate at a later date. Employees who qualify for a total disability benefit under the KPERS Disability Benefits Program are eligible for benefits until they qualify for Medicare. Spouses may continue coverage upon retiree death or attainment of Medicare eligibility age under Cobra for up to 36 months not to exceed the spouse's own age 65.

Funding policy: The College establishes and amends contribution requirements. The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other post-employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. Retirees, who either meet the Rule of 85 or are age 55 with 15 years of service upon retirement, pay 100% of group insurance premiums to maintain coverage.

Annual OPEB cost and net OPEB obligation: The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities or funding excess) over a period not to exceed thirty years. The following table shows the components of the College's annual OPEB obligation.

9. **OTHER POST RETIREMENT BENEFITS** (Continued)

Annual Required Contribution	\$ 152,016.00
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	<u>152,016.00</u>
Net Contributions Made	<u>50,000.00</u>
Increase OPEB Obligation	102,016.00
Net OPEB Obligation – June 30, 2015	<u>230,032.00</u>
Net OPEB Obligation – June 30, 2016	<u>\$ 332,048.00</u>

The College's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 follows.

Fiscal Year Ended	Annual OPEB Cost	Expected Net Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 152,016.00	\$ 50,000.00	32.89%	\$332,048.00

Funded Status and Funding Progress: As of July 1, 2013, the most recent actuarial valuation, the plan was zero percent funded. The College's actuarial accrued liability for benefits was \$925,197 and the actuarial value of assets is zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$925,197. The covered payroll (annual payroll of active employees covered by the plan) was \$5,320,930 and the ratio of the UAAL to the covered payroll was 17.4%.

Actuarial Methods and Assumptions: Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the College's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

9. OTHER POST RETIREMENT BENEFITS (Continued)

In the initial actuarial valuation for the Plan as of July 1, 2013, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on Plan assets and on the College's own investments calculated based on the funded level of the Plan at the valuation date, and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements to an ultimate rate of 5.25% after seven years. The actuarial value of assets will be determined using fair value. The UAAL will be amortized over a 30 year open period in level dollar amounts.

Early Retirement Benefits:

The College has adopted a policy providing early retirement benefits. Professional employees with at least 15 years of full time service are eligible to receive from 15% up to 30% of the value of his or her unused sick leave upon retirement, subject to a maximum of 30 days of accumulated sick leave. The employee must be at least 60 years old as of June 30 of the retiring year or has met KPERs retirement eligibility.

Ten employees are eligible to receive benefits totaling \$19,399 as of June 30. These are not accrued as liabilities in the financial statements since payment is contingent upon the eligible employees announcing their intention to retire as stipulated in the College's early retirement program.

10. CONTINGENT LIABILITIES

In the normal course of operations the College participates in various federal and state grant programs. These grants are often subject to additional audits by the granting agencies, the purpose of which is to ensure compliance with the specific grant conditions. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

11. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The College manages these risks of loss through various insurance policies.

**12. ADDITIONAL SPECIFIC DISCLOSURES FOR THE FSCC
ENDOWMENT ASSOCIATION – A COMPONENT UNIT**

SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

U.S. GAAP requires the Association to report information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position. These three classes correspond to Net Position, Unrestricted, Restricted – Expendable, and Restricted – Nonexpendable in these financial statements.

12. **ADDITIONAL SPECIFIC DISCLOSURES FOR THE FSCC
ENDOWMENT ASSOCIATION – A COMPONENT UNIT** - (Continued)

SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Contributions and Unconditional Pledges

U.S. GAAP specifies that contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Contributions Establishing Charitable Trusts

The Association accepts donor contributions to establish trust agreements in exchange for a named beneficiary to receive a fixed dollar annual return or a specific percentage of the fair value of the trust assets for the beneficiary's lifetime or a specific time period. A portion of the donation is considered to be a charitable contribution and the remaining portion represents a liability equal to the present value of future payments. The liability is revalued annually based on actuarially computed present values.

Investments

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

Pooled Investments

The Association pools cash from various individual endowment principal funds for investment purposes.

Restricted Position

Temporarily restricted net position are those whose use by the Association has been limited by donors to a specific time period or purpose. Upon expiration of the donor's restrictions, temporarily restricted net position are classified as unrestricted net position and reported in the statement of activities as net position released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. The appreciation of endowment funds in excess of the amounts contributed is also classified as temporarily restricted net position. Permanently restricted net position are restricted by donors to be maintained by the Association in perpetuity.

Income Taxes

The Association is a non-profit Section 501(c) (3) tax exempt organization. It is not subject to income taxes except on unrelated business income. No unrelated business income tax has been paid in the current year. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examination for years prior to 2013.

12. **ADDITIONAL SPECIFIC DISCLOSURES FOR THE FSCC**
ENDOWMENT ASSOCIATION – A COMPONENT UNIT - (Continued)

SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments that appears on the statements of financial position, for which it was practicable to estimate that value (for all categories listed, the carrying value approximates fair value):

Cash and Cash Equivalents – For the purpose of the statements of cash flows, cash and cash equivalents are defined as cash on hand and cash in demand accounts. The carrying values of the Association's cash equivalents approximate market value.

Contributions Receivable – Fair value is approximately equal to the book value and was determined by discounting the expected future cash flows.

Other Receivables – Loans receivable are reported in the statements of financial position as outstanding principal, adjusted for the allowance for doubtful accounts. Interest receivable is receivable in the current year and recorded at cost, which approximates the market value.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with gains and losses included in the statement of activities. The fair value is determined by the investment custodian utilizing prices quoted by securities dealers or brokers, investment bankers, or statistical services on the valuation date. Management's estimate of the fair value of investments is included in Note 4.

Charitable Remainder Trusts – Charitable remainder trusts are recognized at fair value in the period the trust is established and adjusted accordingly at year-end. Assets of such gifts are reported as a component of marketable securities. Liabilities incurred related to the acceptance of life income gifts are recognized as the present value of the expected future cash payments and are discounted at rates specified by the Code Section 7520(a). Generally, the terms of the life income gifts require the Association to pay a specified amount or percentage of a fund's market value to a designated beneficiary for a specified term or the beneficiary's life span. Actuarial assumptions related to mortality are based on tables published by the IRS.

ENDOWMENT FUNDS

The Association's endowment consists of over 200 individual fund accounts established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions. The endowment does not include fund accounts that are wholly expendable.

12. **ADDITIONAL SPECIFIC DISCLOSURES FOR THE FSCC**
ENDOWMENT ASSOCIATION – A COMPONENT UNIT - (Continued)

ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law: The Association has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretations, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until the donor’s restriction is met. Effective July 1, 2008, the state of Kansas adopted the UPMIFA, which added certain prudent spending measures to UMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Association
- (7) The investment policies of the Association

At June 30, 2016, the endowment net position composition by type of fund consisted of the following:

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 618,735.07	\$ 3,871,238.13	\$4,489,973.20
Board-designated	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 618,735.07</u>	<u>\$ 3,871,238.13</u>	<u>\$4,489,973.20</u>

12. **ADDITIONAL SPECIFIC DISCLOSURES FOR THE FSCC**
ENDOWMENT ASSOCIATION – A COMPONENT UNIT - (Continued)

ENDOWMENT FUNDS - (Continued)

For the year ended June 30, 2016, the changes in the endowment net position are as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net position, June 30, 2015	\$ -	\$ 765,892.79	\$ 3,850,197.06	\$ 4,616,089.85
Investment Return:				
Investment and Dividends	-	52,662.25	-	52,662.25
Realized Gains (Losses)	-	15,512.47	-	15,512.47
Unrealized Gains (Losses)	-	(109,652.27)	-	(109,652.27)
Total Investment Return	-	(41,477.55)	-	(41,477.55)
Contributions	-	-	21,041.07	21,041.07
Net Assets Released	105,680.17	(105,680.17)	-	-
Expenses	(105,680.17)	-	-	(105,680.17)
Endowment Net Position, June 30, 2016	<u>\$ -</u>	<u>\$ 618,735.07</u>	<u>\$ 3,871,238.13</u>	<u>\$ 4,489,973.20</u>

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. In the absence of donor stipulations or law to the contrary, decreases in the value of investments of a donor-restricted endowment fund cannot reduce a permanently restricted fund to an amount below the historical gift value. Accordingly, any excess losses shall reduce temporarily restricted net position to the extent there is net appreciation on related funds with donor-imposed temporary restrictions. If there is no appreciation remaining in the temporary restricted net position, unrestricted net position must be reduced by the amount of deficiency. As of June 30, 2016, there were no deficiencies.

Return Objectives and Risk Parameters: The Association has investment policies that attempt to provide a predictable stream of funding to programs supported by operations as well as endowment donations. Assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. The Association expects its endowment funds, over time, to provide an average rate of return of approximately at least 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends net of fees). The Association targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

12. ADDITIONAL SPECIFIC DISCLOSURES FOR THE FSCC
ENDOWMENT ASSOCIATION – A COMPONENT UNIT - (Continued)

ENDOWMENT FUNDS - (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: Except as specified by the donor, the Association has adopted a policy in which earnings are allocated monthly for spending. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long-term, the Association expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the Association objective to maintain the purchasing power of the endowed assets held in perpetuity, as well as to provide additional growth through new gifts.

13. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
Postsecondary Technical Ed	Truck Driver Training	\$ 141,000.00

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

14. PRIOR PERIOD ADJUSTMENT

These financial statements include a prior period adjustment to change the accounting for charitable remainder trusts (CRATS). In prior years, the earning on CRAT assets, less related expenses (including payments to beneficiaries) were included as income on the Statement of Activities. The activity should have been recorded as increases or decreases to "Assets Held for others in Charitable Remainder Trusts. In addition, the net assets were recorded as unrestricted net assets, whereas they should have been recorded as temporarily restricted net assets.

The following adjustments were made to the prior year account balances due to this change.

	(Original) Balance		(Restated) Balance
	June 30, 2015	Adjustments	June 30, 2015
Assets held for others	\$ 464,679.00	\$ (384,923.25)	\$ 79,755.75
Unrestricted net assets	59,194.90	(166,022.73)	(106,827.83)
Temporarily restricted net asse	765,892.79	550,945.98	1,316,838.77

15. SUBSEQUENT EVENTS

Events subsequent to December 31 have been evaluated through December 22, 2016. There are no subsequent events recognized in these financial statements or recorded in the notes to the financial statements.

**FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

REQUIRED SUPPLEMENTARY INFORMATION

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
 Schedule of Funding Progress
 For the Fiscal Year Ended June 30, 2016

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year is as follows:

<u>Fiscal Year Ended</u>	<u>OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 152,016.00	32.89%	\$ 332,048.00

**FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

SUPPLEMENTAL INFORMATION

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - General Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2016

	2016 Actual	2016 Budget	Variance - Favorable (Unfavorable)
REVENUES			
Student Tuition and Fees			
Tuition	\$ 1,354,133.58	\$ 1,390,338.00	\$ (36,204.42)
Other Student Fees	918,370.23	941,386.00	(23,015.77)
Total Student Tuition and Fees	<u>2,272,503.81</u>	<u>2,331,724.00</u>	<u>(59,220.19)</u>
Federal			
Pell Grant Administration	3,465.00	-	3,465.00
Total Federal	<u>3,465.00</u>	<u>-</u>	<u>3,465.00</u>
State			
Operating Aid	1,950,210.00	1,950,210.00	-
Total State	<u>1,950,210.00</u>	<u>1,950,210.00</u>	<u>-</u>
Local			
Ad Valorem Tax	2,617,530.43	2,589,514.00	28,016.43
Motor Vehicle Tax	404,874.11	392,984.00	11,890.11
Delinquent Tax	83,965.14	67,045.00	16,920.14
In Lieu of Taxes	-	-	-
Total Local	<u>3,106,369.68</u>	<u>3,049,543.00</u>	<u>56,826.68</u>
Other			
Interest	-	-	-
Miscellaneous	265,652.12	300,000.00	(34,347.88)
Total Other	<u>265,652.12</u>	<u>300,000.00</u>	<u>(34,347.88)</u>
TOTAL REVENUES	<u>7,598,200.61</u>	<u>7,631,477.00</u>	<u>(33,276.39)</u>

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - General Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2016

	2016 Actual	2016 Budget	Variance - Favorable (Unfavorable)
EXPENDITURES			
Instruction	\$ 1,866,938.04	\$ 2,208,200.00	\$ 341,261.96
Public Service	-	6,709.00	6,709.00
Academic Support	208,885.11	265,790.00	56,904.89
Student Services	2,274,883.20	2,083,439.00	(191,444.20)
Institutional Support	1,620,062.75	1,766,800.00	146,737.25
Operation and Maintenance	1,474,811.97	1,503,437.00	28,625.03
Scholarships and Awards	26,141.15	33,985.00	7,843.85
TOTAL EXPENDITURES	<u>7,471,722.22</u>	<u>7,868,360.00</u>	<u>396,637.78</u>
OTHER ADDITIONS (DEDUCTIONS)			
Operating Transfers from (to) Other Funds			
Transfers In from Other Funds	-	318,756.00	(318,756.00)
Transfers Out to Other Funds	-	-	-
Other Funds - Vocational Education	-	318,756.00	(318,756.00)
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	126,478.39	81,873.00	44,605.39
Unencumbered Cash-Beginning of Year	<u>1,322,487.10</u>		<u>1,322,487.10</u>
Unencumbered Cash-End of Year	<u>\$ 1,448,965.49</u>	<u>\$ 81,873.00</u>	<u>\$ 1,367,092.49</u>

Note: This schedule is prepared on the budgetary (legal) basis of accounting. Revenues in this schedule only include cash receipts and do not include an adjustment for accounts receivable. In addition, revenues for GAAP purposes include revenue and expense of \$423,623 for payments of the College's debt service paid by the FSCC Endowment Association.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Postsecondary Technical Education Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2016

	2016 Actual	2016 Budget	Variance - Favorable (Unfavorable)
REVENUES			
Student Tuition and Fees			
Tuition	\$ 760,623.76	\$ 752,416.00	\$ 8,207.76
Other Student Fees	282,217.86	343,675.00	(61,457.14)
Total Student Tuition and Fees	<u>1,042,841.62</u>	<u>1,096,091.00</u>	<u>(53,249.38)</u>
State			
Operating Aid	1,508,091.00	1,508,091.00	-
State Grants	341,055.61	315,000.00	26,055.61
Total State	<u>1,849,146.61</u>	<u>1,823,091.00</u>	<u>26,055.61</u>
Other			
Miscellaneous	<u>99,725.78</u>	<u>250,000.00</u>	<u>(150,274.22)</u>
TOTAL REVENUES	<u>2,991,714.01</u>	<u>3,169,182.00</u>	<u>(177,467.99)</u>
EXPENDITURES			
Instruction	2,568,758.09	2,711,786.00	143,027.91
Academic Support	-	-	-
Institutional Support	-	-	-
Scholarships and Awards	-	-	-
TOTAL EXPENDITURES	<u>2,568,758.09</u>	<u>2,711,786.00</u>	<u>143,027.91</u>
OTHER ADDITIONS (DEDUCTIONS)			
Operating Transfers from (to) Other Funds			
Transfers Out to Other Funds	<u>(141,000.00)</u>	<u>(300,000.00)</u>	<u>159,000.00</u>
Excess of Revenues Over (Under) Expenditures	281,955.92	157,396.00	124,559.92
Unencumbered Cash-Beginning of Year	<u>36,690.38</u>	<u>12,189.00</u>	<u>24,501.38</u>
Unencumbered Cash-End of Year	<u>\$ 318,646.30</u>	<u>\$ 169,585.00</u>	<u>\$ 149,061.30</u>

Note: This schedule is prepared on the budgetary (legal) basis of accounting. Revenues in this schedule only include cash receipts and do not include an adjustment for accounts receivable.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Adult Education Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2016

	2016 Actual	2016 Budget	Variance - Favorable (Unfavorable)
REVENUES			
Student Tuition and Fees			
Other Student Fees	\$ -	\$ -	\$ -
Other			
Miscellaneous	18,022.85	19,000.00	(977.15)
TOTAL REVENUES	18,022.85	19,000.00	(977.15)
EXPENDITURES			
Instruction	18,022.85	19,000.00	977.15
OTHER ADDITIONS (DEDUCTIONS)			
Operating Transfers from (to) Other Funds			
Transfers In from Other Funds	-	-	-
Excess of Revenues Over (Under) Expenditures	(0.00)	-	(0.00)
Unencumbered Cash-Beginning of Year	-	-	-
Unencumbered Cash-End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: This schedule is prepared on the budgetary (legal) basis of accounting. Revenues in this schedule only include cash receipts and do not include an adjustment for accounts receivable.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Truck Driver Training Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2016

	2016 Actual	2016 Budget	Variance - Favorable (Unfavorable)
REVENUES			
Student Tuition and Fees			
Tuition	\$ 71,743.50	\$ 132,661.00	\$ (60,917.50)
Other Student Fees	127,060.45	196,705.00	(69,644.55)
Total Student Tuition and Fees	<u>198,803.95</u>	<u>329,366.00</u>	<u>(130,562.05)</u>
State			
Other State Aid	-	-	-
Special State Aid	-	45,745.00	(45,745.00)
Total State	<u>-</u>	<u>45,745.00</u>	<u>(45,745.00)</u>
Other	<u>84,683.26</u>	<u>511,065.00</u>	<u>(426,381.74)</u>
TOTAL REVENUES	<u>283,487.21</u>	<u>886,176.00</u>	<u>(602,688.79)</u>
EXPENDITURES			
Instruction	<u>424,530.48</u>	<u>886,176.00</u>	<u>461,645.52</u>
OTHER ADDITIONS (DEDUCTIONS)			
Operating Transfers from (to) Other Funds			
Transfers In from Other Funds	<u>141,000.00</u>	<u>-</u>	<u>141,000.00</u>
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	(43.27)	-	(43.27)
Unencumbered Cash-Beginning of Year	<u>759.58</u>	<u>-</u>	<u>759.58</u>
Unencumbered Cash-End of Year	<u>\$ 716.31</u>	<u>\$ -</u>	<u>\$ 716.31</u>

Note: This schedule is prepared on the budgetary (legal) basis of accounting. Revenues in this schedule only include cash receipts and do not include an adjustment for accounts receivable.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Auxiliary Enterprise Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2016

	2016 Actual	2016 Budget	Variance - Favorable (Unfavorable)
REVENUES			
Tuition and Fees			
Student fees	\$ 2,195.10	\$ 125,000.00	\$ (122,804.90)
Dormitory rents	480,311.26	675,000.00	(194,688.74)
Total Tuition and Fees	<u>482,506.36</u>	<u>800,000.00</u>	<u>(317,493.64)</u>
Other			
Miscellaneous	-	12,000.00	(12,000.00)
Total Other	<u>-</u>	<u>12,000.00</u>	<u>(12,000.00)</u>
Sales and Services of Auxiliary Enterprises			
Food service sales	496,095.27	650,000.00	(153,904.73)
Total Sales and Services of Auxiliary Enterprises	<u>496,095.27</u>	<u>650,000.00</u>	<u>(153,904.73)</u>
TOTAL REVENUES	<u>978,601.63</u>	<u>1,462,000.00</u>	<u>(471,398.37)</u>
EXPENDITURES			
Auxiliary Enterprise			
Bookstore and Student Center	\$ 5,075.59	\$ 10,000.00	\$ 4,924.41
Dormitory	377,590.28	875,000.00	497,409.72
Food Service	506,012.52	652,000.00	145,987.48
Total Auxiliary Enterprise	<u>888,678.39</u>	<u>1,537,000.00</u>	<u>648,321.61</u>
Retirement of Indebtedness	100,000.00	100,000.00	-
Interest on Indebtedness	97,151.78	100,000.00	2,848.22
TOTAL EXPENDITURES	<u>1,085,830.17</u>	<u>1,737,000.00</u>	<u>651,169.83</u>
OTHER ADDITIONS (DEDUCTIONS)			
Operating Transfer from (to) Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	(107,228.54)	(275,000.00)	179,771.46
Unencumbered Cash-Beginning of Year	<u>692,347.90</u>	<u>690,237.00</u>	<u>2,110.90</u>
Unencumbered Cash-End of Year	<u>\$ 585,119.36</u>	<u>\$ 415,237.00</u>	<u>\$ 181,882.36</u>

Note: This schedule is prepared on the budgetary (legal) basis of accounting. Revenues in this schedule only include cash receipts and do not include an adjustment for accounts receivable.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Schedule of Changes in Assets and Liabilities

All Agency Funds

For the Fiscal Year Ended June 30, 2016

ACCOUNT NAME	BALANCE JUNE 30, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
ACTIVITY FUND				
Fee and User Charges				
Guaranteed Student Loans	\$ -	\$ 2,654,775.00	\$ 2,620,040.50	\$ 34,734.50
Student Capital Project	(90,453.99)	174,152.52	73,063.34	10,635.19
Student Activity Accounts	72,434.12	544,656.00	644,060.54	(26,970.42)
Non Credit Programs	1,110.54	110.75	67.25	1,154.04
Sales Tax	-	-	-	-
Cosmetology	-	-	-	-
PSU Cosmetology	-	-	-	-
Special Registrar	120.38	6,761.16	6,881.54	-
	<u>\$ (16,788.95)</u>	<u>\$ 3,380,455.43</u>	<u>\$ 3,344,113.17</u>	<u>\$ 19,553.31</u>
 Gate Receipts				
Sales accounts	\$ 8,528.77	\$ 23,040.24	\$ 18,410.66	\$ 13,158.35
	<u>\$ 8,528.77</u>	<u>\$ 23,040.24</u>	<u>\$ 18,410.66</u>	<u>\$ 13,158.35</u>
 School Projects Accounts				
Miscellaneous Funds	\$ 1,728.13	\$ 4,231.12	\$ 2,820.52	\$ 3,138.73
Dental Hygiene	-	-	-	-
Booster/ Endowment Clearing	50,244.62	31,669.50	(63,061.20)	144,975.32
Payroll Clearing	-	-	-	-
	<u>\$ 51,972.75</u>	<u>\$ 35,900.62</u>	<u>\$ (60,240.68)</u>	<u>\$ 148,114.05</u>
 Student Organization Accounts				
Nursing/Allied Health	\$ -	\$ 3,245.00	\$ 2,860.00	\$ 385.00
Clubs and Organizations	30,900.24	102,177.22	106,359.96	26,717.50
Clearing Account	24,605.56	7,985.92	-	32,591.48
	<u>\$ 55,505.80</u>	<u>\$ 113,408.14</u>	<u>\$ 109,219.96</u>	<u>\$ 59,693.98</u>
 TOTAL ACTIVITY FUND	<u>\$ 99,218.37</u>	<u>\$ 3,552,804.43</u>	<u>\$ 3,411,503.11</u>	<u>\$ 240,519.69</u>
 Assets				
Cash and Investments	\$ (240,461.99)	\$ 3,036,225.02	\$ 2,942,932.65	\$ (276,059.72)
Other Receivables	468,570.46	516,579.41	468,570.46	516,579.41
	<u>\$ 228,108.47</u>	<u>\$ 3,552,804.43</u>	<u>\$ 3,411,503.11</u>	<u>\$ 240,519.69</u>
 Liabilities				
Accounts Payable	\$ 81,109.27	\$ 97,795.70	\$ 81,109.27	\$ 97,795.70
Deposits Held For Others	146,999.20	3,455,008.73	3,330,393.84	142,723.99
	<u>\$ 228,108.47</u>	<u>\$ 3,552,804.43</u>	<u>\$ 3,411,503.11</u>	<u>\$ 240,519.69</u>

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Net Position - Primary Institution
June 30, 2016

ASSETS	General Fund #11	Postsecondary Technical Ed Fund #12	Adult Education Fund #13	Truck Driving Training Fund #17	Capital Outlay Fund #61	Auxiliary Enterprise Fund #81-84	Federal Workstudy Fund #21
Current Assets							
Cash and Cash Equivalents	\$ 1,573,752.47	\$ 406,578.85	\$ -	\$ 12,505.97	\$ -	\$ 588,930.36	\$ (4,654.78)
Receivables, net of allowance	377,001.28	69,297.68	-	39,350.72	-	193,205.38	8,140.61
Total Current Assets	1,950,753.75	475,876.53	-	51,856.69	-	782,135.74	3,485.83
Noncurrent Assets	-	-	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,950,753.75	\$ 475,876.53	\$ -	\$ 51,856.69	\$ -	\$ 782,135.74	\$ 3,485.83
LIABILITIES AND NET POSITION							
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 161,525.21	\$ 87,932.55	\$ -	\$ 11,789.66	\$ -	\$ 3,811.00	\$ 3,485.83
Compensated Absences	-	-	-	-	-	-	-
Deposits Held in Custody for Others	-	-	-	-	-	-	-
Current Portion of Long-Term Liabilities	-	-	-	-	-	-	-
Total Current Liabilities	161,525.21	87,932.55	-	11,789.66	-	3,811.00	3,485.83
Noncurrent Liabilities							
Long Term Liabilities							
Other Post Employment (OPEB) Obligations	-	-	-	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-	-
Less Current Portion included above	-	-	-	-	-	-	-
Total Noncurrent Liabilities	-	-	-	-	-	-	-
TOTAL LIABILITIES	161,525.21	87,932.55	-	11,789.66	-	3,811.00	3,485.83
Net Position							
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-
Restricted - Expendable	-	-	-	-	-	-	-
Unrestricted	1,789,228.54	387,943.98	(0.00)	40,067.03	-	778,324.74	-
Total Net Position	1,789,228.54	387,943.98	(0.00)	40,067.03	-	778,324.74	-
TOTAL LIABILITIES AND NET POSITION	\$ 1,950,753.75	\$ 475,876.53	\$ (0.00)	\$ 51,856.69	\$ -	\$ 782,135.74	\$ 3,485.83

SCHEDULE 8 (Continued)

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Net Position - Primary Institution
June 30, 2016

	SEOG Fund #22	Pell Grant Fund #24	HEP Grant Fund #25	Comm Based			Pass Fund #28	Grants Fund #31
				Job Training Fund #26	Title IV Grant Fund #27			
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ 225.00	\$ (331.00)	\$ (50,421.27)	\$ -	\$ (499.14)	\$ 98,395.99	\$ (66,153.88)	
Receivables, net of allowance	100.00	53,870.00	49,661.27	-	499.14	1,820.00	68,478.08	
Total Current Assets	325.00	53,539.00	(760.00)	-	-	100,215.99	2,324.20	
Noncurrent Assets								
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 325.00	\$ 53,539.00	\$ (760.00)	\$ -	\$ -	\$ 100,215.99	\$ 2,324.20	
LIABILITIES AND NET POSITION								
LIABILITIES								
Current Liabilities								
Accounts Payable	\$ 325.00	\$ 53,539.00	\$ (760.00)	\$ -	\$ -	\$ -	\$ -	
Compensated Absences	-	-	-	-	-	-	-	
Deposits Held in Custody for Others	-	-	-	-	-	-	-	
Current Portion of Long-Term Liabilities	-	-	-	-	-	-	-	
Total Current Liabilities	325.00	53,539.00	(760.00)	-	-	-	-	
Noncurrent Liabilities								
Long Term Liabilities								
Other Post Employment (OPEB) Obligations	-	-	-	-	-	-	-	
Capital Leases Payable	-	-	-	-	-	-	-	
Less Current Portion included above	-	-	-	-	-	-	-	
Total Noncurrent Liabilities	-	-	-	-	-	-	-	
TOTAL LIABILITIES	325.00	53,539.00	(760.00)	-	-	-	-	
Net Position								
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	
Restricted - Expendable	-	-	-	-	-	-	-	
Unrestricted	-	-	-	-	-	100,215.99	2,324.20	
TOTAL NET POSITION	-	-	-	-	-	100,215.99	2,324.20	
TOTAL LIABILITIES AND NET POSITION	\$ 325.00	\$ 53,539.00	\$ (760.00)	\$ -	\$ -	\$ 100,215.99	\$ 2,324.20	

SCHEDULE 8 (Continued)

FORT SCOTT COMMUNITY COLLEGE
 FORT SCOTT, KANSAS
 Combining Schedule of Net Position - Primary Institution
 June 30, 2016

ASSETS	KBOR Nursing Old Grants Fund #33,34	Migrant Ed Fund #37	Activity Funds	Plant	Eliminating Scholarship Discounts & Allowances	GAAP Adjustments	TOTALS
Current Assets							
Cash and Cash Equivalents	\$ -	\$ 39,413.59	\$ (276,059.72)	\$ -	\$ -	\$ -	\$ 2,321,682.44
Receivables, net of allowance	-	260,387.00	516,579.41	-	-	-	1,638,390.57
Total Current Assets	-	299,800.59	240,519.69	-	-	-	3,960,073.01
Noncurrent Assets							
Capital assets, net of accumulated depreciation	-	-	-	13,685,011.79	-	-	13,685,011.79
Total Noncurrent Assets	-	-	-	13,685,011.79	-	-	13,685,011.79
TOTAL ASSETS	\$ -	\$ 299,800.59	\$ 240,519.69	\$ 13,685,011.79	\$ -	\$ -	\$ 17,645,084.80
LIABILITIES AND NET POSITION							
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ -	\$ -	\$ 97,795.70	\$ -	\$ -	\$ -	\$ 419,443.95
Compensated Absences	-	-	-	-	-	128,352.00	128,352.00
Deposits Held in Custody for Others	-	-	142,723.99	-	-	-	142,723.99
Current Portion of Long-Term Liabilities	-	-	-	368,335.00	-	-	368,335.00
Total Current Liabilities	-	-	240,519.69	368,335.00	-	128,352.00	1,058,854.94
Noncurrent Liabilities							
Long Term Liabilities							
Other Post Employment (OPEB) Obligations	-	-	-	-	-	332,048.00	332,048.00
Capital Leases Payable	-	-	-	6,820,188.89	-	-	6,820,188.89
Less Current Portion included above	-	-	-	(368,335.00)	-	-	(368,335.00)
Total Noncurrent Liabilities	-	-	-	6,451,853.89	-	332,048.00	6,783,901.89
TOTAL LIABILITIES	-	-	240,519.69	6,820,188.89	-	460,400.00	7,842,756.83
Net Position							
Invested in Capital Assets, Net of Related Debt	-	-	-	6,864,822.90	-	-	6,864,822.90
Restricted - Expendable	-	-	-	-	-	-	-
Unrestricted	-	299,800.59	-	-	-	(460,400.00)	2,937,505.07
TOTAL NET POSITION	-	299,800.59	-	6,864,822.90	-	(460,400.00)	9,802,327.97
TOTAL LIABILITIES AND NET POSITION	\$ -	\$ 299,800.59	\$ 240,519.69	\$ 13,685,011.79	\$ -	\$ -	\$ 17,645,084.80

Note: GAAP Adjustments consist of payroll related adjustments for compensated absences and OPEB as of the beginning and the end of the year, as well as KPERS paid by the State.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Fiscal Year Ended June 30, 2016

	General Fund #11	Vocational Education Fund #12	Adult Education Fund #13	Truck Driving Training Fund #17	Capital Outlay Fund #61	Auxiliary Enterprise Fund #81-84	Federal Workstudy Fund #21
REVENUES							
Operating Revenues							
Student Tuition and Fees	\$ 2,286,271.07	\$ 980,970.21	\$ -	\$ 166,189.01	\$ -	\$ 496,201.65	\$ -
Federal Grants and Contracts	3,465.00	-	-	-	-	-	76,012.61
State Grants and Contracts	-	-	-	-	-	-	-
Other	387,279.85	99,725.78	18,022.85	92,209.76	-	-	-
Auxiliary Enterprises	-	-	-	-	-	494,159.82	-
Total Operating Revenues	2,677,015.92	1,080,695.99	18,022.85	258,398.77	-	990,361.47	76,012.61
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	1,988,565.77	2,568,758.09	18,022.85	424,530.48	-	-	-
Public Service	-	-	-	-	-	-	-
Academic Support	208,885.11	-	-	-	-	-	-
Student Services	2,274,883.20	-	-	-	-	-	-
Institutional Support	1,620,062.75	-	-	-	-	-	-
Operation and Maintenance	1,474,811.97	-	-	-	-	-	-
Scholarships and Awards	26,141.15	-	-	-	-	-	76,012.61
Auxiliary Enterprise	-	-	-	-	-	888,678.39	-
Total Operating Expenses	7,593,349.95	2,568,758.09	18,022.85	424,530.48	-	888,678.39	76,012.61
Net Operating Income (Expense)	(4,916,334.03)	(1,488,062.10)	-	(166,131.71)	-	101,683.08	-
Nonoperating Revenues (Expenses)							
State Appropriations	1,950,210.00	1,849,146.61	-	-	-	-	-
County Appropriations	3,106,369.68	-	-	-	-	-	-
Federal Pell Grants	-	-	-	-	-	-	-
Gifts	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-
Interest on Capital Assets -- related debt	-	-	-	-	-	(197,151.78)	-
Net Nonoperating Income (Expense)	5,056,579.68	1,849,146.61	-	-	-	(197,151.78)	-
INCREASE (DECREASE) IN NET POSITION	140,245.65	220,084.51	-	(25,131.71)	-	(95,468.70)	-
NET POSITION -- Beginning of Year	1,648,982.89	167,859.47	-	65,198.74	-	873,793.44	-
NET POSITION -- End of Year	\$ 1,789,228.54	\$ 387,943.98	\$ -	\$ 40,067.03	\$ -	\$ 778,324.74	\$ -

SCHEDULE 9 (Continued)

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Fiscal Year Ended June 30, 2016

	SEOG Fund #22	Pell Grant Fund #24	HEP Grant Fund #25	Comm Based Job Training Fund #26	Title IV Grant Fund #27	Pass Fund #28	Grants Fund #31
REVENUES							
Operating Revenues							
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	34,249.00	-	852,527.33	-	123,726.11	-	116,710.31
State Grants and Contracts	-	-	-	-	-	-	1,030.00
Other	-	-	-	-	-	68,417.04	11,056.09
Auxiliary Enterprises	-	-	-	-	-	-	-
Total Operating Revenues	34,249.00	-	852,527.33	-	123,726.11	68,417.04	128,796.40
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	-	-	852,527.33	-	123,726.11	46,385.54	126,472.20
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Operation and Maintenance	-	-	-	-	-	-	-
Scholarships and Awards	34,249.00	2,453,811.00	-	-	-	-	-
Auxiliary Enterprise	-	-	-	-	-	-	-
Total Operating Expenses	34,249.00	2,453,811.00	852,527.33	-	123,726.11	46,385.54	126,472.20
Net Operating Income (Expense)	-	(2,453,811.00)	-	-	-	22,031.50	2,324.20
Nonoperating Revenues (Expenses)							
State Appropriations	-	-	-	-	-	-	-
County Appropriations	-	-	-	-	-	-	-
Federal Pell Grants	-	2,453,811.00	-	-	-	-	-
Gifts	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-
Interest on Capital Assets -- related debt	-	-	-	-	-	-	-
Net Nonoperating Income (Expense)	-	2,453,811.00	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION							
	-	-	-	-	-	22,031.50	2,324.20
NET POSITION -- Beginning of Year							
	-	-	-	-	-	78,184.49	-
NET POSITION -- End of Year							
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,215.99	\$ 2,324.20

SCHEDULE 9 (Continued)

FORT SCOTT COMMUNITY COLLEGE
 FORT SCOTT, KANSAS
 Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
 For the Fiscal Year Ended June 30, 2016

	Old Grants Fund #33,34	Migrant Ed Fund #37	Activity Funds	Plant	Eliminating Scholarship Discounts & Allowances	GAAP Adjustments	TOTALS
REVENUES							
Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ (715,040.00)	\$ -	\$ 3,214,591.94
Student Tuition and Fees	-	939,687.00	-	-	-	-	2,146,377.36
Federal Grants and Contracts	-	-	-	-	-	675,263.00	676,293.00
State Grants and Contracts	-	1,154,581.13	-	-	-	-	1,831,292.50
Other	-	-	-	-	-	-	494,159.82
Auxiliary Enterprises	-	-	-	-	-	-	-
Total Operating Revenues	-	2,094,268.13	-	-	(715,040.00)	675,263.00	8,362,714.62
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	-	1,991,836.76	-	287,445.33	-	471,532.00	8,899,802.46
Public Service	-	-	-	-	-	15,946.00	15,946.00
Academic Support	-	-	-	114,918.52	-	15,836.00	339,639.63
Student Services	-	-	-	57,009.19	-	110,441.00	2,442,333.39
Institutional Support	-	-	-	30,588.11	-	77,910.00	1,728,560.86
Operation and Maintenance	-	-	-	(182,160.06)	-	31,076.00	1,323,727.91
Scholarships and Awards	-	-	-	-	(715,040.00)	9,948.00	1,885,121.76
Auxiliary Enterprise	-	-	-	108,440.30	-	10,699.00	1,007,817.69
Total Operating Expenses	-	1,991,836.76	-	416,241.39	(715,040.00)	743,388.00	17,642,949.70
Net Operating Income (Expense)	-	102,431.37	-	(416,241.39)	-	(68,125.00)	(9,280,235.08)
Nonoperating Revenues (Expenses)							
State Appropriations	-	-	-	-	-	-	3,799,356.61
County Appropriations	-	-	-	-	-	-	3,106,369.68
Federal Pell Grants	-	-	-	-	-	-	2,453,811.00
Gifts	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-
Interest on Capital Assets -- related debt	-	-	-	(66,264.19)	-	-	(263,415.97)
Net Nonoperating Income (Expense)	-	-	-	(66,264.19)	-	-	9,096,121.32
INCREASE (DECREASE) IN NET POSITION							
	-	102,431.37	-	(482,505.58)	-	(68,125.00)	(184,113.76)
NET POSITION -- Beginning of Year							
	-	197,369.22	-	7,347,328.48	-	(392,275.00)	9,986,441.73
NET POSITION -- End of Year							
	\$ -	\$ 299,800.59	\$ -	\$ 6,864,822.90	\$ -	\$ (460,400.00)	\$ 9,802,327.97

Note: GAAP Adjustments consist of payroll related adjustments for compensated absences and OPEB as of the beginning and the end of the year, as well as KPERS paid by the State.

**FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

FEDERAL COMPLIANCE SECTION
For the Fiscal Year Ended June 30, 2016

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2016

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Revenue	Expenditures
U.S. Department of Education				
Direct Programs				
Federal Supplemental Education				
Opportunity Grant Program	(3) 84.007	N/A	\$ 34,249.00	\$ 34,249.00
Federal Workstudy Program	(3) 84.033	N/A	76,012.61	76,012.61
TRIO Student Support Services	84.042	N/A	123,726.11	123,726.11
Federal Pell Grant Program				
Grants	(3) 84.063	N/A	2,453,811.00	2,453,811.00
Administration	(3) 84.063	N/A	3,465.00	3,465.00
HEP Grant	84.141A	N/A	474,659.27	474,659.27
CAMP Grant	84.149A	N/A	377,868.06	377,868.06
Fed Direct Student Loan Program (2) (3)	84.268	N/A	2,654,775.00	2,654,775.00
Passed Through the State of Kansas				
Department of Education				
Migrant Education (Title I) Program	84.011	(1)	939,687.00	939,687.00
Passed Through the State of Kansas				
Board of Regents				
Career and Technical Ed - Basic Grants	84.048A	(1)	116,710.31	116,710.31
Totals U.S. Department of Education			<u>7,254,963.36</u>	<u>7,254,963.36</u>
Total Federal Awards			<u>\$ 7,254,963.36</u>	<u>\$ 7,254,963.36</u>

Notes to the Schedule of Expenditures of Federal Awards

This schedule is prepared on the accrual basis of accounting, which is the same basis of accounting that the basic financial statements were prepared. Revenues are recorded when earned.

Expenses are recorded when the goods or services are received.

- (1) The number of the pass through grantor is not available.
- (2) These amounts are Single Parent, Stafford, Unsubsidised Stafford, and Plus Loans to students and parents of students at the College.
- (3) Included in the "Student Financial Assistance Cluster". Total expended = \$5,222,313.
- (4) The College used indirect cost rates as specified in the grant agreements with the grantors.

Federal Awards recorded as Operating Revenue	2,146,377.36
Federal Awards recorded as Non Operating Revenue	2,453,811.00
Federal Family Education Loan Program (2)	2,654,775.00
Total Federal Awards	<u>7,254,963.36</u>

Diehl Banwart Bolton

Certified Public Accountants P.A.

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

To the Board of Trustees
Fort Scott Community College
Fort Scott, Kansas 66701

Report on Compliance for Each Major Federal Program

We have audited the Fort Scott Community College, Fort Scott, Kansas (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibilities

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Diehl, Banwart, Bolton, CPAs, PA

DIEHL, BANWART, BOLTON, CPAs PA

December 22, 2016
Fort Scott, Kansas

*Diehl
Banwart
Bolton*

Certified Public Accountants PA

**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
Fort Scott Community College
Fort Scott, Kansas 66701

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fort Scott Community College, Fort Scott, Kansas, as of the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Fort Scott Community College's basic financial statements, and have issued our report thereon dated December 22, 2016.

Internal Control Over Financial Reporting

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 weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and questions costs to be material weaknesses (2016-001 and 2016-002).

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 (2016-003) to be a significant deficiency.

Compliance and Other Matters

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

College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Diehl, Banwart, Bolton, CPAs, PA

DIEHL, BANWART, BOLTON, CPAs PA

December 22, 2016
Fort Scott, Kansas

**FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS**

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:

The auditors' report expresses an unqualified opinion on the financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles.

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

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 the Uniform Guidance?

 Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.007	Federal SEOG Program (1)
84.011	Migrant Education Program
84.033	Federal Workstudy Program (1)
84.063	Federal Pell Grant Program (1)
84.268	Federal Direct Student Loan Program (1)

(1) Student Financial Assistance Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2016-001 Separation of Duties – Endowment Association

Condition: The Executive Director of Fort Scott Community College Endowment Association (Association) – a component unit of the College - can potentially be involved in all of the accounting activities, such as collection of contribution, payment of bills, maintenance of accounting records, and receipt of cash.

Criteria: Internal controls should be in place that provide reasonable assurance that the authorization of transactions, recording or accounting for transactions, custody of or control over cash, and reconciliation or review of the work performed are performed by separate individuals.

Cause: There is only one full time employee at the Association.

Effect: There is a material weakness in internal controls since there is little separation of duties.

Recommendation: The Association should get more people involved in the oversight and activities of the Association. Oversight of the Executive Director's work should be emphasized to the governing board. The oversight should include review of: the reconciliation of the cash balances to the bank statements and investment reports; review of contributions to the Association; and review of all bills paid.

Response: The Association agrees with the finding. The response is in the attached Corrective Action Plan.

2016-002 Timely Maintenance of Accounting Records – Endowment Association

Condition: In the Fall of 2014, Association implemented new accounting software. However, activity of the Association is not posted to the accounting software in a timely manner. Thus, the management and the board of directors were unable to provide proper oversight without the adequate accounting records.

Criteria: Financial information should be provided to management and the board of directors to provide proper oversight.

Cause: It took management much longer than anticipated to convert the new accounting software. Even after the switch, management has not been able to use the software to generate timely reporting.

Effect: There is not timely or adequate accounting records for management and the board of directors.

Recommendation: The new software is now working. Management receives monthly updates of accounting information of the Association.

Response: The College and the Association agree with the finding. A corrective action plan has been adopted by the College.

Significant Deficiency

2016-003 Improper Maintenance of Accounting Records – Endowment Association

Condition: In the Fall of 2014, Association implemented new accounting software. However, activity of the Association is not posted to the accounting software in a timely manner. In addition, the accounting for the following items was not recorded properly:

- Endowment accounts are not accounted for in accordance with Generally Accepted Accounting Principles (GAAP), resulting in manual work to present the numbers in accordance with GAAP.
- Investment activity for the whole year was not recorded for the two investment accounts of the Charitable Remainder Annuity Trusts.
- Activity according to the computerized records was not timely reconciled to the underlying accounting records in a timely manner.

Criteria: Financial information should be provided to management and the board of directors in a timely manner and without improper accounting to provide proper oversight.

Cause: There was lack of oversight by the board in receiving and enforcing the need for timely reporting.

Effect: Management and the board of directors is not able to make informed decisions affecting the Association in a timely manner.

Recommendation: Monthly accounting should be provided to the board soon after the end of each month. The reports generated from the accounting software should be agreed to the underlying accounting records.

Response: The College and the Association agree with the finding. A corrective action plan has been adopted by the College.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under the Uniform Guidance.

FORT SCOTT COMMUNITY COLLEGE

June 30, 2016 Financial Statements

Corrective Action Plan

Audit Finding 2016-001

The Management of the Association and the College have met to determine ways in which the weakness in controls due to lack of separation of duties can be mitigated. Management of both the Association and College are now involved in the accounting process and provide oversight to the Association.

Audit Finding 2016-002 and 2016-003

The President of the Association Board of Directors has met with Management of the College to develop a corrective action plan to ensure the maintenance of timely and accurate accounting records. The accounting is no longer performed by the Executive Director, and is subject to review by the Dean of Finance of the College.