

**INDEPENDENCE
COMMUNITY COLLEGE**
Independence, Kansas

Independent Auditors' Report and
Financial Statements with
Supplementary Information

For the Year Ended June 30, 2018

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

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INDEPENDENCE COMMUNITY COLLEGE

Management's Discussion and Analysis

Introduction:

The following discussion and analysis of the financial performance and activity of Independence Community College (The College) is to provide an introduction to and an understanding of the basic financial statements of the College for the year ended June 30, 2018, with selected comparative information for the year ended June 30, 2017. This discussion focuses on the current activities, resulting changes, and currently known facts. This discussion should be read in conjunction with the College's basic financial statements and the footnotes to those financial statements. The College is solely responsible for the completeness of this information. A separate audit is issued for the Independence Community College Foundation and is available for review at 111 W Myrtle, Independence, KS 67301.

Overview of the Financial Statements and Financial Analysis

The discussion and analysis of Independence Community College's (ICC) financial statements focuses on the college as a whole and provides an overview of the college's financial activities for the year ended June 30, 2018 with selected comparative information of the prior year ended June 30, 2017. The emphasis of discussion about these statements is on audit year data, and based on the known facts. It is easier to understand this discussion when read along with the college's basic financial statements, the footnotes to those statements and the Schedules provided by the auditors.

ICC is required to present annual financial statements in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB) the authoritative body for establishing generally accepted accounting principles for state and local governments, including public institutions of higher education in the United States. These pronouncements permit public colleges like ICC to use the guidance for special purpose governments engaged only in business-type activities in their separately issued financial statements. As a result, the presentation format was shifted from a columnar fund group format to a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements issued by a typical business enterprise or a not-for-profit organization.

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 Position is an accounting concept defined as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

From the data presented, readers of the Statement of Net Position may determine the assets available to operate the college. They also may determine how much the institution owes vendors and lending institutions. Finally, the Statement of Net Position provides a picture of the financial resources and their availability for expenditure by the institution.

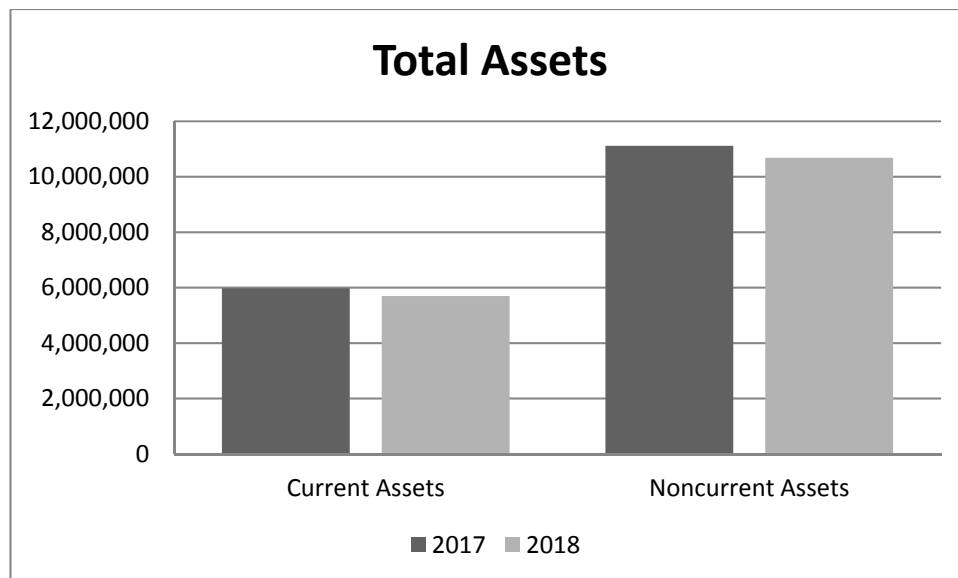
Total Assets have two main categories: “Current” and “Noncurrent Assets.” Current Assets provide a view of the how much is owed to the college (receivables), cash and bookstore inventory (items for sale). Noncurrent Assets is made up primarily of the college’s other physical assets – buildings, land, etc.

Total Liabilities have two main categories: “Current” and “Noncurrent Liabilities.” Current Liabilities provide a view of how much the college owes (payables), interest, vacation, deferred revenue and deposits held in custody for others. Noncurrent Liabilities provide a view of notes and capital leases payable.

Analysis of Total Assets, Total Liabilities and Net Position

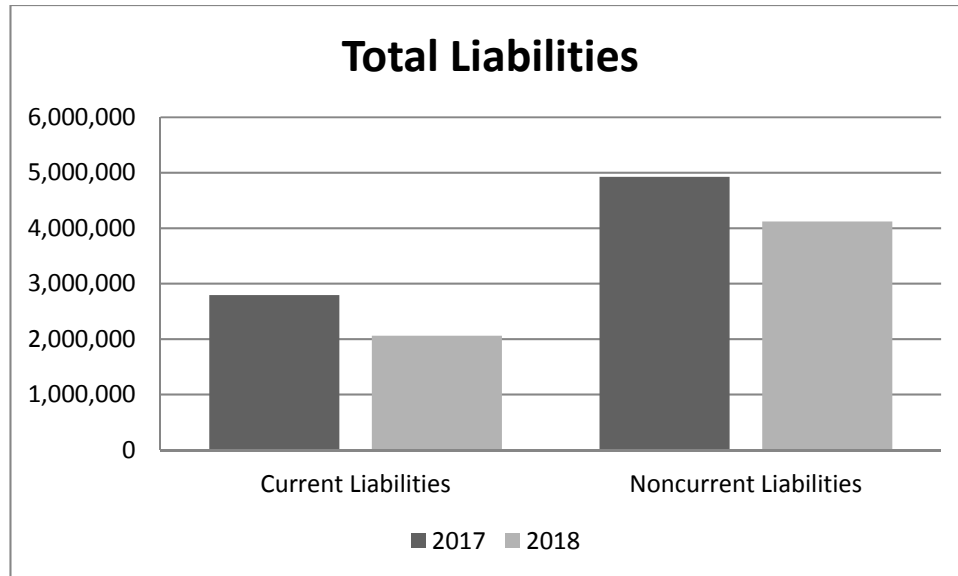
Total Assets

For the year ended June 30, 2018, total assets decreased by \$715,572 (4.37%) over the previous fiscal year. The change in total assets came from an decrease in Cash and Cash Equivalents of \$471,479 and an overall decrease in noncurrent assets of \$430,798 which includes accumulated depreciation change of \$738,314.



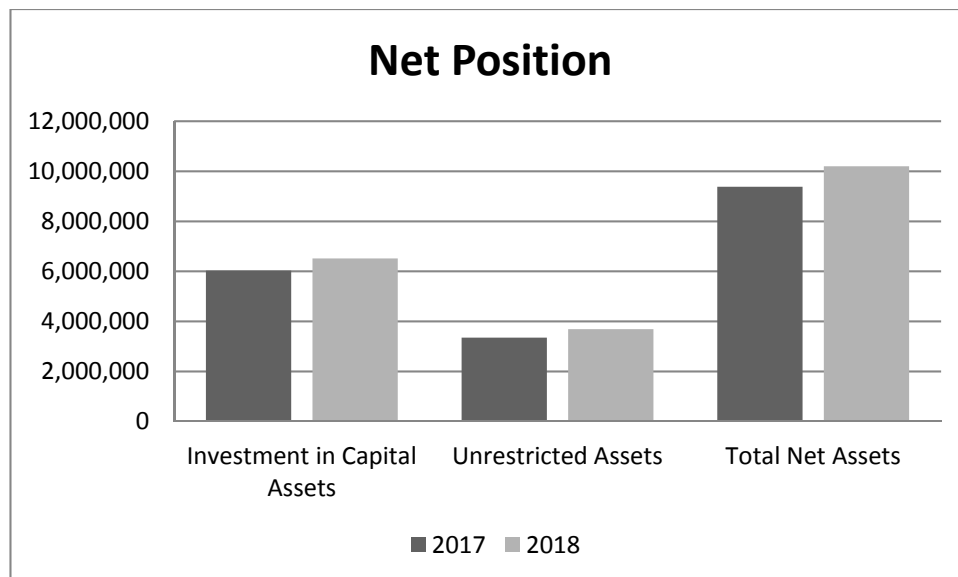
Total Liabilities

For the year ended June 30, 2018, total liabilities decreased by \$1,538,499 (-24.9%) over the previous fiscal year. This decrease was primarily in Current Liabilities where Deposits Held in Custody for Others decreased because technical fees collected by the College were transferred and used. Noncurrent Liabilities decreased due to a \$805,000 payment of principal on the Capital Leases Payable.



Net Position

For the year ended June 30, 2018, total net position increased by \$822,927 (8.07%) over the previous fiscal year. Increases were in Investment in Capital Assets, Net of Related Debt due to investment in Capital Assets and an increase in Unrestricted Assets.



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reflects the results of 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 nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains or losses received or spent by the institution. Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position.

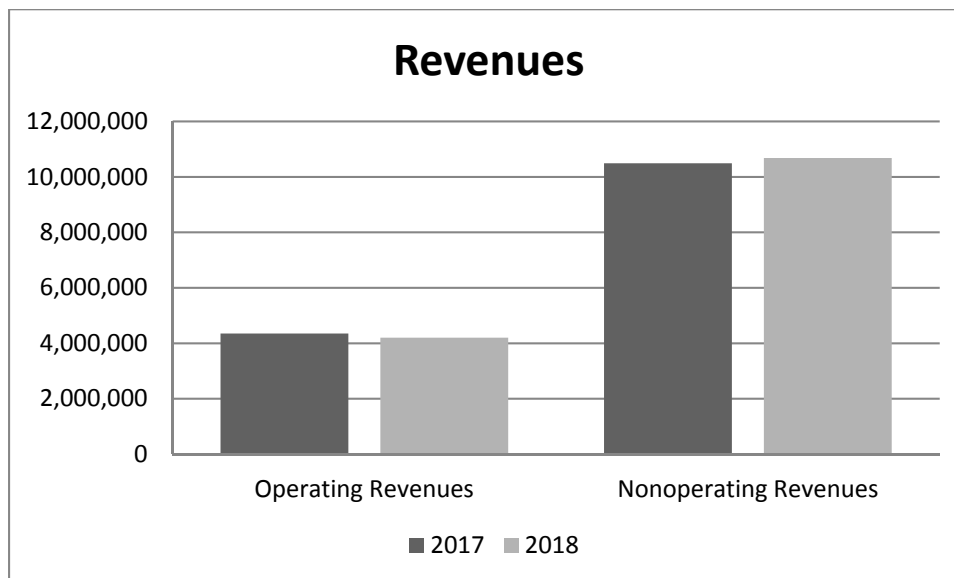
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods or services for those revenues.

Analysis of Revenues and Expenses

Revenues

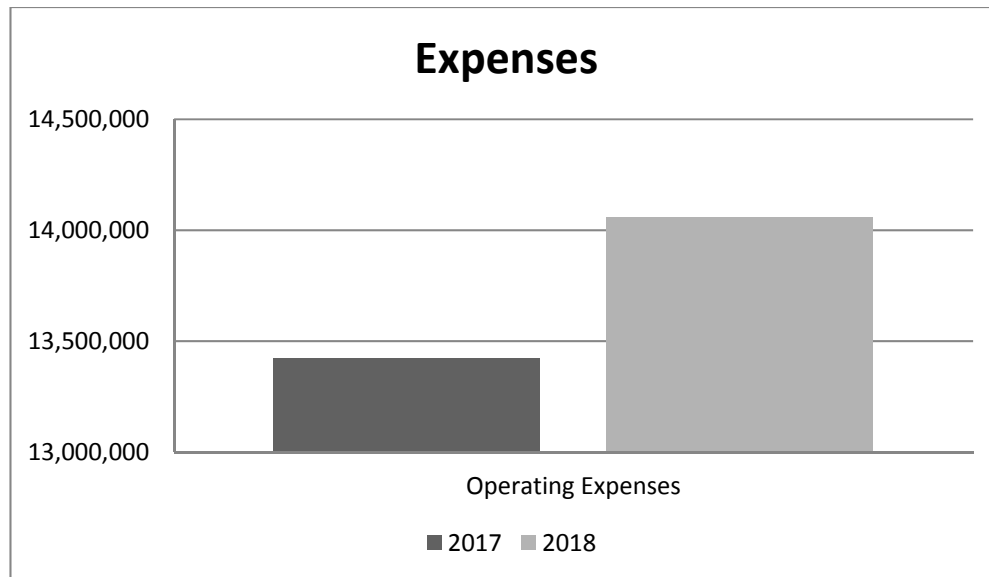
For the year ended June 30, 2018, total operating revenue in comparison with the 2016-17 fiscal year increased by \$16,756 (.25%) because of the following:

- Operating revenues decreased by \$151,381 (-3.6%), primarily from decreases Activity Fund Revenues and Miscellaneous Revenues
- Non-operating revenues increased by \$168,172 (1.77%). The change is mostly attributable to an increase Federal Pell Grants and Gifts and Contributions.



Expenses

Total operating expenses increased \$637,565 (4.54%) for fiscal year 2017-18. These decreases are attributable to increases in Student Services, Institutional Support, Scholarship, and Auxiliary Expenses.



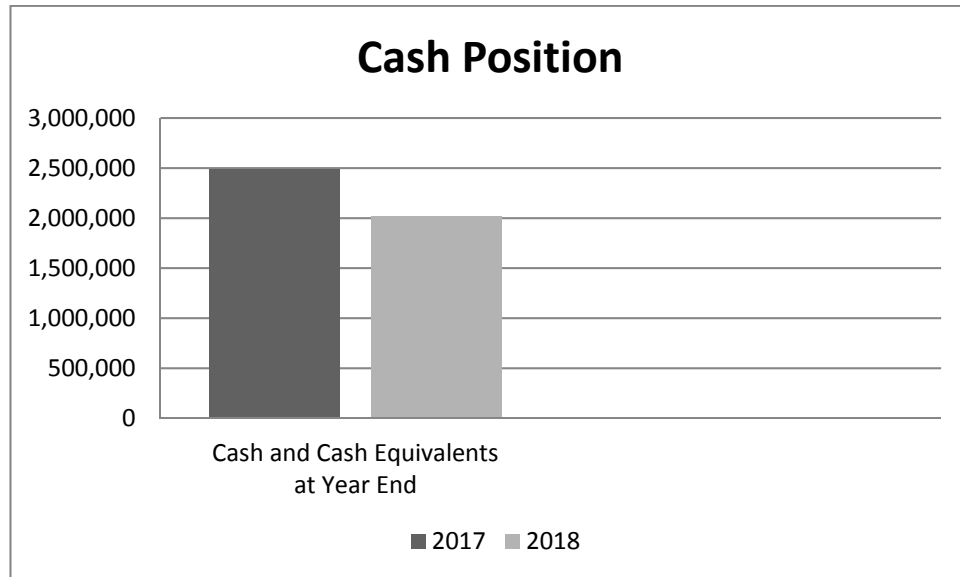
Statement of Cash Flows

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

- 1) Operating Activities-This section deals with operating cash flows and shows the net cash used by the operating activities of the institution.
- 2) Non-capital Investing Activities-This section shows the cash received and spent for nonoperating, noninvesting and noncapital financing purposes.
- 3) Capital Investing Activities-This section deals with the cash used for the acquisition and construction of capital assets and related items.
- 4) Financing Activities-This section shows the interest paid on debts and leases.
- 5) Reconciliation of income/loss to net cash used by operating activities-The final section reconciles the net cash used in relation to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

The Statement of Cash Flows indicates that, when balancing cash received against cash used in operations of the college, its cash and cash equivalents decreased \$471,479

Comparative Cash Position at Year End



Economic Outlook

ICC experienced a decreased in enrollment billing credits during the 2017-18 of 10.7%.

During 2018-19, the State of Kansas restored the allotment that occurred during the 2015-16 and 2016-17 fiscal years. Previously known as SB155, Excel in CTE learning funding has been one avenue to increase support from State of Kansas. ICC has been pushing to increase the amount of vocational courses available to high school students and courses available online to complete with surrounding community colleges. During Fall 2018, Excel in CTE funding was about approximately \$25,000 over Fall 2017.

ICC is currently completing a new 5-year strategic plan that will influence the decisions and enrollment objectives moving into 2019-20.

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Independence Community College
Independence, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Independence Community College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Independence Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Independence Community College, as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vi 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 an opinion on the financial statements that collectively comprise Independence Community College's basic financial statements. The supplementary information, as listed in the table of contents as pages 26-39, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of "Municipality", Kansas as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated March 28, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chieffinancial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended June 30, 2018 (Schedules 3 to 8, as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2017, on the basis of accounting described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of Independence Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independence Community College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independence Community College's internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
January 25, 2019

INDEPENDENCE COMMUNITY COLLEGEIndependence, Kansas
Statement of Net Position
June 30, 2018

	Primary Institution	Component Unit - Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 1,885,444.36	\$ 248,577.56
Investments	-	3,995,319.55
Receivables, Net	3,277,209.42	-
Prepaid Expenses	8,791.08	-
Bookstore Inventory	524,206.62	-
Total Current Assets	5,695,651.48	4,243,897.11
Noncurrent Assets		
Cash and Cash Equivalents	135,486.27	-
Investments	18,714.57	-
Receivables, Net	164.00	-
Bond Issuance Costs, Net	116,875.64	-
Capital Assets, Net	10,411,684.28	-
Total Noncurrent Assets	10,682,924.76	-
TOTAL ASSETS	\$ 16,378,576.24	\$ 4,243,897.11
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 370,974.59	\$ 7,267.29
Accrued Payroll	42,750.71	-
Accrued Interest	16,349.31	-
Deferred Revenue	1,241,851.00	-
Deposits Held in Custody for Others	387,232.76	-
Total Current Liabilities	2,059,158.37	7,267.29
Noncurrent Liabilities		
Accrued Vacation	207,776.49	-
Bond Premium	11,310.43	-
Capital Leases Payable	3,900,000.00	-
Total Noncurrent Liabilities	4,119,086.92	-
TOTAL LIABILITIES	6,178,245.29	7,267.29
NET POSITION		
Net Position		
Investment in Capital Assets, Net of Related Debt	6,511,684.28	-
Restricted Net Position - Expendable	-	2,645,760.02
Restricted Net Position - Nonexpendable	-	590,780.47
Unrestricted	3,688,646.67	1,000,089.33
TOTAL NET POSITION	10,200,330.95	4,236,629.82
TOTAL LIABILITIES AND NET POSITION	\$ 16,378,576.24	\$ 4,243,897.11

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

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	Primary Institution	Component Unit - Foundation
REVENUES		
Operating Revenues		
Student Tuition and Fees, (net of scholarship allowances of \$1,575,346.75)	\$ 1,461,033.46	\$ -
Federal Grants and Contracts	877,665.41	-
State Grants and Contracts	654,207.09	-
Sales and Services of Auxiliary Enterprises (net of scholarship allowances of \$802,339.56)	829,533.37	-
Activity Fund Revenues	28,009.44	-
Miscellaneous Income	350,315.59	-
Total Operating Revenues	4,200,764.36	-
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	4,003,224.57	-
Academic Support	519,897.25	-
Public Service	272,351.54	-
Student Services	2,202,308.31	-
Institutional Support	3,153,433.50	219,510.77
Operation and Maintenance	702,573.44	-
Scholarships and Awards	811,338.41	159,282.91
Fundraising	-	23,142.27
Auxiliary Enterprises	1,654,351.66	-
Depreciation Expense	738,313.79	-
Total Operating Expenses	14,057,792.47	401,935.95
Operating Income (Loss)	(9,857,028.11)	(401,935.95)
Nonoperating Revenues (Expenses)		
State Appropriations	1,908,660.00	-
County Appropriations	6,091,659.69	-
Federal Pell Grants	1,913,367.00	-
Gifts and Contributions	180,208.14	290,515.66
Agency Fund Technology Fees	772,548.22	-
Investment Income	7,301.08	95,566.06
Unrealized Gains (Losses) on Investments Held	-	34,524.11
Realized Gains (Losses) on Investments Held	-	90,818.67
Debt Service	(193,788.72)	-
Operating Transfers	-	-
Net Nonoperating Revenues (Expenses)	10,679,955.41	511,424.50
Increase (Decrease) in Net Position	822,927.30	109,488.55
Net Position - Beginning of Period	9,377,403.65	4,127,141.27
Net Position - End of Year	\$ 10,200,330.95	\$ 4,236,629.82

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

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas
Statement of Cash Flows
For the Year Ended June 30, 2018

	Primary Institution	Component Unit - Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 1,194,329.99	\$ -
Federal Grants and Contracts	877,665.41	-
State Grants and Contracts	654,207.09	-
Sales and Services of Auxiliary Enterprises	829,533.37	-
Activity Fund Revenues	28,009.44	-
Miscellaneous Income	464,073.59	-
Payments on Behalf of Employees	(8,048,087.43)	-
Payments for Supplies and Materials	(281,571.26)	-
Payments for Other Expenses	(5,750,955.61)	(409,155.59)
Net cash provided by (used in) operating activities	<u>(10,032,795.41)</u>	<u>(409,155.59)</u>
CASH FLOWS FROM NON-CAPITAL INVESTING ACTIVITIES		
State Appropriations	1,908,660.00	-
County Appropriations	6,091,659.69	-
Federal Pell Grants	1,913,367.00	67,375.00
Federal Direct Loans	976,680.00	-
Federal Direct Loans Payments	(976,680.00)	-
Agency Fund Technology Fees	772,548.22	-
Gifts and Contributions	180,208.14	218,340.66
Interest Earned on Investments	7,301.08	95,566.06
Net cash provided by (used in) non-capital investing activities	<u>10,873,744.13</u>	<u>381,281.72</u>
CASH FLOWS FROM CAPITAL INVESTING ACTIVITIES		
Payments for Purchase of Capital Assets	(415,757.74)	-
Proceeds from the Sales and Maturities of Investments	256,665.35	926,922.17
Purchase of Investments	(151,147.13)	(816,625.69)
Net cash provided by (used in) capital investing activities	<u>(310,239.52)</u>	<u>110,296.48</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Paid on Long Term Debt	(197,188.69)	-
Principal Payments on Long Term Debt	(805,000.00)	-
Net cash provided by (used in) financing activities	<u>(1,002,188.69)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(471,479.49)	82,422.61
Cash and Cash Equivalents, Beginning of Year	<u>2,492,410.12</u>	<u>166,154.95</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,020,930.63</u></u>	<u><u>\$ 248,577.56</u></u>

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

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas
Statement of Cash Flows
For the Year Ended June 30, 2018

	Primary Institution	Component Unit - Foundation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (9,857,028.11)	\$ (401,935.95)
Adjustments to Reconcile Change in Net Position to Net Cash Used in Operating Activities:		
Depreciation	738,313.79	-
Bond Amortization	26,402.44	-
Non-cash Donations	-	4,800.00
(Increase) Decrease in Receivables	(266,703.47)	-
(Increase) Decrease in Prepaid Expenses	(850.00)	-
(Increase) Decrease in Inventory	52,791.74	-
Increase (Decrease) in Accounts Payable	(6,922.71)	(12,019.64)
Increase (Decrease) in Accrued Payroll	42,750.71	-
Increase (Decrease) in Accrued Vacation	4,738.40	-
Increase (Decrease) in Deferred Revenue	113,758.00	-
Increase (Decrease) in Deposits Held for Others	(880,046.20)	-
	<u>\$ (10,032,795.41)</u>	<u>\$ (409,155.59)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and Cash Equivalents classified as current assets	\$ 1,885,444.36	248,577.56
Cash and Cash Equivalents classified as non-current assets	135,486.27	-
	<u>\$ 2,020,930.63</u>	<u>\$ 248,577.56</u>
Supplementary Information		
Cash Paid During the Period for		
Interest Expense	\$ 162,586.25	\$ -
Non-Cash Donations		
Management and General	\$ -	\$ 4,800.00

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

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Notes to the Financial Statements

For the Year Ended June 30, 2018

1. NATURE OF ACTIVITIES

The financial statements of Independence Community College, Independence, Kansas, have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies follow.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

Component Unit

The component unit section of the financial statements includes the financial data of the discretely presented component unit, The Independence Community College Foundation. The component unit is reported separately to emphasize that it is legally separate from the College. The economic resources received or held by the component unit are held almost entirely for the direct benefit of the College. The Independence Community College Foundation 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 Foundation acts largely as a fund raising 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 Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Foundation board of directors. The Foundation can sue and be sued, and can buy, sell, or lease real property. The Foundation's financial statements should be included with the College's financial statements. Separate audited financial statements are prepared and are available at the Foundation, and can be requested from the College's controller. The Foundation is considered a component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

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

Investments

The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in position assets.

Inventories

Inventories consist of books and supplies held for resale and rental in the bookstore and are valued at lower of cost or fair value, using the first-in, first-out method (FIFO).

Noncurrent Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

Capital Assets

Capital assets are stated at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000.00 or more, and an estimated useful life of greater than one year. Renovations to building, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is provided on straight-line method over the estimated useful lives of the respective classes of property. Estimated useful lives are as follows:

Buildings and Additions	15 to 35 Years
Machinery and Equipment	3 to 7 Years

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. Accounts receivable also include taxes in process of collection for property taxes assessed and collected for the calendar year ending December 31, 2017.

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.

Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. Property taxes levied in November 2017 are recorded as taxes receivable. Approximately 2% to 6% of these taxes are normally distributed after June 30, 2018, and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and 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 consists 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.

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 restricted resources, and then towards unrestricted 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 Foundation is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Revenues (Continued)

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 Government Entities that use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

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 assets. Scholarship discounts and allowances are the difference between the stated charge and the 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, fees, and other student charges, the College has recorded a scholarship discount and allowance.

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.

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 the State of Kansas will fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

Accounts Receivable and Allowance for Doubtful Accounts

The College regularly extends unsecured credit to various students. The College uses the allowance method to account for uncollectible accounts receivable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

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

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.

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

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

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

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Supplementary Schedules 3 to 8 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. Based upon these schedules, the College was in apparent compliance with Kansas cash basis and budget laws.

4. DEPOSITS AND INVESTMENTS

Primary Institution:

As of year-end, the College has the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Security Bank of Kansas City		
Federated Government Obligations	\$ 18,714.57	N/A

The trust company listed above considers the funds as cash and cash equivalents, therefore, there are no maturity dates.

4. **DEPOSITS AND INVESTMENTS** (Continued)

Primary Institution (Continued):

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 branch or branch bank in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2018.

At year-end, the College's carrying amount of the deposits was \$2,017,430.63 and the bank balance was \$2,171,549.89. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$376,674.93 was covered by FDIC insurance and \$1,794,874.96 was secured by an Irrevocable Letter of Credit in the amount of \$3,000,000.00 to draw on permanent assets held at (FHL) Federal Home Loan Bank of Topeka in the name of FirstOak Bank, Independence, Kansas.

Component Unit:

Custodial credit risk – deposits. At year-end, the Foundation's carrying amount of the deposits including certificates of deposit was \$248,577.56 and the bank balance was \$250,242.50. The bank balance was held by one bank and one investment company resulting in a concentration of credit risk. Of the bank balance, \$250,424.50 was covered by FDIC insurance.

Investments are made under the direction of the Board of Directors with no limitation by statute. Equity investments and other investments are recorded at fair values subject to comments on Investments under the summary of accounting policies.

Investments at June 30, 2018, are comprised of the following:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Rating</u>
Mutual Funds	\$ 644,346.69	\$ 1,1071,831.44	Various
Common Stock	591,176.53	1,129,107.75	Various
Fixed Income Securities	<u>1,886,020.79</u>	<u>1,794,380.36</u>	Various
	<u>\$ 3,121,544.01</u>	<u>\$ 3,995,319.55</u>	

5. **RECEIVABLES, NET**

Primary Institution:

Receivables at June 30, 2018, consisted of the following:

Current	
Federal Grants – PELL	\$ 127,944.00
Federal Grants – Direct Loans	36,082.00
Federal Grants – TRIO SSS	1,663.04
Federal Grants – UPWARD Bound	36,401.97
Federal Grants – Work-Study	6,645.44
Federal Grants – SEOG	1,997.00
Federal Grants – FAB Lab	118,296.45
Taxes in Progress	441,845.00
Student Accounts	<u>2,506,334.52</u>
Total Current	<u>3,277,209.42</u>
Noncurrent	
Taxes in Progress	<u>164.00</u>
Total Noncurrent	<u>164.00</u>
Total Receivables	<u><u>\$3,277,373.42</u></u>

The College uses the allowance method to account for uncollectible receivables. Receivables are presented net of an allowance for uncollectible accounts of \$1,230,877.32 at June 30, 2018.

6. **BOOKSTORE INVENTORY**

Primary Institution:

Bookstore inventory consisted of the following at June 30, 2018:

Book Store Inventory	
New Text Books	\$ 434,234.28
Clothing	41,032.72
Used Books	2,194.35
Supplies	11,321.36
Other	<u>35,423.91</u>
Total Bookstore Inventory	<u><u>\$ 524,206.62</u></u>

7. **CAPITAL ASSETS, NET**

Primary Institution:

Following are the changes in capital assets for the year ended June 30, 2018:

	Balance 6/30/2017	Additions	Transfers	Balance 6/30/2018
Capital Assets Not Being Depreciated				
Land	\$ 54,728.70	\$ -	\$ -	\$ 54,728.70
Construction in Progress	-	236,592.90	-	236,592.90
Sub-Total	54,728.70	236,592.90	-	291,321.60
Other Capital Assets				
Buildings and Improvements	9,000,824.78	55,601.70	-	9,056,426.48
Buildings and Improvements Under				
Capital Lease	8,424,611.95	-	-	8,424,611.95
Equipment	986,892.84	-	-	986,892.84
IT Equipment Under				
Capital Lease	831,047.69	123,563.14	-	954,610.83
Vehicles	79,062.00	-	-	79,062.00
Sub-Total	19,322,439.26	179,164.84	-	19,501,604.10
Total Capital Assets	19,377,167.96	415,757.74	-	19,792,925.70
Accumulated Depreciation				
Buildings and Improvements	(4,387,194.76)	(377,766.01)	-	(4,764,960.77)
Buildings and Improvements Under				
Capital Lease	(3,560,275.63)	(273,480.59)	-	(3,833,756.22)
Equipment	(619,428.57)	(85,767.19)	-	(705,195.76)
IT Equipment Under				
Capital Lease	-	-	-	-
Vehicles	(76,028.67)	(1,300.00)	-	(77,328.67)
Total Accumulated Depreciation	(8,642,927.63)	(738,313.79)	-	(9,381,241.42)
Total Net Capital Assets	\$ 10,734,240.33	\$ (322,556.05)	\$ -	\$ 10,411,684.28

8. **BOND ISSUANCE COST**

Primary Institution:

Cost related to obtaining bond financing are capitalized and amortized over the term of the related debt using the straight-line method. Amortization expense at June 30, 2018, was \$30,779.79. When the loan is paid in full, any unamortized financing charges are removed from the related accounts and charged to operations.

9. **CAPITAL LEASES**

Primary Institution:

The College entered into a lease purchase agreement and issued certificates of participation dated October 29, 2009, with Commerce Bank N.A. for construction of a dormitory building. The total cost was \$4,605,000.00. The lease calls for semi-annual payments including interest between 3.00% and 4.20% per annum, maturing May 1, 2023.

<u>Capital Lease – Dormitory Construction</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2019	\$ 482,351.25
2020	482,045.00
2021	480,645.00
2022	483,220.00
2023	<u>484,530.00</u>
Total Net Minimum Lease Payments	2,412,791.25
Less: Imputed Interest	<u>(272,791.25)</u>
Net Present Value of Capital Lease	<u>2,140,000.00</u>
Less: Current Maturities	<u>(395,000.00)</u>
Long-Term Capital Lease Obligations	<u>\$ 1,745,000.00</u>

The College entered into a lease purchase agreement dated January 5, 2012, with Commerce Bank for the refinancing of the facility conservation improvement project lease purchase dated August 31, 2006. The total cost was \$1,970,000.00. The lease calls for semi-annual payments including interest ranging from 1.375% to 2.800% per annum, maturing October 1, 2021.

<u>Capital Lease – Conservation Improvements</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2019	\$ 22,435.00
2020	442,435.00
2021	12,460.00
2022	<u>357,460.00</u>
Total Net Minimum Lease Payments	834,790.00
Less: Imputed Interest	<u>(69,790.00)</u>
Net Present Value of Capital Lease	<u>765,000.00</u>
Less: Current Maturities	<u>0.00</u>
Long-Term Capital Lease Obligations	<u>\$ 765,000.00</u>

9. CAPITAL LEASES (Continued)

The College entered into a lease purchase agreement dated July 15, 2011, with Commerce Bank for construction of a veterinary technology building. The total cost was \$870,000.00. The lease calls for annual payments including interest ranging from 1.00% to 3.00% per annum, maturing May 1, 2021.

<u>Capital Lease – Veterinary Technology Construction</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2019	\$ 108,840.00
2020	111,240.00
2021	<u>113,300.00</u>
Total Net Minimum Lease Payments	333,380.00
Less: Imputed Interest	<u>(18,380.00)</u>
Net Present Value of Capital Lease	<u>315,000.00</u>
Less: Current Maturities	<u>(100,000.00)</u>
Long-Term Capital Lease Obligations	<u>\$ 215,000.00</u>

The College entered into a lease purchase agreement dated July 15, 2015, with Security Bank of Kansas City for upgrades to the information technology infrastructure and software. The total cost was \$955,000.00. The lease calls for semi-annual payments including interest of 3.00% per annum, maturing June 1, 2023.

<u>Capital Lease – IT Infrastructure and Software</u>	
Debt requirements are as follows:	
<u>June 30,</u>	
2019	\$ 150,400.00
2020	146,500.00
2021	147,600.00
2022	148,550.00
2023	<u>149,350.00</u>
Total Net Minimum Lease Payments	742,400.00
Less: Imputed Interest	<u>(62,400.00)</u>
Net Present Value of Capital Lease	<u>680,000.00</u>
Less: Current Maturities	<u>(130,000.00)</u>
Long-Term Capital Lease Obligations	<u>\$ 550,000.00</u>

10. LEASE AGREEMENTS

Primary Institution:

As of June 30, 2018, the College has entered into a number of operating leases for space and office equipment. Total payments for the year ended June 30, 2018, was \$197,989.02. Future minimum rental payments are as follows:

<u>Year Ended</u>	
<u>June 30</u>	<u>Amount</u>
2019	\$ 74,237.11
2020	54,538.92
2021	22,586.48

11. OTHER POST EMPLOYMENT BENEFITS

Description of Pension Plan

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

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

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

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

Special Funding Situation

The employer contributions for the College, as defined in K.S.A. 74-4931 (2) and (3), are made by the State of Kansas on behalf of the College. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68. Accordingly, the State is required to recognize its proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources and expense for the pension plan attributable to the College. The College records revenue and pension expense in an amount equal to the expense recognized by the State on behalf of the College.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member has combined age and years of service equal 85.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

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

11. OTHER POST EMPLOYMENT BENEFITS (Continued)

Contributions

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

The actuarially determined employer contribution rates and the statutory contribution rates for school employees are 16.03% and 10.81%, respectively. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members.

Employer and Nonemployer Allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

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, 2017, the proportion recognized by the State of Kansas on behalf of the College was .1012%, which was an decrease of .0123% from the proportion measured at June 30, 2016.

11. **OTHER POST EMPLOYMENT BENEFITS** (Continued)

Net Pension Liability

At June 30, 2017 and 2016, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$6,800,907.00 and \$7,632,489.00, respectively.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions:

Wage inflation	2.75%
Salary increases, including wage increases	3.50 to 12.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75%

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

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

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47.00%	6.80%
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	2.00	(0.25)
Total	100.00%	

11. **OTHER POST EMPLOYMENT BENEFITS** (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Revenue and Pension Expense Recorded by the College: For the year ended June 30, 2018, the College recognized revenue and pension expense in an equal amount of \$638,056.09.

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

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. The premium is paid in full by the insured. There is no cost to the government under this program.

Early Retirement Benefits: The College has adopted a policy providing early retirement benefit options. The policy allows professional employees between the ages of 56 and 64, with 10 years of full-time service to the College, and is eligible for retirement with KPERS the option to retire early. Benefits which are provided are computed as a percentage of final contracted salary earned based on the following schedule:

First Year	23% of last salary
Second Year	19% of last salary
Third Year	15% of last salary
Fourth Year	12% of last salary
Fifth Year	11% of last salary
Maximum Cost	90% of last salary

The College has reserved the option of renewing or not renewing the early retirement option on an annual basis. The College funds these benefits on a pay-as-you-go basis. The Plan does not issue a separate, publicly available report.

Funded Status and Funding Progress: Since the year of implementation, the Plan was not funded, therefore, there is no funded status of the Plan. The Plan is funded as obligations occur. The following is a schedule of benefits payable for eligible employees which have taken early retirement as of June 30, 2018:

	Year Ended June 30th	Amount
Paid	2018	\$ 31,995.00
Payable	2019	53,017.00
Payable	2020	28,069.00
Payable	2021	17,610.00
Payable	2022	14,088.00
Payable	2023	12,914.00

12. COMPENSATED ABSENCES

All full time administrators and full time non-faculty staff are granted vacations based on continuous employment on the following schedule:

Less than 1 year	Prorated based on 10 working days
1 to 4 years	10 working days
5 to 10 years	15 working days
11 years and over	20 working days

Continuing part time employees are granted vacations based on continuous employment on the following schedule:

1 year and over	5 working days
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Annual vacations days accrue to a maximum carryover equal to the number of benefit days an employee received each year.

Each full-time employee shall receive fifteen sick days per year, cumulative to a maximum of 90 days. There is no compensation for unused sick leave upon termination of employment.

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 accrued a liability for vacation pay, and not for sick leave, which has been earned, but not taken, inasmuch as the amount cannot be reasonably estimated because the rights do not vest.

13. EMPLOYEE BENEFIT PLANS

The College has a 403(b) plan available for its employees. An employee is eligible to participate from the date of hire, but must provide 1,000 hours of service during the plan year in order to receive the employer match. The College will match contributions up to 3% of the employee's salary. Employer contributions will vest according to the following schedule:

Years of Service (from date of hire)	Vesting %
1	20%
2	40%
3	60%
4	80%
5	100%

Total contributions made by the College into the plan on behalf of the employees for the year ended June 30, 2018, was \$106,486.33.

14. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the College expects such amounts, if any, to be immaterial.

15. RELATED PARTY TRANSACTIONS

The Independence Community College Foundation 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 Foundation acts largely as a fund raising 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 Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Foundation's board of directors. The Foundation disbursed to the College for the year ended June 30, 2018, \$55,539.29 as project support expense, \$83,032.34 as reimbursement for payroll processed, and \$126,461.00 for scholarships.

16. CONCENTRATION OF RISK

Component Unit:

51.13% of the Foundation's monies at June 30, 2018, are invested in equities in the stock market. The effect in the future on the Foundation's equity portfolio is unknown and is subject to market economic conditions.

17. SEGMENT INFORMATION

A segment is an identifiable activity reported as a standalone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains, losses, assets, and liabilities that are required by an external party to be accounted for separately. The College does not have any segments that meet the reporting requirements of GASB Statement No. 35.

18. 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 employee; employees' health and life; and natural disasters. The College manages these risks of loss through the purchase of various insurance policies.

19. **RESTRICTED NET POSITION - EXPENDABLE**

Component Unit:

Temporarily restricted net assets include principal totaling \$300,000.00 from the U.S. Department of Education in connection with Federal grants. The principal and fifty percent of the earned interest cannot be expended until twenty years after receipt of the grant money. The remaining temporarily restricted net assets include contributions restricted for specific use by the donor.

Temporarily Restricted Net Assets:	
Capital Campaign	\$ 1,884.13
Fab Lab	86,294.87
Fine Art	100.00
ICC Now	1,220.70
Wesley Hull Trust	23,692.38
Scholarships	2,044,655.46
Griffin Trust	449,810.98
McConnell Trust	38,101.50
Total Temporarily Restricted Net Assets	<u>\$ 2,645,760.02</u>

20. **RESTRICTED NET POSITION – NONEXPENDABLE**

Component Unit:

On June 30, 2018 the Foundation net assets and endowments are summarized in the following table:

	Permanently Restricted
Donor-Restricted Endowment Funds	\$ 590,780.47
Board-Designated Endowment Funds	- -
Total Funds	<u>\$ 590,780.47</u>

Changes in endowment net assets as of June 30, 2018 are as follows:

	Permanently Restricted
Endowment Net Assets, Beginning of the Year	\$ 590,780.47
Reclassifications	- -
Endowment Net Assets, End of Year	<u>\$ 590,780.47</u>

All endowment funds are considered to be permanently restricted. Therefore the spending policy does not allow for distribution of these funds. Investment income from these funds is considered to be temporarily restricted unless otherwise designated.

21. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Reason</u>	<u>Amount</u>
General Fund	Postsecondary Technical Education Fund	Operating Expenses	\$ 417,387.84
General Fund	Adult Education Fund	Operating Expenses	63,182.00
General Fund	Auxiliary Enterprise Fund	Operating Expenses	754,912.35
General Fund	INGE Festival Fund	Institutional Paid	210,517.67
General Fund	FAB Lab Grant Fund	Institutional Paid	16,599.26
General Fund	Upward Bound Grant Fund	Institutional Paid	33,853.64
General Fund	TRIO – Student Support Services Grant Fund	Institutional Paid	6,974.13
General Fund	ICC Foundation Fund	Institutional Paid	17,549.74
Postsecondary Technical Education Fund	Auxiliary Enterprise Fund	Institutional Paid	13,537.50
State Technology Grant Fund	General Fund	Operating Expenses	16,151.00

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.

22. SUBSEQUENT EVENTS

The College evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Combining Schedule of Net Position

June 30, 2018

	GENERAL	POSTSECONDARY TECHNICAL EDUCATION	ADULT EDUCATION	AUXILIARY ENTERPRISE	FEDERAL WORKSTUDY GRANTS	FEDERAL PELL GRANTS	FEDERAL SEOG GRANTS
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ 649,491.36	\$ 110,630.30	\$ -	\$ 568,494.97	\$ (6,271.50)	\$ 432.00	\$ 5,698.00
Receivables - Federal	-	-	-	-	6,645.44	127,944.00	1,997.00
Receivables - Taxes in Progress	441,845.00	-	-	-	-	-	-
Receivables - Other Receivables	2,239,065.57	-	-	267,268.95	-	-	-
Prepaid Expenses	8,791.08	-	-	-	-	-	-
Bookstore Inventory	-	-	-	524,206.62	-	-	-
Total Current Assets	3,339,193.01	110,630.30	-	1,359,970.54	373.94	128,376.00	7,695.00
Noncurrent Assets							
Cash and Cash Equivalents	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Receivables - Taxes in Progress	-	-	-	-	-	-	-
Bond Issuance Costs, Net	-	-	-	116,875.64	-	-	-
Capital Assets, Net	-	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	116,875.64	-	-	-
TOTAL ASSETS	\$ 3,339,193.01	\$ 110,630.30	\$ -	\$ 1,476,846.18	\$ 373.94	\$ 128,376.00	\$ 7,695.00
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 66,764.89	\$ -	\$ -	\$ 39,601.76	\$ 373.94	\$ 128,376.00	\$ 7,695.00
Accrued Payroll	36,716.31	-	-	136.80	-	-	-
Accrued Interest	-	-	-	16,349.31	-	-	-
Deferred Revenue	1,128,286.00	91,466.00	-	20,850.00	-	-	-
Deposits Held in Custody for Others	-	-	-	662.35	-	-	-
Total Current Liabilities	1,231,767.20	91,466.00	-	77,600.22	373.94	128,376.00	7,695.00
Noncurrent Liabilities							
Accrued Vacation	162,707.91	19,164.30	-	3,910.00	-	-	-
Bond Premium	-	-	-	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-	-
Total Noncurrent Liabilities	162,707.91	19,164.30	-	3,910.00	-	-	-
TOTAL LIABILITIES	1,394,475.11	110,630.30	-	81,510.22	373.94	128,376.00	7,695.00
NET POSITION							
Investment in Capital Assets,							
Net of Related Debt	-	-	-	-	-	-	-
Unrestricted	1,944,717.90	-	-	1,395,335.96	-	-	-
TOTAL NET POSITION	1,944,717.90	-	-	1,395,335.96	-	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 3,339,193.01	\$ 110,630.30	\$ -	\$ 1,476,846.18	\$ 373.94	\$ 128,376.00	\$ 7,695.00

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Combining Schedule of Net Position

June 30, 2018

ASSETS												
Current Assets												
Cash and Cash Equivalents	\$	-	\$	123,680.47	\$	4,824.61	\$	10,326.53	\$	49,518.23	\$	(4,516.10)
Receivables - Federal		36,082.00		-		-		-		-		36,401.97
Receivables - Taxes in Progress		-		-		-		-		-		-
Receivables - Other Receivables		-		-		-		-		-		-
Prepaid Expenses		-		-		-		-		-		-
Bookstore Inventory		-		-		-		-		-		-
Total Current Assets		36,082.00		123,680.47		4,824.61		10,326.53		49,518.23		31,885.87
Noncurrent Assets												
Cash and Cash Equivalents		-		-		-		-		-		-
Investments		-		-		-		-		-		-
Receivables - Taxes in Progress		-		-		-		-		-		-
Bond Issuance Costs, Net		-		-		-		-		-		-
Capital Assets, Net		-		-		-		-		-		-
Total Noncurrent Assets		-		-		-		-		-		-
TOTAL ASSETS	\$	36,082.00	\$	123,680.47	\$	4,824.61	\$	10,326.53	\$	49,518.23	\$	31,885.87
LIABILITIES												
Current Liabilities												
Accounts Payable	\$	36,082.00	\$	-	\$	-	\$	-	\$	-	\$	26,813.46
Accrued Payroll		-		-		2,080.00		864.00		-		800.00
Accrued Interest		-		-		-		-		-		-
Deferred Revenue		-		-		-		-		-		-
Deposits Held in Custody for Others		-		-		-		-		-		-
Total Current Liabilities		36,082.00		-		2,080.00		864.00		46,549.80		27,613.46
Noncurrent Liabilities												
Accrued Vacation		-		-		2,744.61		9,462.53		-		4,272.41
Bond Premium		-		-		-		-		-		-
Capital Leases Payable		-		-		-		-		-		-
Total Noncurrent Liabilities		-		-		2,744.61		9,462.53		-		4,272.41
TOTAL LIABILITIES		36,082.00		-		4,824.61		10,326.53		46,549.80		31,885.87
NET POSITION												
Investment in Capital Assets,												
Net of Related Debt		-		-		-		-		-		-
Unrestricted		-		123,680.47		-		-		49,518.23		-
TOTAL NET POSITION		-		123,680.47		-		-		49,518.23		-
TOTAL LIABILITIES AND NET POSITION	\$	36,082.00	\$	123,680.47	\$	4,824.61	\$	10,326.53	\$	49,518.23	\$	31,885.87

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Combining Schedule of Net Position

June 30, 2018

	TRIO - STUDENT SUPPORT SERVICES GRANT	COMMUNITY COLLEGE ACTIVITY	CAPITAL OUTLAY	INVESTMENT IN PLANT	AGENCY FUNDS	TOTALS - PRIMARY INSTITUTION
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 6,005.29	\$ 52,306.44	\$ -	\$ -	\$ 386,570.41	\$ 1,885,444.36
Receivables - Federal	1,663.04	-	-	-	-	210,733.45
Receivables - Taxes in Progress	-	-	-	-	-	441,845.00
Receivables - Other Receivables	-	-	-	-	-	2,624,630.97
Prepaid Expenses	-	-	-	-	-	8,791.08
Bookstore Inventory	-	-	-	-	-	524,206.62
Total Current Assets	7,668.33	52,306.44	-	-	386,570.41	5,695,651.48
Noncurrent Assets						
Cash and Cash Equivalents	-	-	135,486.27	-	-	135,486.27
Investments	-	-	18,714.57	-	-	18,714.57
Receivables - Taxes in Progress	-	-	164.00	-	-	164.00
Bond Issuance Costs, Net	-	-	-	-	-	116,875.64
Capital Assets, Net	-	-	-	10,411,684.28	-	10,411,684.28
Total Noncurrent Assets	-	-	154,364.84	10,411,684.28	-	10,682,924.76
TOTAL ASSETS	\$ 7,668.33	\$ 52,306.44	\$ 154,364.84	\$ 10,411,684.28	\$ 386,570.41	\$ 16,378,576.24
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ -	8.45	\$ 18,709.29	\$ -	\$ -	\$ 370,974.59
Accrued Payroll	2,153.60	-	-	-	-	42,750.71
Accrued Interest	-	-	-	-	-	16,349.31
Deferred Revenue	-	1,085.00	164.00	-	-	1,241,851.00
Deposits Held in Custody for Others	-	-	-	-	386,570.41	387,232.76
Total Current Liabilities	2,153.60	1,093.45	18,873.29	-	386,570.41	2,059,158.37
Noncurrent Liabilities						
Accrued Vacation	5,514.73	-	-	-	-	207,776.49
Bond Premium	-	-	11,310.43	-	-	11,310.43
Capital Leases Payable	-	-	-	3,900,000.00	-	3,900,000.00
Total Noncurrent Liabilities	5,514.73	-	11,310.43	3,900,000.00	-	4,119,086.92
TOTAL LIABILITIES	7,668.33	1,093.45	30,183.72	3,900,000.00	386,570.41	6,178,245.29
NET POSITION						
Investment in Capital Assets,	-	-	-	6,511,684.28	-	6,511,684.28
Net of Related Debt	-	51,212.99	124,181.12	-	-	3,688,646.67
Unrestricted	-	-	-	-	-	-
TOTAL NET POSITION	-	51,212.99	124,181.12	6,511,684.28	-	10,200,330.95
TOTAL LIABILITIES AND NET POSITION	\$ 7,668.33	\$ 52,306.44	\$ 154,364.84	\$ 10,411,684.28	\$ 386,570.41	\$ 16,378,576.24

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	GENERAL	POSTSECONDARY TECHNICAL EDUCATION	ADULT EDUCATION	AUXILIARY ENTERPRISE	FEDERAL WORKSTUDY GRANTS	FEDERAL PELL GRANTS	FEDERAL SEOG GRANTS
REVENUES							
Operating Revenues							
Student Tuition and Fees	\$ 2,798,740.21	\$ 237,640.00	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	37,851.02	-	-	-	61,842.00	-	61,890.00
State Grants and Contracts	638,056.09	-	-	-	-	-	-
Sales and Services of							
Auxiliary Enterprises	-	-	-	1,631,872.93	-	-	-
Activity Fund Revenues	-	-	-	-	-	-	-
Miscellaneous Income	4,040.98	8,041.67	132.00	76,473.89	-	-	-
Total Operating Revenues	<u>3,478,688.30</u>	<u>245,681.67</u>	<u>132.00</u>	<u>1,708,346.82</u>	<u>61,842.00</u>	<u>-</u>	<u>61,890.00</u>
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	2,458,037.46	837,196.75	63,314.00	-	-	-	-
Academic Support	472,933.33	46,963.92	-	-	-	-	-
Public Service	-	-	-	-	-	-	-
Student Services	2,136,680.63	36,238.67	-	-	-	-	-
Institutional Support	2,725,160.63	203,587.83	-	-	-	-	-
Operation and Maintenance	696,282.30	61,892.84	-	-	-	-	-
Scholarships and Awards	1,151,925.72	-	-	-	61,842.00	1,913,367.00	61,890.00
Auxiliary Enterprises	-	-	-	1,654,351.66	-	-	-
Depreciation Expense	-	-	-	-	-	-	-
Total Operating Expenses	<u>9,641,020.07</u>	<u>1,185,880.01</u>	<u>63,314.00</u>	<u>1,654,351.66</u>	<u>61,842.00</u>	<u>1,913,367.00</u>	<u>61,890.00</u>
Operating Income (Loss)	<u>(6,162,331.77)</u>	<u>(940,198.34)</u>	<u>(63,182.00)</u>	<u>53,995.16</u>	<u>-</u>	<u>(1,913,367.00)</u>	<u>-</u>
Nonoperating Revenues (Expenses)							
State Appropriations	1,372,312.00	536,348.00	-	-	-	-	-
County Appropriations	6,047,287.26	-	-	-	-	-	-
Federal Pell Grants	-	-	-	-	-	1,913,367.00	-
Gifts and Contributions	54,458.14	-	-	-	-	-	-
Agency Fund Technology Fees	772,548.22	-	-	-	-	-	-
Interest Income	6,623.32	-	-	-	-	-	-
Debt Service	(485,899.32)	-	-	(516,766.75)	-	-	-
Operating Transfers	<u>(1,504,825.63)</u>	<u>403,850.34</u>	<u>63,182.00</u>	<u>768,449.85</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	100,172.22	-	-	305,678.26	-	-	-
Net Position - Beginning of Year	1,844,545.68	-	-	1,089,657.70	-	-	-
Net Position - End of Year	<u>\$ 1,944,717.90</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,395,335.96</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	DIRECT LOANS	STATE TECHNOLOGY GRANT	INGE FESTIVAL	ICC FOUNDATION	FAB LAB GRANT	CARL PERKINS PROGRAM IMPROVEMENT	UPWARD BOUND GRANT
REVENUES							
Operating Revenues							
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	976,680.00	-	-	-	118,296.45	12,853.38	315,379.84
State Grants and Contracts	-	16,151.00	-	-	-	-	-
Sales and Services of							
Auxiliary Enterprises	-	-	-	-	-	-	-
Activity Fund Revenues	-	-	-	-	-	-	-
Miscellaneous Income	-	-	61,833.87	196,688.98	-	3,104.20	-
Total Operating Revenues	976,680.00	16,151.00	61,833.87	196,688.98	118,296.45	15,957.58	315,379.84
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	-	-	-	-	-	16,467.23	349,233.48
Academic Support	-	-	-	-	-	-	-
Public Service	-	-	272,351.54	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	-	-	-	200,632.23	260,645.71	-	-
Operation and Maintenance	-	-	-	-	-	-	-
Scholarships and Awards	976,680.00	-	-	-	-	-	-
Auxiliary Enterprises	-	-	-	-	-	-	-
Depreciation Expense	-	-	-	-	-	-	-
Total Operating Expenses	976,680.00	-	272,351.54	200,632.23	260,645.71	16,467.23	349,233.48
Operating Income (Loss)	-	16,151.00	(210,517.67)	(3,943.25)	(142,349.26)	(509.65)	(33,853.64)
Nonoperating Revenues (Expenses)							
State Appropriations	-	-	-	-	-	-	-
County Appropriations	-	-	-	-	-	-	-
Federal Pell Grants	-	-	-	-	-	-	-
Gifts and Contributions	-	-	-	-	125,750.00	-	-
Agency Fund Technology Fees	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Operating Transfers	-	(16,151.00)	210,517.67	17,549.74	16,599.26	-	33,853.64
Increase (Decrease) in Net Position	-	-	-	13,606.49	-	(509.65)	-
Net Position - Beginning of Year	-	123,680.47	-	(13,606.49)	-	50,027.88	-
Net Position - End of Year	\$ -	\$ 123,680.47	\$ -	\$ -	\$ -	\$ 49,518.23	\$ -

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

	TRIO - STUDENT SUPPORT SERVICES GRANT	COMMUNITY COLLEGE ACTIVITY	CAPITAL OUTLAY	INVESTMENT IN PLANT	SUB-TOTAL PRIMARY INSTITUTION	ELIMINATING INTER-COMPANY SCHOLARSHIPS	TOTALS - PRIMARY INSTITUTION
REVENUES							
Operating Revenues							
Student Tuition and Fees	\$ -	\$ -	\$ -	-	\$ 3,036,380.21	\$ (1,575,346.75)	\$ 1,461,033.46
Federal Grants and Contracts	269,552.72	-	-	-	1,854,345.41	(976,680.00)	877,665.41
State Grants and Contracts	-	-	-	-	654,207.09	-	654,207.09
Sales and Services of							
Auxiliary Enterprises	-	-	-	-	1,631,872.93	(802,339.56)	829,533.37
Activity Fund Revenues	-	28,009.44	-	-	28,009.44	-	28,009.44
Miscellaneous Income	-	-	-	-	350,315.59	-	350,315.59
Total Operating Revenues	269,552.72	28,009.44	-	-	7,555,130.67	(3,354,366.31)	4,200,764.36
EXPENSES							
Operating Expenses							
Education and General							
Instruction	278,975.65	-	-	-	4,003,224.57	-	4,003,224.57
Academic Support	-	-	-	-	519,897.25	-	519,897.25
Public Service	-	-	-	-	272,351.54	-	272,351.54
Student Services	-	29,389.01	-	-	2,202,308.31	-	2,202,308.31
Institutional Support	-	-	-	(236,592.90)	3,153,433.50	-	3,153,433.50
Operation and Maintenance	-	-	123,563.14	(179,164.84)	702,573.44	-	702,573.44
Scholarships and Awards	-	-	-	-	4,165,704.72	(3,354,366.31)	811,338.41
Auxiliary Enterprises	-	-	-	-	1,654,351.66	-	1,654,351.66
Depreciation Expense	-	-	-	738,313.79	738,313.79	-	738,313.79
Total Operating Expenses	278,975.65	29,389.01	123,563.14	322,556.05	17,412,158.78	(3,354,366.31)	14,057,792.47
Operating Income (Loss)	(9,422.93)	(1,379.57)	(123,563.14)	(322,556.05)	(9,857,028.11)	-	(9,857,028.11)
Nonoperating Revenues (Expenses)							
State Appropriations	-	-	-	-	1,908,660.00	-	1,908,660.00
County Appropriations	-	-	44,372.43	-	6,091,659.69	-	6,091,659.69
Federal Pell Grants	-	-	-	-	1,913,367.00	-	1,913,367.00
Gifts and Contributions	-	-	-	-	180,208.14	-	180,208.14
Agency Fund Technology Fees	-	-	-	-	772,548.22	-	772,548.22
Interest Income	-	-	677.76	-	7,301.08	-	7,301.08
Debt Service	-	-	3,877.35	805,000.00	(193,788.72)	-	(193,788.72)
Operating Transfers	6,974.13	-	-	-	-	-	-
Increase (Decrease) in Net Position	(2,448.80)	(1,379.57)	(74,635.60)	482,443.95	822,927.30	-	822,927.30
Net Position - Beginning of Year	2,448.80	52,592.56	198,816.72	6,029,240.33	9,377,403.65	-	9,377,403.65
Net Position - End of Year	\$ -	\$ 51,212.99	\$ 124,181.12	\$ 6,511,684.28	\$ 10,200,330.95	\$ -	\$ 10,200,330.95

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Schedules of Revenues, Expenditures, and
Changes in Unencumbered Cash – Budget and Actual

For the Year Ended June 30, 2018

Schedules 3 to 8 are prepared in accordance with Kansas cash basis and budget laws (Regulatory Basis), which differs from generally accepted accounting principles (GAAP Basis). Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund in which the cash is transferred. Expenditures include cash disbursements, transfers, accounts payable and encumbrances – that is, commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Schedule of Revenues, Expenditures, and Changes
in Unencumbered Cash - Budget and Actual
Current Funds - Unrestricted
General Fund (Regulatory Basis)
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	PRIOR YEAR ACTUAL	CURRENT YEAR			VARIANCE OVER (UNDER)
		ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	
REVENUES					
Student Tuition and Fees	\$ 2,852,954.58	\$ 2,798,740.21	\$ (160,785.76)	\$ 2,637,954.45	\$ 3,531,467.00 \$ (893,512.55)
Federal Sources					
Federal Grants	5,669.00	37,851.02	-	37,851.02	- 37,851.02
State Sources					
State Operating Grant	1,372,312.00	1,372,312.00	-	1,372,312.00	1,372,312.00 -
Other State Grants	-	638,056.09	(638,056.09)	-	-
Local Sources					
Ad Valorem Tax	5,258,023.66	5,294,736.39	-	5,294,736.39	5,805,933.00 (511,196.61)
Motor Vehicle Tax	571,764.29	534,855.13	-	534,855.13	525,140.00 9,715.13
Rental Motor Vehicle Tax	7,684.73	6,648.09	-	6,648.09	- 6,648.09
Recreational Vehicle	7,072.68	7,719.00	-	7,719.00	9,148.00 (1,429.00)
16M-20M Truck Tax	17,045.08	15,897.11	-	15,897.11	- 15,897.11
Delinquent Tax	131,098.79	180,854.43	-	180,854.43	54,941.00 125,913.43
Watercraft Tax	4,257.83	4,195.65	-	4,195.65	- 4,195.65
In Lieu of Tax	1,564.15	2,381.46	-	2,381.46	1,564.00 817.46
Other Sources					
Agency Fund Technology Fees	626,700.00	772,548.22	-	772,548.22	- 772,548.22
Interest Income	4,285.24	6,623.32	-	6,623.32	- 6,623.32
Gifts and Contributions	88,160.00	54,458.14	-	54,458.14	- 54,458.14
Miscellaneous	439,482.81	4,040.98	-	4,040.98	2,000,000.00 (1,995,959.02)
Operating Transfers From					
State Technology Grant Fund	16,151.00	16,151.00	-	16,151.00	- 16,151.00
Residual Transfer from					
Employee Benefit Fund	327.10	-	-	-	- -
Westar Grant Fund	7,000.00	-	-	-	- -
A&O Grant Fund	35,353.79	-	-	-	- -
SRS Conspire to Succeed Fund	2,082.11	-	-	-	- -
TOTAL REVENUES	11,448,988.84	11,748,068.24	(798,841.85)	10,949,226.39	13,300,505.00 (2,351,278.61)

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds - Unrestricted
General Fund (Regulatory Basis)
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	CURRENT YEAR					VARIANCE
	PRIOR YEAR ACTUAL	ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	BUDGET	OVER (UNDER)
EXPENDITURES						
Instruction	\$ 2,460,110.85	\$ 2,458,037.46	\$ (6,104.20)	\$ 2,451,933.26	\$ 2,347,119.00	\$ 104,814.26
Academic Support	521,401.36	472,933.33	(5,944.03)	466,989.30	683,160.00	(216,170.70)
Student Services	1,999,428.36	2,136,680.63	21,042.03	2,157,722.66	2,196,715.00	(38,992.34)
Institutional Support	2,199,919.88	2,725,160.63	(602,540.18)	2,122,620.45	3,394,150.00	(1,271,529.55)
Operation and Maintenance	882,815.01	696,282.30	(19,471.88)	676,810.42	1,345,963.00	(669,152.58)
Scholarships and Awards	1,271,568.88	1,151,925.72	777.72	1,152,703.44	1,000,000.00	152,703.44
Debt Service						
Principal Payments	320,000.00	425,000.00	-	425,000.00	-	425,000.00
Interest Payments	63,429.73	60,899.32	-	60,899.32	-	60,899.32
Operating Transfers to:						
Postsecondary Technical						
Education Fund	500,288.90	417,387.84	-	417,387.84	463,166.00	(45,778.16)
Adult Education Fund	63,181.78	63,182.00	-	63,182.00	454,481.00	(391,299.00)
Auxiliary Enterprise Fund	621,112.89	754,912.35	-	754,912.35	-	754,912.35
INGE Festival Fund	216,062.16	210,517.67	-	210,517.67	-	210,517.67
FAB Lab Grant Fund	-	16,599.26	-	16,599.26	-	16,599.26
Federal SEOG Grants Fund	0.43	-	-	-	-	-
Upward Bound Grant Fund	16,759.66	33,853.64	-	33,853.64	-	33,853.64
TRIO - Student Support Services						
Grant Fund	-	6,974.13	-	6,974.13	-	6,974.13
ICC Foundation Fund	-	17,549.74	-	17,549.74	-	17,549.74
TOTAL EXPENDITURES	11,136,079.89	11,647,896.02	(612,240.54)	11,035,655.48	11,884,754.00	(849,098.52)
Excess of Revenues Over						
(Under) Expenditures and Other						
Additions (Deductions)	312,908.95	100,172.22	(186,601.31)	(86,429.09)	1,415,751.00	(1,502,180.09)
Unencumbered Cash						
Beginning of Year	319,530.30	1,844,545.68	(1,212,106.43)	632,439.25	889,234.00	(256,794.75)
End of Year	\$ 632,439.25	\$ 1,944,717.90	\$ (1,398,707.74)	\$ 546,010.16	\$ 2,304,985.00	\$ (1,758,974.84)

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Schedule of Revenues, Expenditures, and Changes
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

Postsecondary Technical Education Fund (Regulatory Basis)

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	PRIOR YEAR ACTUAL	CURRENT YEAR			VARIANCE OVER (UNDER)
		ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	
REVENUES					
Student Tuition and Fees	\$ 289,892.00	\$ 237,640.00	\$ 91,466.00	\$ 329,106.00	\$ (278,933.00)
State Sources					
State Operating Grant	536,348.00	536,348.00	-	536,348.00	(133,123.00)
Local Sources					
Delinquent Tax	0.56	-	-	-	-
Other Sources					
Miscellaneous	7,215.81	8,041.67	-	8,041.67	(169,586.33)
Operating Transfers from					
General Fund	500,288.90	417,387.84	-	417,387.84	417,387.84
TOTAL REVENUES	1,333,745.27	1,199,417.51	91,466.00	1,290,883.51	(164,254.49)
EXPENDITURES					
Instruction	944,693.91	837,196.75	(14,862.93)	822,333.82	(41,932.18)
Academic Support	40,965.18	46,963.92	-	46,963.92	(59,720.08)
Student Services	45,857.57	36,238.67	-	36,238.67	(59,259.33)
Institutional Support	235,788.04	203,587.83	-	203,587.83	(475,242.17)
Operation and Maintenance	80,298.64	61,892.84	-	61,892.84	(81,808.16)
Operating Transfers to					
Auxiliary Enterprise Fund	-	13,537.50	-	13,537.50	13,537.50
TOTAL EXPENDITURES	1,347,603.34	1,199,417.51	(14,862.93)	1,184,554.58	(704,424.42)
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	(13,858.07)	-	106,328.93	106,328.93	540,169.93
Unencumbered Cash Beginning of Year	18,159.44	-	4,301.37	4,301.37	1,089,175.37
End of Year	\$ 4,301.37	\$ -	\$ 110,630.30	\$ 110,630.30	\$ 1,629,345.30

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas
 Schedule of Revenues, Expenditures, and Changes
 in Unencumbered Cash - Budget and Actual
 Current Funds - Unrestricted
 Adult Education Fund (Regulatory Basis)
 For the Year Ended June 30, 2018
 (With Comparative Actual Amounts for the Year Ended June 30, 2017)

	PRIOR YEAR ACTUAL	CURRENT YEAR				VARIANCE OVER (UNDER)
		ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	BUDGET	
REVENUES						
Other Sources						
Miscellaneous	\$ 3,658.00	\$ 132.00	\$ -	\$ 132.00	\$ 66,807.00	\$ (66,675.00)
Local Sources						
Delinquent Tax	0.22	-	-	-	-	-
Operating Transfers from						
General Fund	63,181.78	63,182.00	-	63,182.00	-	63,182.00
TOTAL REVENUES	66,840.00	63,314.00	-	63,314.00	66,807.00	(3,493.00)
EXPENDITURES						
Instruction	66,840.00	63,314.00	-	63,314.00	66,807.00	(3,493.00)
TOTAL EXPENDITURES	66,840.00	63,314.00	-	63,314.00	66,807.00	(3,493.00)
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	-	-	-	-	-	-
Unencumbered Cash Beginning of Year	-	-	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Schedule of Revenues, Expenditures, and Changes
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

Employee Benefits Fund (Regulatory Basis)

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	PRIOR YEAR ACTUAL	CURRENT YEAR			VARIANCE OVER (UNDER)
		ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	
REVENUES					
Local Sources					
Delinquent Tax	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Instruction					
Employee Benefits	-	-	-	-	-
Residual Transfer to					
General Fund	327.10	-	-	-	-
TOTAL EXPENDITURES	327.10	-	-	-	-
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	(327.10)	-	-	-	-
Unencumbered Cash Beginning of Year	327.10	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -	\$ -

INDEPENDENCE COMMUNITY COLLEGE

Independence, Kansas

Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual

Current Funds - Unrestricted

Auxiliary Enterprise Fund (Regulatory Basis)

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	PRIOR YEAR ACTUAL	CURRENT YEAR				VARIANCE OVER (UNDER)
		ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	BUDGET	
REVENUES						
Sales and Services of						
Auxiliary Enterprises						
Bookstore Sales	\$ 245,941.58	\$ 202,201.90	\$ -	\$ 202,201.90	\$ 242,138.00	\$ (39,936.10)
Dormitory Rents	1,342,852.80	1,429,671.03	(2,313.74)	1,427,357.29	1,668,935.00	(241,577.71)
Other Fees	-	-	-	-	282,912.00	(282,912.00)
Other Sources						
Damages and Fines	100.00	560.00	-	560.00	-	560.00
Miscellaneous Receipts	-	75,913.89	-	75,913.89	-	75,913.89
Operating Transfers from						
General Fund	621,112.89	754,912.35	-	754,912.35	-	754,912.35
Postsecondary Technical						
Education Fund	-	13,537.50	-	13,537.50	-	13,537.50
TOTAL REVENUES	2,210,007.27	2,476,796.67	(2,313.74)	2,474,482.93	2,193,985.00	280,497.93
EXPENDITURES						
Auxiliary Enterprise						
Materials	344,841.93	254,607.43	(52,791.74)	201,815.69	-	201,815.69
Food and Meals	734,025.85	785,519.80	-	785,519.80	788,501.00	(2,981.20)
Payroll	251,922.59	231,436.62	(507.25)	230,929.37	93,643.00	137,286.37
General Operating Expenses	174,349.74	306,886.06	-	306,886.06	860,985.00	(554,098.94)
Capital Outlay	79,957.97	41,433.75	-	41,433.75	-	41,433.75
Scholarships	-	34,468.00	-	34,468.00	-	34,468.00
Debt Service						
Principal	365,000.00	380,000.00	-	380,000.00	380,000.00	-
Interest	116,011.26	136,766.75	(27,379.82)	109,386.93	103,911.00	5,475.93
TOTAL EXPENDITURES	2,066,109.34	2,171,118.41	(80,678.81)	2,090,439.60	2,227,040.00	(136,600.40)
Excess of Revenues Over (Under)						
Expenditures and Other						
Additions (Deductions)	143,897.93	305,678.26	78,365.07	384,043.33	(33,055.00)	417,098.33
Unencumbered Cash						
Beginning of Year	951.95	1,089,657.70	(944,807.82)	144,849.88	(348,452.00)	493,301.88
End of Year	\$ 144,849.88	\$ 1,395,335.96	\$ (866,442.75)	\$ 528,893.21	\$ (381,507.00)	\$ 910,400.21

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Schedule of Revenues, Expenditures, and Changes
in Unencumbered Cash - Budget and Actual
Plant Funds
Unexpended (Capital Outlay) Fund (Regulatory Basis)
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	PRIOR YEAR ACTUAL	CURRENT YEAR				VARIANCE OVER (UNDER)
		ACTUAL GAAP BASIS	ADJUSTMENTS TO BUDGET BASIS	ACTUAL BUDGET BASIS	BUDGET	
REVENUES						
Local Sources						
Ad Valorem Tax	\$ 269,760.96	\$ 5,188.13	\$ -	\$ 5,188.13	\$ 297,533.00	\$ (292,344.87)
Motor Vehicle Tax	29,409.90	28,213.04	-	28,213.04	26,914.00	1,299.04
Rental Vehicle Tax	384.53	355.91	-	355.91	-	355.91
Recreational Tax	361.49	408.64	-	408.64	469.00	(60.36)
16M-20M Truck Tax	857.13	812.97	-	812.97	-	812.97
Delinquent Taxes	6,788.63	9,187.46	-	9,187.46	2,816.00	6,371.46
Watercraft Tax	227.04	167.80	-	167.80	-	167.80
In Lieu of Taxes	80.15	38.48	-	38.48	80.00	(41.52)
Other Sources						
Interest Income	190.66	677.76	-	677.76	-	677.76
Miscellaneous	114,000.00	-	-	-	285,404.00	(285,404.00)
TOTAL REVENUES	422,060.49	45,050.19	-	45,050.19	613,216.00	(568,165.81)
EXPENDITURES						
Plant Equipment and Facility						
Capital Outlay	410,808.26	123,563.14	-	123,563.14	281,609.00	(158,045.86)
Debt Service						
Principal	282,500.00	-	-	-	-	-
Interest	7,963.75	(3,877.35)	4,377.35	500.00	-	500.00
TOTAL EXPENDITURES	701,272.01	119,685.79	4,377.35	124,063.14	281,609.00	(157,545.86)
Excess of Revenues and Transfers						
Over (Under) Expenditures	(279,211.52)	(74,635.60)	(4,377.35)	(79,012.95)	331,607.00	(410,619.95)
Unencumbered Cash						
Beginning of Year	493,716.02	198,816.72	15,687.78	214,504.50	(343,013.00)	557,517.50
End of Year	\$ 214,504.50	\$ 124,181.12	\$ 11,310.43	\$ 135,491.55	\$ (11,406.00)	\$ 146,897.55

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Schedule of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

ACCOUNT NAME	BALANCE JUNE 30, 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2018
AGENCY FUND				
School Projects Accounts				
Payroll Clearing	\$ 70,275.54	\$ 515,263.93	\$ 526,726.79	\$ 58,812.68
Technical Fees	893,263.10	-	808,904.12	84,358.98
Student Loan Clearing	8,690.64	-	-	8,690.64
President's Community Relations	37,122.20	-	-	37,122.20
Athletic Administration	6,138.78	25,217.86	52,775.94	(21,419.30)
International Program	203.47	0.17	16.18	187.46
ICC Booster Club	8,778.46	-	9,728.38	(949.92)
Institutional Support	17,979.54	488.00	25,190.06	(6,722.52)
Student Insurance	11,375.00	-	2,335.00	9,040.00
Total School Projects	1,053,826.73	540,969.96	1,425,676.47	169,120.22
Student Organization Accounts				
Math and Science	5.00	-	-	5.00
Motorcycle Safety	-	910.00	773.50	136.50
Library	13,020.80	808.60	1,561.38	12,268.02
SEK Library Grant	1,149.18	5,052.91	4,692.09	1,510.00
Corner Stone Fitness	-	7,000.00	-	7,000.00
Student Senate	6,580.84	672.32	-	7,253.16
GED Testing	5,160.56	-	-	5,160.56
Vet Tech Application Fees	18,096.36	25.00	2,815.74	15,305.62
Allied Health	25,394.85	4,631.21	12,839.63	17,186.43
ICC West Community Room	24,990.92	13,105.00	150.00	37,945.92
Concessions	5,570.45	10,070.96	7,486.77	8,154.64
Dorm Activities	97,156.39	-	-	97,156.39
Anchor Operations	3,825.50	-	-	3,825.50
Golf	-	-	7,278.97	(7,278.97)
Fab Lab	596.46	89.19	1,161.33	(475.68)
Farm Bureau Group	-	656.25	-	656.25
Vet Tech Equipment	10,232.98	7,858.28	6,450.41	11,640.85
Total Student Organizations	211,780.29	50,879.72	45,209.82	217,450.19
TOTAL AGENCY FUNDS	\$ 1,265,607.02	\$ 591,849.68	\$ 1,470,886.29	\$ 386,570.41
Assets				
Cash and Investments	\$ 1,265,607.02	\$ 591,849.68	\$ 1,470,886.29	\$ 386,570.41
TOTAL ASSETS	\$ 1,265,607.02	\$ 591,849.68	\$ 1,470,886.29	\$ 386,570.41
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deposits Held For Others	1,265,607.02	591,849.68	1,470,886.29	386,570.41
TOTAL LIABILITIES	\$ 1,265,607.02	\$ 591,849.68	\$ 1,470,886.29	\$ 386,570.41

AUDITOR INFORMATION SHEET

INDEPENDENCE COMMUNITY COLLEGE

1057 WEST COLLEGE AVENUE
INDEPENDENCE, KANSAS 67301

EIN NUMBER: 480720287
OPE ID NUMBER: 00192400
DUNS NUMBER: 084091107

TELEPHONE: (620) 331-4100
FAX: (620) 331-5534

PRESIDENT: Daniel Barwick
CONTACT PERSON & TITLE: Wendy Isle, Chief Business Officer
LEAD AUDITOR: Neil L. Phillips, CPA
EMAIL ADDRESS: nphillips@jgppa.com
LICENSE NUMBER & HOME STATE: 5705 KS
FIRM'S NAME & ADDRESS: JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants
1815 S. Santa Fe
P.O. Box 779
Chanute, Kansas 66720
FIRM'S FEDERAL ID NUMBER: 20-3906022
TELEPHONE: (620) 431-6342
FAX: (620) 431-0724

PROGRAMS EXAMINED:	FSEOG	84.007
	DIRECT LOAN	84.268
	FWS	84.033
	PELL	84.063

For the award year that ended during the institution's fiscal year, the percentage of:

Correspondence courses to total courses	NONE
Regular students enrolled in all correspondence courses	NONE
Regular students that are incarcerated	NONE
Regular students enrolled based on ability to benefit	NONE
For short term programs—	
Completion	N/A
Placement	N/A

The campuses/locations considered as part of this entity and covered or excluded by this examination are:

ALL LOCATIONS	> 50% OF PROGRAM OFFERED @ SITE	LOCATION ON ELIGIBILITY LETTER	NOTICE TO ED PRIOR TO OFFERING INSTRUCTION	DATE OPENED	DATE CLOSED	DATE OF CPA'S LAST VISIT	EXCLUSION REASON
Independence, KS	Yes	Yes	Yes	1925	N/A	2018	N/A

Institution's Primary Accrediting Organization: North Central Association of Colleges and Schools

The College does not use a servicer.

Records for the accounting and administration of the SFA Programs are located at:

INDEPENDENCE COMMUNITY COLLEGE
1057 WEST COLLEGE AVENUE
INDEPENDENCE, KANSAS 67301

For Close-Out Examination only: N/A

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Student Financial Aid Cluster			
Federal Supplemental Education Opportunity Grants	84.007	N/A	\$ 61,890.00
Federal Direct Loan Program	84.268	N/A	976,680.00
Federal Work-Study Program	84.033	N/A	61,842.00
Federal Pell Grant Program	84.063	N/A	1,913,367.00
Federal Pell Grant Administration	84.063	N/A	2,650.00
		Total 84.063	1,916,017.00
Total Student Financial Aid Cluster		(M)	3,016,429.00
TRIO Cluster			
TRIO - Student Support Services	84.042(a)	N/A	269,552.75
TRIO - Upward Bound	84.047(a)	N/A	315,379.84
Total TRIO Cluster			584,932.59
Total U.S. Department of Education			3,601,361.59
U.S. DEPARTMENT OF COMMERCE			
Direct Programs:			
Investment for Public Works and Economic Development Facilities	11.300	N/A	118,296.45
Total U.S. Department of Commerce			118,296.45
FEDERAL ASSISTANCE TOTALS			\$ 3,719,658.04

NOTE A --BASIS OF PRESENTATION

This schedule has been prepared in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned. Expenditures are recorded when goods or services are received.

NOTE B --INDIRECT COST RATE

Independence Community College did not elect to use the 10% de minimis cost rate.

(M) Major Programs

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Independence Community College
Independence, Kansas

We have audited, in accordance with the 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 Independence Community College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Independence Community College's basic financial statements and have issued our report thereon dated January 25, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses, 2018-001 and 2018-002.

Compliance and Other Matters

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

Independence Community College's Response to Findings

Independence Community College's response to the findings identified in our audit is described in the accompanying corrective action plan. Independence Community College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
January 25, 2019

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Independence Community College
Independence, Kansas

Report on Compliance for the Major Federal Program

We have audited the Independence Community College's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have direct and material effect on Independence Community College's major federal program for the year ended June 30, 2018. Independence Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Independence Community College's major federal program 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 Independence Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Independence Community College's compliance.

Basis for Qualified Opinion on Student Financial Aid Cluster

As described in the accompanying schedule of findings and questioned costs, Independence Community College did not comply with requirements regarding Student Financial Aid Cluster, CFDA 84.007, 84.268, 84.033, and 84.063 as described in finding number 2018-003 and 2018-004 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for Independence Community College to comply with the requirements applicable to that program.

Qualified Opinion on Student Financial Aid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Independence Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Student Financial Aid Cluster for the year ended June 30, 2018.

Other Matters

Independence Community College's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Independence Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-003 and 2018-004 to be material weaknesses.

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.

Independence Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Independence Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
January 25, 2019

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

I. SUMMARY OF AUDITORS' RESULTS**Financial Statements:**

The auditors' report expresses an unmodified opinion on the basic financial statements of Independence Community College.

Internal Control over Financial Reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None Reported
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	<u> </u>	Yes	<u> X </u>	No

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None Reported

The auditors' report on compliance for the major federal award programs for Independence Community College expresses a qualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> X </u>	Yes	<u> </u>	No
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Identification of major programs:

U.S. DEPARTMENT OF EDUCATION

Student Financial Aid Cluster

Federal Pell Grant Program – CFDA No. 84.063

Federal Direct Student Loans – CFDA No. 84.268

Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007

Federal Work-Study Program – CFDA No. 84.033

The threshold for distinguishing Types A and B programs was \$750,000.00.

Auditee qualified as a low risk auditee?	<u> </u>	Yes	<u> X </u>	No
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INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended June 30, 2018

II. FINANCIAL STATEMENT FINDINGS

Finding: 2018-001 – Payroll Reconciliation

Criteria:

Internal controls should be in place to provide reasonable assurance that payroll is being properly recorded in the College's general ledger and properly reported to outside agencies.

Condition:

During fieldwork it was noted that the College does not have any controls over the recording and reporting of payroll. During our testing it was discovered payroll has not been reconciled to the general ledger or reporting authorities, such as the IRS or State of Kansas. It was also noted that the 2017 Federal Form W-3 had not been reconciled to the four quarters' of Federal Form 941's resulting in a significant variance which will lead to a notice from the IRS and Social Security Administration. These notices often include penalties and interest associated with the notices.

Effect:

The deficiencies in the design and operation of the internal controls in this area could result in over or under payment of taxes or employee compensation or even the opportunity for fraud to occur.

Cause:

The College did not have adequate staff properly trained in the software to complete the necessary timely reconciliations between the College's general ledger and what was reported to outside agencies.

Recommendation:

Policies and procedures should be written to provide internal controls over payroll processing and completion of reconciliations. Staff should receive training on how to reconcile the general ledger to the 941's to verify the information is being transferred correctly to the general ledger and properly reported to outside agencies as required by law.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on pages 54-55 of the current year audit.

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended June 30, 2018

I. FINANCIAL STATEMENT FINDINGS

Finding: 2018-002 – General Ledger Reconciliations

Criteria:

Internal controls should be in place that provide reasonable assurance that financial systems generate records for proper accountability for all funds and other assets of the College.

Condition:

Reconciliations of asset and liability accounts found transactions that were improperly classified and/or not recorded at all. These general ledger account reconciliations resulted in material amounts of general ledger adjustments posted after year end and through the date of the audit report.

Context:

The College is making financial decisions based on materially inaccurate information.

Effect:

The deficiencies in the design and operation of the internal controls in this area could adversely affect the recording, processing, summarization, and reporting of financial data if activity is not properly recorded in the general ledger when the activity is incurred.

Cause:

The Organization did not have adequate staff properly trained in the area of general ledger preparation, reconciliation, and review.

Recommendation:

Additional training for staff is needed in the area of general ledger preparation, reconciliations and overall use of the general ledger software.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 54-55 of the current year audit.

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INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended June 30, 2018

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2018-003 – Special Tests and Provisions – Disbursements to or on Behalf of Students

Information of Federal Program:

Student Financial Aid Cluster

Federal Pell Grant Program – CFDA No. 84.063

Federal Direct Student Loans – CFDA No. 84.268

Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007

Federal Work-Study Program – CFDA No. 84.033

Criteria:

If payments posted to a student's ledger account create a credit balance, then collections exceed the amount assessed the student for allowable charges associated with that payment period. Credit balances must be paid to the student or parent as soon as possible, but no later than fourteen days after the balance occurred after the first day of class of a payment period (34 CFR sections 668.164).

Condition:

During our testing of the federal aid disbursements, it was noted four of the forty disbursements tested with credit balances were not paid to the student or parent within the required time line.

Effect:

The deficiencies in the design and operation of the internal controls in this area resulted in the delayed payment to the student.

Cause:

The College did not have proper procedures in place that allowed for the credit balances to be paid out to the students timely.

Recommendation:

Policies and procedures should be written to provide internal control over the reconciliation of credit balance payments. We recommend the College establish a reconciliation process that allows for the notification of credit balances that remain on student accounts after disbursement of federal aid to student accounts has taken place, that refund credit balances within the required fourteen days.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on pages 54-55 of the current year audit.

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended June 30, 2018

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding: 2018-004 – Special Tests and Provisions – Pell Awards

Information of Federal Program:

Student Financial Aid Cluster

Federal Pell Grant Program – CFDA No. 84.063

Federal Direct Student Loans – CFDA No. 84.268

Federal Supplemental Educational Opportunity Grant – CFDA No. 84.007

Federal Work-Study Program – CFDA No. 84.033

Criteria:

34 CFR 690.80 requires an institution to recalculate a Federal Pell Grant award for the entire year if the student's expected family contribution changes at any time during the award year or if the student's enrollment status changes from on academic term to another term in the same award year.

Condition:

During our testing of the Federal Pell grant awards, it was noted two of forty students were awarded incorrectly because of a change in either expected family contribution or change in enrollment status..

Effect:

The deficiencies in the design and operation of the internal controls in this area resulted in the student being awarded an incorrect Pell award.

Cause:

The College did not have proper procedures in place for when a change took place either with an ISIR or student enrollment status.

Recommendation:

Policies and procedures should be written to provide internal control over Pell awards. When awarding the most recent ISIR should be verified and when a student's enrollment changes notification should be received by the Financial Aid office to ensure any changes are properly dealt with.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on pages 54-55 of the current year audit.

INDEPENDENCE COMMUNITY COLLEGE
Independence, Kansas

Schedule of Resolution of Prior Year's Findings and Questioned Costs
For the Year Ended June 30, 2018

Finding: 2017-001 – Special Tests and Provisions – Verification

Condition:

During the testing of the verification process, it was noted that Independence County Community College does not have adequate controls in place to document compliance with the verification process.

Recommendation:

Policies and procedures should be written to provide internal controls over the verification of student files. We recommend the College establish a filing process that allows all applications selected for verification to be verified before financial aid is awarded and all documentation is kept on file to support amount verified.

Current Status: The College has implemented policies and procedure to ensure compliance.

Finding: 2017-002 – Special Tests and Provisions – Return of Title IV Funds

Condition:

During the testing of the return of Title IV funds, it was noted 3 of 38 tested refunds were not returned and 1 of 38 tested refunds was calculated incorrectly.

Recommendation:

Policies and procedures should be written to provide internal controls over obtaining complete and accurate reports of official and unofficial withdrawals in order to identify students that need to have a return of Title IV completed.

Current Status: The College has implemented policies and procedure to ensure compliance.

Corrective Action Plan

January 25, 2019

Cognizant or Oversight Agency for Audit

Independence Community College respectfully submits the following corrective action plan for the year ended June 30, 2018.

Name and address of independent public accounting firm: Jarred, Gilmore & Phillips, PA, P.O. Box 779, 1815 S Santa Fe, Chanute, Kansas 66720.

Audit period: Year ended June 30, 2018.

The findings from the January 25, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding: 2018-001 – Payroll Reconciliation

Recommendation:

Policies and procedures should be written to provide internal controls over payroll processing and completion of reconciliations. Staff should receive training on how to reconcile the general ledger to the 941's to verify the information is being transferred correctly to the general ledger and properly reported to outside agencies as required by law.

Views of responsible officials and planned corrective action:

We are in agreement and the College will contract with an accounting consultant firm to provide payroll-specific reconciliation training to Payroll. Written documentation of all payroll processes, especially as they relate to the accounting software, will be completed. Payroll reconciliation will be completed and signed off on by the Chief Business Officer, prior to payroll being uploaded to the bank and payroll checks being cut.

Finding: 2018-002 – General Ledger Reconciliations

Recommendation:

Additional training for staff is needed in the area of general ledger preparation, reconciliations and overall use of the general ledger software.

Views of responsible officials and planned corrective action:

We are in agreement and will contract with an accounting consultant firm to provide reconciliation training. PowerCampus and GP software companies will be consulted for additional training or processes to help complete all reconciliations. The monthly reconciliation of balance sheet accounts will be signed off on by the Chief Business Officer.

Finding: 2018-003 – Special Tests and Provisions – Disbursements to or on Behalf of Students

Recommendation:

Policies and procedures should be written to provide internal control over the reconciliation of credit balance payments. We recommend the College establish a reconciliation process that allows for the notification of credit balances that remain on student accounts after disbursement of federal aid to student accounts has taken place, that refund credit balances within the required fourteen days.

Corrective Action Plan

Finding: 2018-003 – Special Tests and Provisions – Disbursements to or on Behalf of Students (Continued)

Views of responsible officials and planned corrective action:

We are in agreement and have updated its Policies and Procedures for disbursement to correct this finding. A report is available and being used that is based on term balances that allow for quick identification of credit balances for each term.

Finding: 2018-004 – Special Tests and Provisions – Pell Awards

Recommendation:

Policies and procedures should be written to provide internal control over Pell awards. When awarding the most recent ISIR should be verified and when a student's enrollment changes notification should be received by the Financial Aid office to ensure any changes are properly dealt with.

Views of responsible officials and planned corrective action:

We are in agreement and have updated its policies and procedures manual in regard to processing daily ISIRS: The office of student financial aid will review new ISIRs for changes to EFC and resolve any conflicting information resulting in a change to the EFC. If resolution of conflicting information would result in any correction to the FAFSA, the student must re-complete the verification process with Inceptia (if the student's FAFSA had been selected for verification by ED). If the student's FAFSA had not otherwise been selected for verification, ICC OSFA will select the student's record for verification internally.

If the Oversight Agency for Audit has questions regarding this plan, please call Wendy Isle, Chief Business Officer, at (620) 331-4100 Ext. 5412.

Sincerely,

Independence Community College

Independence Community College