

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 18, 2021

NEW ISSUE – BOOK-ENTRY ONLY

NOT RATED

BANK QUALIFIED

See “Bond Ratings” herein

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (1) the Interest Portion of Basic Rent Payments paid by Fort Scott Community College, Bourbon County, Kansas and distributed to the registered owners of the Certificates [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; (2) the Interest Portion of Basic Rent Payments paid and distributed to the registered owners of the Certificates is exempt from income taxation by the State of Kansas; and (3) the College’s obligation to pay the Basic Rent Payments under the Lease that is distributable to owners of the Certificates is a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” herein.

\$1,455,000*

**FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS**

LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022

Evidencing Proportionate Interests In and Rights to Receive Payment Under the

Lease Purchase Agreement Between the College and Security Bank of Kansas City, Kansas City, Kansas, As Trustee

Dated: January 5, 2022

Due: April 1, as shown on inside front cover.

The Lease Purchase Agreement Certificates of Participation, Series 2022 (the “Certificates”) will be executed and delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Certificates. Purchases of the Certificates will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof as described above. Purchasers will not receive certificates representing their interests in Certificate purchases. So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Certificates. Principal portions of Basic Rent represented by the Certificates are payable on April 1 in each year, beginning April 1, 2022. Interest portions of Basic Rent represented by the Certificates are payable semi-annually on April 1 and October 1 in each year, beginning April 1, 2022, by check or draft to the registered owners of the Certificates by Security Bank of Kansas City, Kansas City, Kansas (the “Trustee”). The Principal Portion of Basic Rent represented by the Certificates is payable upon presentation and surrender of the Certificates at the principal corporate office of the Trustee. The Certificates mature, bear interest, and are priced according to the schedule on the inside cover page.

The Certificates evidence the ownership of proportionate interests in, and right to receive rental payments under, that certain Lease Purchase Agreement, dated as of January 5, 2022 (the “Lease” or “Lease Purchase Agreement”), entered into between the Trustee, as lessor acting as fiduciary for the owners of the Certificates, and Fort Scott Community College, Bourbon County, Kansas (the “College” and the “Lessee”). The Certificates are being executed and delivered pursuant to a Declaration of Trust, dated as of January 5, 2022 (the “Declaration of Trust”), by the Trustee. The net proceeds from the sale of the Certificates will be used to finance the acquisition and installation of certain artificial turf surfacing for the existing baseball and softball fields on or near the College campus in Fort Scott, Kansas (the “Project”) all as more fully described under the caption “THE PROJECT”.

The Certificates are payable (except to the extent payable from the proceeds of the Certificates and income from the investment thereof) solely from Basic Rent Payments to be paid by the College under the Lease for use of the Project and to the extent received by the Trustee, net proceeds of certain insurance policies or proceeds from the liquidation of interest or enforcement of claims in connection with the Project. The Basic Rent Payments constitute a special obligation of the College payable from revenues of the College, including, if necessary, ad valorem taxation. NEITHER THE CERTIFICATES NOR THE LEASE GIVE RISE TO A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE COLLEGE, THE STATE OF KANSAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR PROVISION NOR A MANDATORY PAYMENT OBLIGATION BEYOND THE TERMS OF THE LEASE. PURSUANT TO K.S.A. 71-201, THE TERM OF THE LEASE EXTENDS TO APRIL 1, 2031 (THE “LEASE TERM”). THE LEASE IS SUBJECT TO CHANGE OR TERMINATION BY REASON OF AN ACT OF THE KANSAS LEGISLATURE AS PROVIDED THEREIN AND PURSUANT TO K.S.A. 71-201, AND IS NOT SUBJECT TO ANNUAL APPROPRIATION (SEE “RISK FACTORS AND INVESTMENT CONSIDERATIONS”). Upon termination of the Lease prior to the end of its term, the Certificates will be payable solely from the proceeds of the liquidation by the Trustee of the Project, together with certain monies, if any, held by the Trustee under the Declaration of Trust, and any monies available therefor may be less than the principal amount of the Certificates outstanding and interest thereon. A prospective purchaser of the Certificates described herein should be aware that any such investment is subject to certain risks associated with the Certificates which must be recognized. Reference is made to the discussion herein under the heading “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

MATURITY SCHEDULE*

(See inside cover page.)

The Certificates maturing on April 1, 2029 and thereafter are subject to optional prepayment on April 1, 2028 or thereafter in whole or in part at any time, at a price equal to 100% of the principal amount, plus accrued interest to the prepayment date. [The Term Certificates are also subject to mandatory redemption as described herein.] (see “THE CERTIFICATES - Prepayment of the Certificates” herein).

The Certificates are offered when, as and if issued, subject to prior sale, to withdrawal or to modification of the offer without notice and to the delivery of an unqualified approving opinion by Gilmore & Bell, P.C., Wichita, Kansas, as Special Tax Counsel, and other conditions. Certain matters will be subject to approval by Zackery Reynolds, Esq., Fort Scott, Kansas as counsel for the College. It is expected that the Certificates will be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about January 5, 2022.

**BIDS WILL BE ACCEPTED ON BEHALF OF
FORT SCOTT COMMUNITY COLLEGE BY:
RANSON FINANCIAL GROUP, LLC
ON DECEMBER 13, 2021 UNTIL 10:00 A.M. CST
AT 200 W. DOUGLAS, SUITE 600
WICHITA, KANSAS 67202**

PHONE: (316) 264-3400 ~ FAX: (316) 265-5403 ~ EMAIL: bids@ransonfinancial.com

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE PRELIMINARY OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. “APPENDIX C - SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS PRELIMINARY OFFICIAL STATEMENT.

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$1,455,000*

**FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS**

LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022

**Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Security Bank of Kansas City, Kansas City, Kansas, As Trustee**

MATURITY SCHEDULE*

SERIAL CERTIFICATES

Stated Maturity <u>April 1</u>	Principal <u>Amount*</u>	Annual Rate of <u>Interest</u>	Price or <u>Yield</u>	CUSIP ⁽¹⁾ <u>Base: 348627</u>
2022	\$145,000	____%	____%	
2023	140,000	____%	____%	
2024	140,000	____%	____%	
2025	145,000	____%	____%	
2026	145,000	____%	____%	
2027	145,000	____%	____%	
2028	145,000	____%	____%	
2029	150,000	____%	____%	
2030	150,000	____%	____%	
2031	150,000	____%	____%	

[TERM CERTIFICATES

Stated Maturity <u>April 1</u>	Principal <u>Amount*</u>	Annual Rate of <u>Interest</u>	<u>Yield</u>	CUSIP⁽¹⁾ <u>Base: 348627</u>
2031	\$	____%	____%]

(all plus accrued interest, if any)

⁽¹⁾ CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a subsidiary of The McGraw-Hill Companies, Inc, and is included solely for the convenience of the Owners of the Certificates. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

* Subject to change.

\$1,455,000*
FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS
LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022
Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Trustee

BOARD OF TRUSTEES

John Bartelsmeyer, Chairperson
Robert Nelson, Vice Chairperson
Dave Elliot, Board Member
Jim Fewins, Board Member
Kirk Hart, Board Member
Bill Meyer, Board Member
Juley McDaniel, Board Clerk

COLLEGE STAFF

Alysia Johnston, College President
Julie Eichenberger, Vice President of Finance and Operations
Adam Borth, Vice President of Academic Affairs
Tom Havron, Vice President of Students/Director of Athletics
Janet Fancher, Vice President of Student Services

COLLEGE ATTORNEY

Zackery Reynolds, Esq.
Fort Scott, Kansas

SPECIAL TAX COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

TRUSTEE

Security Bank of Kansas City
Kansas City, Kansas

FINANCIAL ADVISOR

Ranson Financial Group, LLC
Wichita, Kansas

UNDERWRITER

* Subject to change.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OF "BLUE SKY" LAWS. THE CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE CERTIFICATES AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS PRELIMINARY OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS PRELIMINARY OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE COLLEGE FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COLLEGE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

No dealer, salesman or other person has been authorized to give any information or to make any representation, other than the information contained in this Preliminary Official Statement, in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorized by the College, or the Underwriter. The information in the Preliminary Official Statement, and no sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the College or others since the date thereof. This Preliminary Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the College and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The delivery of the Preliminary Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

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\$1,455,000*
FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS
LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022
Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Trustee

INTRODUCTION

This Preliminary Official Statement, including its cover page and Appendices, is furnished in connection with the offering and sale of \$1,455,000* aggregate principal amount of Lease Purchase Agreement Certificates of Participation, Series 2022 (the "Certificates") evidencing ownership of proportionate interests in, and rights to receive certain payments under that certain Lease Purchase Agreement, dated as of January 5, 2022 the "Lease" or "Lease Purchase Agreement"), entered into between Security Bank of Kansas City, Kansas City, Kansas (the "Trustee" and "Lessor"), acting as fiduciary for the owners of the Certificates, and Fort Scott Community College, Bourbon County, Kansas (the "College" and the "Lessee"). The Certificates are being executed and delivered pursuant to a Declaration of Trust, dated as of January 5, 2022 (the "Declaration of Trust"), made by the Trustee. The net proceeds from the sale of the Certificates will be used to finance the acquisition and installation of certain artificial turf surfacing for the existing baseball and softball fields (the "Project"), all as more fully described under the caption "THE PROJECT".

The Certificates are payable (except to the extent payable from the proceeds of the Certificates and income from the investment thereof) solely from Basic Rent Payments to be paid by the College under the Lease for use of the Project. and, to the extent received by the Trustee, Net Proceeds of certain insurance policies or proceeds from the liquidation of interest or enforcement of claims in connection with the Project. The Basic Rent Payments constitute a special obligation of the College payable from revenues of the College, including, if necessary, ad valorem taxation. Neither the Certificates nor the Lease give rise to a general obligation or other indebtedness of the College, the State of Kansas, or any other political subdivision thereof within the meaning of any constitutional or statutory debt limitation or provision. The College will have the option to purchase the Trustee's title and interest in the Project at the end of the Lease Term. PURSUANT TO K.S.A. 71-201, THE TERM OF THE LEASE EXTENDS TO APRIL 1, 2031. THE OBLIGATION OF THE COLLEGE TO PAY BASIC RENT PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION. THE LEASE IS SUBJECT TO CHANGE OR TERMINATION AT ANY TIME BY ACT OF THE KANSAS LEGISLATURE (see "RISK FACTORS AND INVESTMENT CONSIDERATIONS"). Upon termination of the Lease prior to the end of its term, the Certificates will be payable from the proceeds of the liquidation by the Trustee of the Project together with certain monies, if any, held by the Trustee under the Declaration of Trust, and any monies available therefor may be less than the principal amount of the Certificates outstanding and interest thereon. A prospective purchaser of the Certificates described herein should be aware that any such investment is subject to certain risks associated with the Certificates which must be recognized. Reference is made to the discussion herein under the heading "RISK FACTORS AND INVESTMENT CONSIDERATIONS."

The Trustee does not have any obligation to make, and will not make, any payment from the Trustee's own funds on the Certificates or pursuant to the Lease.

This Preliminary Official Statement contains a description of the Certificates, the Lease and the Declaration of Trust. Reference is made to the discussion herein under the heading "DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS" for the definitions of certain terms used in such documents and in this Preliminary Official Statement. These descriptions do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the approved form of such documents, which documents are available at the principal offices of the College or Trustee.

THE CERTIFICATES

General

The Certificates are executed and delivered in the total aggregate principal amount of \$1,455,000*, bear a Dated Date of January 5, 2022, and mature on April 1 (the "Principal Payment Dates"), commencing April 1, 2022, in the years and principal amounts as shown on the inside cover of this Official Statement. The Interest Portions of Basic Rent Payments represented by the Certificates accrue from the Dated Date and shall be payable semiannually on April 1 and October 1 (the "Interest Payment Dates") of each year commencing April 1, 2022, until the Certificates are paid in full. The Certificates are issued in fully registered form without coupons in denominations of \$5,000 or integral multiples thereof not exceeding the principal amount of the certificates maturing on any Principal Payment Date.

The principal of the Certificates will be payable in lawful money in the United States of America at maturity upon presentation of the Certificates to the Trustee. The Interest Portions of Basic Rent Payments represented by the Certificates will be payable in lawful money in the United States of America by check or draft of the Trustee mailed to the registered owners thereof whose names appear on the

* Subject to change.

registration books as of the 15th day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the "Record Date").

While the Certificates remain in book-entry form, payments to Beneficial Owners (as defined herein) are governed by the rules of DTC as described in the section "BOOK-ENTRY ONLY SYSTEM" herein. In the event that DTC ceases to act as securities depository for the Certificates, payment may be made as described below. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Certificates.

Source and Security for Payment

Each Certificate evidences ownership of a proportionate interest in, and rights to receive certain payments under, the Lease. The Trustee is acting in a fiduciary capacity as both Lessor (under the Lease) and Trustee (under the Declaration of Trust). The Trustee agrees to hold and exercise its rights to receive Basic Rent Payments and other monies under the Lease in trust solely for the benefit of the Certificate Owners.

The payments due on the Certificates are to be made by the Trustee from the Basic Rent Payments paid to it by the College pursuant to the Lease, from the proceeds of the sale of the Certificates (including that amount collected as accrued interest), and from certain investment proceeds earned from the investment of monies being held in the various trust funds, as hereinafter described.

The Basic Rent Payments constitute a special obligation of the College payable from revenues of the College, including ad valorem taxes. Neither the Certificates nor the Lease give rise to a general obligation or other indebtedness of the College, the State of Kansas, or any other political subdivision thereof within the meaning of any constitutional or statutory debt limitation or provision. The College intends to make the Basic Rent Payments from revenues generated by the College and other monies otherwise lawfully available therefore, including ad valorem taxes. The College has represented in the Lease that it will to the extent permitted by state law, and subject to other terms and conditions of the Lease, budget a sufficient amount annually to permit the College to discharge all of its obligations under the Lease.

The College is obligated for the term of the Lease to maintain insurance as more fully described under "DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS- THE LEASE-- Insurance."

NEITHER THE CERTIFICATES NOR THE LEASE GIVE RISE TO A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE COLLEGE, THE STATE OF KANSAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR PROVISION. THE OBLIGATION OF THE COLLEGE TO PAY BASIC RENT PAYMENTS CONSTITUTES AN OBLIGATION FOR WHICH THE COLLEGE HAS OBLIGATED ITSELF TO LEVY TAXATION, IF NECESSARY, AND IS NOT SUBJECT TO ANNUAL APPROPRIATION

Transfer and Exchange

While the Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under the section "BOOK-ENTRY ONLY SYSTEM" herein. In the event that DTC ceases to act as securities depository for the Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Certificates are to be kept by the Trustee, as registrar. Upon surrender for transfer of any Certificate at the principal corporate trust office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and deliver in the name of the transferee a new Certificate of the same maturity or maturities, interest rate and tenor as the Certificates surrendered. Certificates may be exchanged at the principal corporate trust office of the Trustee for an equal aggregate principal amount of Certificates of the same maturity or maturities, interest rate and tenor as the Certificate surrendered. All Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee shall not be obliged to make any such exchange or transfer of Certificates between any Record Date and any succeeding Interest Payment Date, nor during the period from the 15 days next preceding the giving of notice of redemption through the subject redemption date.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE CERTIFICATES, THE TRUSTEE SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See "THE CERTIFICATES – Book-Entry Certificates; Securities Depository."

Book-Entry Certificates: Securities Depository

The Certificates shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Certificates, except in the event the Trustee issues Replacement Certificates. It is anticipated that during the term of the Certificates, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Certificates to the Participants until and unless the Trustee authenticates and delivers Replacement Certificates to the Beneficial Owners as described in the following paragraphs.

- (a) If the College determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Certificates being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Certificates; or
- (b) If the Trustee receives written notice from Participants having interest in not less than 50% of the Certificates Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Certificates being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Certificates, then the Trustee shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver Replacement Certificates to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the College, with the consent of the Trustee, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Certificate. Upon the issuance of Replacement Certificates, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Replacement Certificates. If the Securities Depository resigns and the College, the Trustee or Owners are unable to locate a qualified successor of the Securities Depository, then the Trustee shall authenticate and cause delivery of Replacement Certificates to Owners, as provided herein. The Trustee may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Certificates. The cost of printing, registration, authentication, and delivery of Replacement Certificates shall be paid for by the College.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the College may appoint a successor Securities Depository provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of a Certificate or Certificates for cancellation shall cause the delivery of the Certificates to the successor Securities Depository in appropriate denominations and form as provided in the Declaration of Trust.

Prepayment Provisions

The Certificates shall be subject to prepayment and redemption prior to the stated maturity thereof, as follows:

- (a) *Prepayment in the Event of Damage, Destruction, Condemnation, and Certain Other Events.* The Certificates are callable for prepayment and redemption prior to maturity in whole or in part, at a prepayment price of 100% of the Principal Portion of Basic Rent represented thereby, plus the Interest Portion of Basic Rent accrued to the prepayment date, in the event that (A) any of the Project is substantially damaged or destroyed, or taken in a condemnation proceeding (other than condemnation by the College), or title to or the use of substantially all of the Project shall be lost by reason of a defect in title thereto, or if, as a result of changes in the Constitution of Kansas or legislative or administrative action by the State or the United States, the Lease terminates or becomes unenforceable, and (B) the College exercises its option to prepay Rent Payments under the Lease (See “DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – THE LEASE –Damage, Destruction, and Condemnation”).
- (b) *Optional Prepayment.* At the option of the College, the Certificates maturing on April 1, 2029, and thereafter, may be prepaid prior to maturity on April 1, 2028 and thereafter, as a whole or in part at any time, at the prepayment price of 100% of the Principal Portion of Basic Rent Payments being prepaid, plus Interest Portions of Basic Rent Payments to the prepayment date.

[(c) *Mandatory Prepayment.* The Certificates that evidence Principal Portions of Basic Rent payable to Certificate Owners on April 1, 20__ shall be subject to mandatory prepayment on April 1, 20__, and on each April 1 thereafter, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Certificates being prepaid plus the Interest Portion of Basic Rent accrued thereon to the Prepayment Date, as follows:

<u>Principal Amount</u>	<u>Prepayment Date</u>
\$	*

*Final Certificate Maturity]

Selection of Certificates for Partial Prepayment.

Whenever provision is made in the Declaration of Trust for partial prepayment of Certificates, those not previously paid or called for prepayment shall be selected for prepayment upon instructions from the College in such equitable manner as the Trustee determines. In selecting portions of Certificates for prepayment, the Trustee shall treat each Outstanding Certificate as representing the number of Certificates which is obtained by dividing the Principal Portion of such Certificate by the authorized denomination.

Partial Prepayment of a Certificate

Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the College, a new Certificate or Certificates of authorized denomination equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the College and the Trustee shall be released and discharged from all liability to the extent of such payment.

Notice of Prepayment

When prepayment is authorized or required, the Trustee shall give notice, at the expense of the College, of the prepayment of the Certificates. Such notice shall specify (i) that the Certificates or a designated portion thereof are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, and (iv) the prepayment price. Such notice shall further state that the prepayment price shall become due and payable, together with accrued interest, and that from and after the prepayment date interest shall cease to accrue.

Notice of such prepayment shall be given by mailing prepayment notices to the Owners of the Certificates designated for prepayment at their addresses appearing on the Certificate Register at least thirty (30) days but not more than sixty (60) days prior to the prepayment date.

So long as the book-entry only system is used for the Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC which affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See "BOOK-ENTRY ONLY SYSTEM" herein.

Effect of Notice of Prepayment

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, shall be held by the Trustee and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, Interest Portions of Basic Rent Payments represented by Certificates shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the benefit of the Owners of Certificates to be so prepaid.

[THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company ("DTC", New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be issued for each scheduled maturity of the Certificates, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of

Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the College as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the College or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the College, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the College or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Certificates in connection with an

optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the College or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

11. The College may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that College believes to be reliable, but the College takes no responsibility for the accuracy thereof.]

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "Rule"), requiring continuous secondary market disclosure. In connection with the issuance of the Certificates, the College will enter into a continuing disclosure undertaking (the "Disclosure Undertaking") wherein the College covenants to annually provide certain financial information and operating data (collectively the "Annual Report") and other information necessary to comply with the Rule, and to transmit the same to the MSRB. Pursuant to the Disclosure Undertaking, the College has agreed to file its Annual Report with the national repository ("EMMA") not later than the end of the ninth month after the end of the College's Fiscal Year, commencing with the year ending June 30, 2021. In the Lease, the College covenants with the Underwriter and the Beneficial Owners of the Certificates to apply the provisions of the Disclosure Undertaking to the Certificates. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Certificates.

The College has previously entered into disclosure undertakings pursuant to the Rule (the "Prior Undertakings"). In certain prior years, the College has failed to file its Annual Report within the time period prescribed by the Prior Undertakings. The College's filings for such years are set forth on the table below.

Fiscal Year Ending June 30	Filing Time Period (Days/Date)	Financial Information Filing Date	Operating Data Filing Date
2016	180 - 12/27/2016 ⁽¹⁾ 180 - 12/27/2017 ⁽¹⁾ 12/31/2017 ⁽²⁾	02/03/2017 ⁽⁴⁾	02/13/2017 ⁽⁴⁾
2017	03/31/2017 ⁽³⁾ 180 - 12/27/2018 ⁽¹⁾ 12/31/2018 ⁽²⁾	01/03/2018 ⁽⁵⁾	01/18/2018 ⁽⁵⁾
2018	03/31/2018 ⁽³⁾ 180 - 12/27/2019 ⁽¹⁾ 12/31/2019 ⁽²⁾	12/26/2018	12/27/2018
2019	03/31/2019 ⁽³⁾ 12/31/2020 ⁽²⁾	01/07/2020 ⁽⁶⁾	01/07/2020 ⁽⁶⁾
2020	03/31/2020 ⁽³⁾	12/31/2020	12/29/2020

⁽¹⁾ Filing requirements for the College's Lease Purchase Agreement Certificates of Participation, Series 2010 which issue was refunded in 2019 and no longer outstanding.

⁽²⁾ Filing requirements for the College's Lease Purchase Agreement Certificates of Participation, Series 2017A and Equipment Lease Purchase Agreement Refunding Certificates of Participation, Series 2017B.

⁽³⁾ Filing requirements for the College's Lease Purchase Agreement Certificates of Participation, Series 2019.

⁽⁴⁾ A notice of failure to file on time was submitted December 27, 2016.

⁽⁵⁾ A notice of failure to file on time was submitted December 27, 2017.

⁽⁶⁾ A notice of failure to file on time was submitted December 27, 2019.

In 2014, the College entered into a service agreement providing assistance on the College's future submissions.

For more information regarding the College's continuing disclosure undertaking, see "APPENDIX D--FORM OF DISCLOSURE UNDERTAKING."

SOURCES AND USES OF FUNDS

It is contemplated that funds used in the transaction financed with the proceeds of the Certificates will be derived and applied approximately as follows:

Sources of Funds:	
Certificate Proceeds*	\$1,455,000.00
Total Sources of Funds	\$
Uses of Funds:	
Deposit to Project Fund	
Underwriter's Discount	
Cost of Issuance	_____
Total Uses of Funds	\$

* Subject to change.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE CERTIFICATES DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE CERTIFICATES WHICH MUST BE RECOGNIZED. THE FOREGOING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE CERTIFICATES. PROSPECTIVE PURCHASERS OF THE CERTIFICATES SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE COLLEGE OR THE FINANCIAL ADVISOR.

Security for the Certificates

Neither the Certificates nor the interest thereon constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by the State of Kansas or any governmental subdivision, agency or instrumentality. The Certificates and the interest thereon are payable solely and only from the Trust Estate and sources identified pursuant to the Declaration of Trust, including the revenues received by the Trustee from the Basic Rent Payments paid during the term of the Lease together with monies attributable to Certificate proceeds and the investment thereof and, under circumstances, the proceeds of subletting, sale of property, insurance or condemnation awards received pursuant to the Declaration of Trust and not from any other fund or source. The obligations of the College under the Lease, however, are not subject to annual appropriation under the Kansas Cash Basis Law and K.S.A. 71-201. As such, the obligation of the College to make Basic Rent Payments under the Lease is a special, limited obligation for which the College can, if necessary, levy ad valorem taxation

The College is required under the Lease to pay Basic Rent Payments to the Trustee from any source of legally available funds, including ad valorem taxes, and has covenanted in the Lease to make the necessary appropriations within the parameters of the Lease for such purpose. The Kansas Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State, including changes related specifically to community college taxing districts. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes or successful challenges to the appraiser's determination of fair market value could affect the College's property tax collections. If a taxpayer valuation challenge is successful, the liability of the College to refund property taxes previously paid under protest may have a material impact on the College's financial situation. See "APPENDIX A – FINANCIAL INFORMATION – Property Valuations and Property Tax Levies and Collections."

Termination of Lease

The Lease is subject to change or termination at any time by action of the Kansas Legislature. The Lease may also be terminated by reason of the occurrence of an Event of Default as defined in the Lease. See "APPENDIX C--DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS- THE LEASE - Events of Default."

Results of a Termination of the Lease

The termination of the Lease caused by action of the Kansas Legislature or default by the College will relieve the College from any further obligation under the Lease. In the Event of Default, the College may remain liable for certain deficiencies in the payment of amounts due under the Lease. Upon termination the College is required to surrender possession of the Project to the Trustee, subject to the Site Lease. Thereafter, the Trustee may enforce its interest in the Project subject to the Lease by either reletting or disposing of its

interest. See “APPENDIX C--DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS –THE LEASE – Events of Default” for a discussion of the results of a default. The Proceeds therefrom along with other monies then held by the Trustee under its Declaration of Trust (with certain exceptions as provided in the Lease and the Declaration of Trust) are required to be used to redeem the Certificates. See “THE CERTIFICATES-Redemption Provisions.” **THERE ARE NO ASSURANCES THAT THE TRUSTEE'S INTEREST IN THE PROJECT WOULD HAVE ANY VALUE IF THE LEASE IS TERMINATED.**

A potential purchaser of the Certificates should not assume that it will be possible to liquidate the Trustee's interest in the Project after a termination of the Lease or enforce a monetary judgment against the College for an amount equal to the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon. If the Certificates are redeemed subsequent to a termination of the Lease Term for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial redemption may have the effect of constituting a redemption in full of the Certificates; and upon such a partial redemption, no Certificate Owner shall have any further claim for payment upon the Trustee or the College.

Special Tax Counsel has rendered no opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to any Certificate subsequent to a termination of the Lease Term. If the Lease Term is terminated, there is no assurance that the Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

In addition, Special Tax Counsel has rendered no opinion as the treatment for federal income tax purpose of any monies received by an Owner of the Certificates subsequent to a termination of the Lease Term. There is no assurance that any monies received by the holders of the Certificates subsequent to such event will be excludable from federal income taxation.

Taxation of Interest

An opinion of Special Tax Counsel will be obtained to the effect that Interest Portion of Basic Rent Payments represented by the Certificates is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the Interest Portion of Basic Rent Payments represented by the Certificates includable in gross income for federal income tax purposes.

The College has covenanted in the Lease, and in other documents and certificates to be delivered in connection with the issuance of the Certificates to comply with the provisions of the Code, including those which require the College to take or omit to take certain actions after the issuance of the Certificates. Because the existence and continuation of the excludability of the Interest Portion of Basic Rent Payments represented by the Certificates depends upon events occurring after the date of issuance of the Certificates, the opinion of Special Tax Counsel described under “TAX MATTERS” assumes the compliance by the College with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Special Tax Counsel with respect to the excludability of the Interest Portion of Basic Rent Payments represented by the Certificates in the event of noncompliance with such provisions. The failure of the College to comply with the provisions described above may cause the Interest Portion of Basic Rent Payments represented by the Certificates to become includable in gross income as of the date of issuance of the Certificates.

Limited Value of the Project

Because the Project consists of facilities designed for use by the College, and the Project is subject to the Site Lease, the value of the Project to anyone other than the College may be limited in the event of default or the termination of the Lease. The Project has been designed and constructed for special use purposes and therefore the number of entities that could be expected to use the Project is limited. **A PROSPECTIVE PURCHASER OF THE CERTIFICATES SHOULD NOT ASSUME THAT IT WILL BE POSSIBLE TO RELET THE PROJECT OR SELL THE TRUSTEE'S INTEREST IN THE PROJECT, AFTER A TERMINATION OF THE LEASE.**

Premium on Certificates

[The initial offering price of the Certificates that are subject to optional redemption are in excess of the respective principal amounts thereof.] Any person who purchases a Certificate in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Certificates are subject to redemption at par under the various circumstances described herein.

No Additional Interest or Mandatory Redemption upon Taxability

The Declaration of Trust and Lease do not provide for the payment of additional interest or penalty on the Certificates or the mandatory redemption thereof if the Interest Portion of Basic Rent Payments represented by the Certificates becomes includable in gross income for federal income tax purposes. Likewise, the Declaration of Trust, Lease and Equipment Lease do not provide for the payment of any additional interest or penalty on the Certificates if the Interest Portion of Basic Rent Payments represented by the Certificates becomes includable in gross income for Kansas income tax purposes.

Kansas Public Employees Retirement System

As described in “**APPENDIX A - FINANCIAL INFORMATION CONCERNING THE COLLEGE--Defined Benefit Pension Plan,**” the College participates in the Kansas Public Employees Retirement System (“KPERs”), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERs administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The College participates in the Public Employees Retirement System – State/School Group (the “Plan”). Under existing law, employees make contributions and the State makes all employer contributions to the Plan; the College is not responsible for supplemental contributions or any unfunded accrued actuarial liability (“UAAL”). According to KPERs’ Valuation Reports, KPERs had an aggregate UAAL of approximately \$8.047 billion in calendar year 2019 and approximately \$7.562 billion in calendar year 2020, of which approximately \$6.545 billion (2019) and approximately \$6.143 billion (2020) was attributable to the State/School Group. No assurance can be given by the College that future legislative action may require College contributions to the Plan or mandated College responsibility for a portion of the UAAL.

Suitability of Investment

The tax-exempt feature of the Certificates is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Certificates are an appropriate investment.

Certificate Rating

The Certificates are **not** rated and no application has been made for a rating.

Secondary Market

There is no assurance that a secondary market will develop for the purchase and sale of the Certificates. The absence of continuing disclosure of financial or other information pertaining to the College may impair the development of a secondary market for the Certificates and could impair the ability of an owner to sell the Certificates in the secondary market. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Certificates as a result of financial condition or market position of broker-dealers, prevailing market conditions, lack of adequate current financial information about the College, or a material adverse change in the financial condition of the College, whether or not the Certificates are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices.

Possible Insufficiency of Casualty Insurance Proceeds.

The Project is to be insured by policies of casualty and property damage. In the event of damage to or destruction of the Project, the Net Proceeds from such insurance policies or certain other sources may not be sufficient to repair or replace the Project.

Cybersecurity Risks

Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the College and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If a security breach occurs, the College may incur significant costs to remediate possible injury to the affected persons, and the College may be subject to sanctions and civil penalties. Any failure to maintain proper functionality and security of information systems could interrupt the College’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

Natural Disasters or Terrorist Attacks

The occurrence of a terrorist attack in the College, or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the College and its systems and infrastructure, and interrupt services or otherwise impair operations of the College.

Global Health Emergency

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state and local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The Governor of the State has issued various Executive Orders in response to the COVID-19 pandemic, including Executive Orders temporarily preventing foreclosures and evictions, deferring certain tax deadlines and payments, instituting a temporary State-wide stay-at-home (expired as of May 2020), and instituting a mask mandate which granted each county the right to opt out of such order.

The COVID-19 pandemic could result in increased costs to the College and/or negative impacts on the collection of property taxes (a primary source of revenue for the College, including for repayment of the Certificates) within the College due to increased payment delinquencies or disruption of the collection or distribution of property taxes. All such factors could have a material adverse effect on the College's operations and financial condition. As of the date hereof, the College has not experienced material adverse changes relative to its adopted budget with regard to expenditures or receipt of revenues. To date, the Issuer has received approximately \$5,085,000 of funds through the Coronavirus Aid, Relief, and Economic Security Act.

State and local governmental authorities continue efforts to contain and limit the spread of COVID-19. Future revenue collections, including property tax collections that are essential to repayment of the Certificates, may deviate from historical or anticipated levels.

The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. The College is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the College.

THE PROJECT

The proceeds of the Certificates will be used for (1) finance the acquisition and installation of certain artificial turf surfacing for the existing baseball and softball fields (the "Project") and (2) to pay the associated costs of issuance for the Certificates.

ABSENCE OF LITIGATION

At the present time there is no controversy, suit or other proceedings of any kind pending or threatened whereby any question is raised or may be raised questioning or affecting in any way the legal organization of the College or the legality of any official act shown to have been done in the Transcript of Proceedings leading up to the issuance of the Certificates, or the constitutionality or validity of the indebtedness represented by the Certificates shown to be authorized in said Transcript, or the validity of the Certificates or any of the proceedings in relation to the issuance or sale thereof, or the levying and collection of taxes to pay the principal and interest thereof.

LEGAL MATTERS

Approval of Certificates

All matters incident to the authorization and issuance of the Certificates are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas ("Special Tax Counsel"). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the College and its certified public accountants, as referred to herein. Special Tax Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE CERTIFICATES," "LEGAL MATTERS," "TAX MATTERS" and "APPENDIX C – DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS." Payment of the legal fee of Special Tax Counsel is contingent upon the delivery of the Certificates. Certain legal matters have been passed on for the College by Zackery Reynolds, Esq., Fort Scott, Kansas.

TAX MATTERS

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Certificates in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Certificates.

Opinion of Special Tax Counsel

In the opinion of Special Tax Counsel, under the law existing as of the issue date of the Certificates:

Federal Tax Exemption. The Interest Portion of Basic Rent Payments paid by the College and distributed to the registered owners of the Certificates [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

Alternative Minimum Tax. The Interest Portion of Basic Rent Payments paid by the College and distributed to the registered owners of the Certificates is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The College's obligation to pay the Basic Rent Payments under the Lease that is distributable to owners of the Certificates is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

Kansas Tax Exemption. The Interest Portion of Basic Rent Payments paid by the College and distributed to the registered owners of the Certificates is exempt from income taxation by the State of Kansas.

No Other Opinions. Special Tax Counsel's opinions are provided as of the date of the original issue of the Certificates, subject to the condition that the College comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that said Interest Portion of Basic Rent Payments be, or continue to be, excluded from gross income for federal income tax purposes. The College has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Portion of Basic Rent Payments represented by the Certificates in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Lease and Certificates.

Other Tax Consequences

[Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Certificate over its issue price. The stated redemption price at maturity of a Certificate is the sum of all payments on the Certificate other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Certificate is generally the first price at which a substantial amount of the Certificates of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Certificate during any accrual period generally equals (1) the issue price of that Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Certificate during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

[Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Certificate over its stated redemption price at maturity. The stated redemption price at maturity of a Certificate is the sum of all payments on the Certificate other than "qualified stated interest" (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Certificate is generally the first price at which a substantial amount of the Certificates of that maturity have been sold to the public. Under Code § 171, premium on tax-exempt obligations amortizes over the term of the Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Certificate prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.]

Sale, Exchange or Retirement of Certificates. Upon the sale, exchange or retirement (including redemption) of a Certificate, an owner of the Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Certificate (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Certificate. To the extent the Certificates are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Certificates, and to the proceeds paid on the sale of Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer

identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Certificates should be aware that ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Certificates, including the possible application of state, local, foreign and other tax laws.

RATINGS

The Issuer has **not** applied for a rating on the Certificates herein offered for sale.

FINANCIAL ADVISOR

Ranson Financial Group, LLC, Wichita, Kansas, has acted as Financial Advisor to the College in connection with the sale of the Certificates. The Financial Advisor is a "municipal advisor" as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Financial Advisor has participated in the preparation of this Preliminary Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the College for the purpose of passing upon the accuracy or completeness of this Preliminary Official Statement. The Financial Advisor's fee is contingent upon the actual issuance and delivery of the Certificates.

UNDERWRITING

The Certificates have been sold at public sale by the Issuer to [_____] (the "Underwriter") on the basis of lowest net interest cost. [] bids were received by the Issuer. The Underwriter has agreed, subject to certain conditions, to purchase the Certificates at a price equal to the principal amount of the Certificates, plus accrued interest from the Dated Date to the Issue Date[, plus a premium of \$_____], less an underwriting discount of \$_____].

The Certificates will be offered to the public initially at the prices determined to produce the yield set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

TRUSTEE

Security Bank of Kansas City has been appointed Trustee under the Declaration of Trust. Its principal corporate trust office for this transaction is located in Kansas City, Kansas. The Trustee has accepted the duties and responsibilities imposed upon it by the Declaration of Trust, which duties and responsibilities are limited to those expressly set forth therein and in the Lease. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and, if appropriate, upon advice of counsel (which may be counsel for the Trustee or the College). Trustee may resign by an instrument in writing delivered to the College to take effect not earlier than 45 days after its delivery. If the College is not in default under the Lease, the College may remove the Trustee. The successor Trustee shall be a state or national trust company or bank having the powers of a trust company and being duly authorized to execute trust powers having a corporate trust office in the State, in good standing in the State, having a combined capital and surplus of at least ten million dollars (\$10,000,000), and subject to supervision and examination by federal or state authority. Such successor Trustee shall be subject to the same duties and obligations and shall have the same rights, privileges and immunities as are specified in the Declaration of Trust for the Trustee. The Trustee shall be entitled to payment or reimbursement for reasonable fees for reasonable fees, charges, advances and expenses.

The Trustee is not liable for the payment of Basic Rent Payments, and the Owners have no right to look to the Trustee for any payments of the Certificates or for any other payments other than from funds held under the Declaration of Trust.

MISCELLANEOUS

The reference herein to the Declaration of Trust, Lease and other documents referred to in this Preliminary Official Statement are brief summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents.

The agreement of the Trustee and the College with the owners of the Certificates is fully set forth in the Declaration of Trust and the Lease, and neither any advertisement of the Certificates nor this Preliminary Official Statement is to be construed as constituting an agreement with the purchasers of the Certificates. So far as any statements are made in this Preliminary Official Statement involving matters of opinion, estimates, projections or forecasts, whether or not expressly stated as such, they are not to be construed as representations of fact. Copies of the documents mentioned under this caption are on file at the office of the Financial Advisor and, following delivery of the Certificates, will be on file with the Trustee, the College and the Underwriter.

The Appendices attached hereto are an integral part of this Preliminary Official Statement and must be read together with all of the foregoing statements.

AUTHORIZATION OF PRELIMINARY OFFICIAL STATEMENT

The preparation of this Official Statement and its distribution has been authorized by the College. This Official Statement is approved by the governing body of the College as of the date on the cover page hereof.

**FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS**

Chairperson

\$1,455,000*
FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS
LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022
Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Trustee

Appendix A

INFORMATION CONCERNING THE COLLEGE

* Subject to change.

Appendix A

GENERAL INFORMATION CONCERNING THE COLLEGE

History and General Information

Fort Scott Community College (the "Issuer" or the "College") is a publicly supported, not-for-profit two-year college. The College encompasses a service area of three middle counties along the eastern Kansas border with Missouri. The main campus is located in the city of Fort Scott, on a 147-acre campus. Established in 1919, FSCC is the oldest community college in Kansas. Student population has grown from the first class of 17 students to approximately 2,325 full- and part-time students with an enrollment this past year of 34,553 credit hours.

In 1967, Fort Scott Junior College was legally separated from the Fort Scott public school system pursuant to a law enacted in 1965 by the Kansas State Legislature and became a community college. A bond issue was passed in 1966 to build a new college campus. Construction of the new community college was begun in the summer of 1966 and was completed in the summer of 1967. The buildings were occupied for the first time in September 1967.

Locations

The main campus of the College is located at 2108 S. Horton in Fort Scott, Kansas. Fort Scott, the county seat of Bourbon County (the "County"), is located in east central Kansas at the intersection of U.S. Highways 54 and 69. The College's Taxing District (the "District") is contiguous with the boundaries of the County and includes all of the county, the cities of Fort Scott, Bronson, Fulton, Mapleton, Redfield, Uniontown, and other cities located within the County. The population of the City of Fort Scott, Kansas is estimated to be 7,552 and the population of the County is estimated to be 14,360.

College Facilities

The 147-acre main campus in Fort Scott presently includes the Academic Building, Cosmetology Building, Administration Building, Cleaver/Boileau/Burris Hall (the "Agriculture Building"), the Ag Technology buildings, Arnold Arena, Rodeo and Welding buildings, parking lots, athletic and physical education practice fields, a lake, walking trail, community soccer, softball and baseball fields, two student dormitories, and the Ellis Family Fine Arts Center.

The College's School of Cosmetology moved into a newly remodeled building on campus in summer 2014. Off-campus classes are offered at approximately 13 local high schools in our service area. There are two off-campus centers located in Pittsburg, Kansas and Paola, Kansas as well as a career and technical location offering classes to high school students in each area. Environmental technology classes are offered throughout eastern Kansas on site at water and wastewater plants.

Bailey Hall houses most of the classrooms and laboratories, along with the library, print shop and faculty offices.

The Cleaver/Boileau/Burris Hall houses the Agriculture program which was recently remodeled and a new 3,000 square foot addition was added. This building now houses 2 classrooms, a laboratory/classroom a large meeting area with kitchen facilities, a conference room, and offices. Each classroom and meeting area has been updated with the latest in technology.

The Dick Hedges Administration Building is a tri-level building which serves a multi-purpose role with administrative offices, the cafeteria, bookstore, and classrooms. A three-story dormitory adjoins the building on the north side.

The Vocational Buildings includes three buildings. Ag Technology training (John Deere) occupies two of these buildings, which were remodeled in 2017. Also, an additional large metal facility to accommodate work on combines and other large pieces of equipment was added. On this site the third building, which was also remodeled in 2017, includes our welding program.

The Student Union features a student lounge, coffee shop area, and access to tutoring services and staff.

Arnold Arena is home to Fort Scott's Greyhound athletics, including Men's and Women's Basketball and Volleyball, along with coach's offices, athletic administration, classroom facilities and athletic training

The existing dormitories provide quality affordable housing for approximately 220 students.

The College recently purchased the Garrison Apartments which will have an additional 40 students.

The College's healthcare programs such as CNA, EMT, and nursing are located in the Burke Street building in Fort Scott.

Other Attendance Locations

The College has a Miami County Campus (MCC) located approximately 65 miles north of the main campus and approximately 35 miles east of Ottawa, Kansas. MCC serves students from several surrounding counties. Approximately 130 students attend MCC each semester.

MCC offers all Fort Scott Community College Associate Degrees and offers a variety of transfer-oriented programs as well as workforce training programs in Environmental Water Technologies, Construction Trades, Welding, and Criminal Justice. In addition, many students attend MCC to complete transfer requirements or prerequisite coursework in health-related programs such as nursing.

MCC appeals to commuter students living around the Kansas City area. Schedule options include morning, afternoon, early evening and night classes. MCC provides support services to the College's online program which offers all required courses for a two-year degree. Many students combine online coursework with Miami County on-campus courses to round out their schedule. MCC also serves the local area high schools including Osawatomie, Paola, and Louisburg. With this partnership, junior and senior high school students are able to take college level classes for college credit.

Classes offered at MCC and all outreach sites follow the College's agreements with Regents schools and area universities to ensure transferability. Academic advisors are available to help student develop their degree plan and semester schedules. Fort Scott Community College also has a location in Pittsburg, Kansas. These locations offer a variety of workforce training programs. Those include Harley Davidson Motorcycle technology, construction trades, masonry, welding, and cosmetology.

The College offers classes at 18 other outreach centers in the service area (including area high schools).

Board of Trustees and Administration

The College is operated by the Board of Trustees (the "Board") consisting of six members, elected for staggered terms of four years and serving without compensation. The Chairperson is elected by the Board from among its members for a term of one year and has no regular administrative duties. The following table sets forth the names of the current members of the Board as of the date of this report are as follows:

<u>Board Members</u>	<u>Name</u>	<u>Term Expires</u>
Chairperson	John Bartelsmeyer	12/31/2021
Vice Chairperson	Robert Nelson	12/31/2022
Board Member	Dave Elliot	12/31/2022
Board Member	Jim Fewins	12/31/2022
Board Member	Kirk Hart	12/31/2022
Board Member	Bill Meyer	12/31/2022
College Attorney	Zackery Reynolds, Esq.	N/A
Clerk	Juley McDaniel	N/A

The Board appoints the President, who is the chief executive officer of the College. The current President is Alysia Johnston, who was appointed President in 2015.

Other principal staff members and their current position follows:

Alysia Johnston	President
Julie Eichenberger	Vice-President of Finance and Operations
Adam Borth	Vice-President of Academic Affairs
Tom Havron	Vice-President of Students/Director of Athletics
Janet Fancher	Vice-President of Student Services

Faculty/Employees

The College employs 217 full-time and part-time faculty and staff. The College faculty has outstanding academic credentials and their years of teaching and industry experience contribute to top quality instruction. At the College, the student-teacher ratio is 16:1, which ensures small classes and close contact with faculty.

Accreditation of the College

The College is fully accredited by the North Central Association of Colleges and Secondary Schools and the Kansas State Board of Education. Accreditation has been awarded through 2026. The College is a member of the American Association of Community Colleges, the Council of North Central Junior Colleges and the Kansas Association of Community Colleges.

The College has entered into articulation agreements with baccalaureate degree programs at the University of Kansas, Pittsburg State University, Emporia State University, Kansas State University, Wichita State University, Washburn University and Fort Hays State University. As well as articulation agreements with all the community colleges.

Ten-Year Enrollment and Credit Hour Summary

Enrollment at the College since 2012 is shown below.

Academic Year	Fall Semester		Spring Semester		Total Credit Hours	FTE
	Full-Time	Part-Time	Full-Time	Part-Time		
2021-2022	880	830	N/A	N/A	17,998 ⁽¹⁾	1,200 ⁽¹⁾
2020-2021	729	888	693	731	34,553	1,151
2019-2020	870	957	702	832	38,072	1,269
2018-2019	883	985	717	888	38,760	1,292
2017-2018	847	945	717	888	36,954	1,232
2016-2017	854	1,018	707	913	36,231	1,208
2015-2016	811	947	649	1,061	39,811	1,327
2014-2015	918	898	756	963	42,296	1,410
2013-2014	992	969	825	989	45,434	1,514
2012-2013	960	944	827	998	45,519	1,517

⁽¹⁾ Fall semester only.

The College provides a variety of financial aid for students in the form of scholarships, grants, loans and part-time employment. Approximately 80% of the College's students enrolled in six credit hours or more annually receive some type of financial aid from Federal, State, College and private sources.

Tuition

For school year 2020/2021, tuition and fees per credit hour are as follows:

Residency	Tuition	General	
		Fees	Total
Bourbon County	\$ 47	\$55	\$102
In – State (Outside of the County)	62	55	117
Regional ⁽¹⁾	62	55	117
Out-of-State	62	55	117
International	128	55	183
Kansas high school students ⁽²⁾	50	55	105

⁽¹⁾ Includes residents from Arkansas, Colorado, Missouri, Nebraska, and Oklahoma.

⁽²⁾ Applies to high school students outside of Bourbon County.

Curriculum Description

The College's degree programs are designed for students who plan to transfer to a four-year college or university to complete a bachelor's degree, for students who plan to enter the job market immediately after completing the programs and for students who wish to continue their education on a short-term basis. The College offers two-year curricula leading to the Associate of Arts, Associate of Science, Associate of Applied Science, and Associate of General Studies Degrees. The minimum requirements for each degree include completion of 62 semester hours.

Following is a summary of the programs offered at the College:

Associate of Arts

Liberal Studies

Associate of General Studies

Liberal Studies (AGS)

Associate Of Science

Liberal Studies (AS)

Certificate

Business Computer Science (C)

Cosmetology (C)

Criminal Justice (C)

Environmental Water Technology(C)

Farm and Ranch Management (C)

Heating, Air Conditioning, & Refrigeration (C)

Manicurist (C)

Masonry Certificate Program (C)

Welding Certificate Program (C)

Associate of Applied Science

Agriculture Technology (AAS)

Construction Trades (AAS)

Cosmetology (AAS)

Criminal Justice (AAS)

Distributive Education/Mid-Management (AAS)

Environmental Water Technologies (AAS)

Farm, Ranch Management (AAS)

Heating, Air Conditioning & Refrigeration

Motorcycle Service Technology (AAS)

Nursing (AAS)

Technical Studies (AAS)

Other Educational Facilities

Unified School District No. 234 is headquartered in Fort Scott and has a full-time equivalent enrollment of 1,779 and operates one elementary school, one middle school and one high school.

Unified School District No. 235 is headquartered in Uniontown and has a full-time equivalent enrollment of 458 and operates one elementary school and one junior/senior high school.

The following universities or colleges offering bachelor's or advanced degrees are also located in the region:

<u>Name</u>	<u>Location</u>	<u>Distance from College (in Miles)</u>	<u>Estimated Enrollment (FTE)</u>
Pittsburg State University	Pittsburg	30	7,400
Missouri Southern State University	Joplin, MO	39	5,122
Allen Community College	Iola, KS	44	1,432
Northeastern Oklahoma A&M College	Miami, OK	67	2,075
Baker University	Baldwin City, KS	71	2,752
Mid-American Nazarene University	Olathe, KS	72	2,158

Student Health Facilities

No health facilities are located on the campus of the College. Community Health Center (CHC) an income based clinic, is located in Fort Scott, and provides numerous physicians and surgeons to the community and the College. Via Christi Health from Pittsburg, Kansas also provides emergency room services to the community and College students.

Recreational, Cultural and Religious Facilities Available to Students

At the College, many opportunities are offered to participate in extracurricular activities. Student activities include cookouts, movie nights, open gym nights, and intramural sports. Students are encouraged to get involved in a variety of clubs and organizations such as

Student Government, President's Ambassadors, Phi Theta Kappa, Fine Arts Club, Student Nursing Organization, Christians on Campus, STEM Club, and activities such as drama, music, art, and spirit squad.

Each spring the College hosts the nationally recognized Gordon Parks Photography Contest. Entries are received from all over the United States and from outside the Country. The College is a major player also in the hosting of several community events held annually (historical re-enactment weekends at the Fort, Good Ol' Days, Pioneer Harvest Fiesta and several regional ball tournaments).

A wide variety of cultural and entertainment options are available to residents at the Fort Scott National Historic Site, Bourbon County Fairgrounds and Gordon Parks Museum. There are 13 sites registered with the Kansas Historical Society located within the County, of which 11 are located in or around the City of Fort Scott.

The County has recreational activities available through LaRoche Baseball Complex, one theater, one golf courses, a public swimming pool, a disc golf course, one skate park, public parks that feature playground equipment, ball fields, picnic facilities, including shelter houses, summer recreational programs, and many different clubs and other organizations. Fort Scott Campgrounds are located just north of the city.

The County has 23 churches that serve the local communities.

FINANCIAL INFORMATION CONCERNING THE COLLEGE

Community colleges in the State of Kansas finance their operations through student tuition, auxiliary operations, student fees, and a property tax levy, as well as State aid.

Under K.S.A. 71-601 et seq. and K.S.A. 71-1801 et seq., the community college state funding is on the basis of an annual operating grant and state aid from the State general fund, in an amount determined by the State Board of Education. The operating grant relates to students who are Kansas residents and to "non-tiered" course credit hours, with non-tiered describing courses that are not technical in nature, and are instead generally designed to contribute to academic knowledge or skills across multiple disciplines, such as mathematics, writing, humanities and sciences. The state aid relates to students who are Kansas residents and to "tiered technical" course credit hours, and is determined by considering (1) costs of high-demand, high-tech training, (2) target industries critical to Kansas, (3) program growth, (4) local taxing authority for credit-hours generated by students from the college taxing district and (5) other factors deemed necessary or advisable by the State Board of Education. The operating grant is distributed by method established by the State Board of Education, while the state aid is distributed on each August 1 and January 1, with one half of the aid being distributed on each of such dates.

The College maintains eight basic fund groups, consisting of 33 separately identifiable funds. All funds (the "Funds") are segregated for accounting purposes. In the current fiscal year, property taxes are levied for the general fund only.

Property tax revenues for each tax-supported Fund are set and a budget is adopted by the Board, after a public hearing. The Board then certifies the property tax revenues to the County Clerk not later than August 25. The County Clerk receives assessments of real and personal property from the County Assessor and certifies such assessments and the total levy for all purposes (state, county, city, school and other taxing jurisdictions) to the County Treasurer, who is charged with the levying and collection to taxes. See **"Property Tax Levies and Collections--Tax Collections"** for information regarding the property tax imposition and payment process.

Accounting, Budgeting and Auditing Procedures

The College follows an accrual basis of accounting for all tax supported funds of the College, including the General Fund and fiduciary funds.

The Kansas statues require the adoption of budgets for all funds on an 18-month basis unless exempted by a specific statute. Under state law, budgetary control is exercised at the fund level. Upon publishing appropriate notice, the Board conducts a public hearing to approve the budget. The College uses program-based budgeting for all governmental funds, except the Capital Projects Fund, in order to measure more accurately the results of educational programs. Budgets are prepared under the modified accrual basis of accounting, further modified by the encumbrance method of accounting in which purchase orders, contracts and commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation. Open encumbrances that do not lapse are reported as reservations of funds balances because the commitment will be honored through subsequent years; budget appropriations..

The College's fiscal year is mandated to run from July 1 to June 30. An annual budget for the coming eighteen months is required to be prepared by the College, for all funds not exempt from the budget requirement. A computation of estimated receipts and disbursements is prepared and presented to the governing body of the College prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of the College prior to August 25 of each year (or September 20 if the College must conduct a public hearing to levy taxes in excess of its revenue neutral rate described below).

The College may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the College and the assessed valuations provided by the County appraiser. In 2021, the Kansas Legislature passed legislation (the “Revenue Neutral Tax Act”) that repeals the “tax lid” (formerly K.S.A. 79-2925c) and provides that, beginning January 1, 2021, a taxing subdivision (which includes any political subdivision of the State that levies an ad valorem property tax, including the College) is not authorized to levy a property tax rate in excess of its revenue neutral rate without first providing notice, holding a public hearing, and authorizing such property tax rate by majority vote of its governing body (the “Revenue Neutral Tax Act”). The revenue neutral rate means the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year’s total assessed valuation.

The Revenue Neutral Tax Act provides that by June 15 of every year, each county clerk shall calculate the revenue neutral rate for each taxing subdivision in their respective county. If a taxing subdivision desires to levy a tax rate in excess of its revenue neutral rate, it must first publish notice of a public hearing and notify, by July 20, the county clerk of the taxing subdivision’s intent to exceed the revenue neutral rate. The county clerk is required to provide notice of the public hearing to each taxpayer with property in the taxing subdivision, along with following information concerning the taxing subdivision: (1) the revenue neutral rate, (2) the proposed property tax revenue needed to fund the proposed budget, (3) the proposed tax rate based on the proposed budget, (4) the tax rate and property tax of each taxing subdivision on the taxpayer’s property from the previous year’s tax statement, (5) the appraised value and assessed value of the taxpayer’s property, (6) estimates of the tax for the current tax year on the taxpayer’s property based on the revenue neutral rate of each taxing subdivision and any proposed tax rates that exceed the revenue neutral rates, (7) the difference between the estimates of tax based on the proposed tax rate and the revenue neutral rate. The public hearing regarding exceeding the revenue neutral rate is to be held between August 20 and September 20, and can be held in conjunction with the taxing subdivision’s budget hearing. If multiple taxing subdivisions within the county are required to hold a public hearing, the notices to the taxpayer can be combined into a single notice. After the public hearing, the taxing subdivision can approve exceeding the revenue neutral rate by a majority vote of its governing body, and the amount of tax to be levied must be certified to the county clerk by October 1. The taxing subdivision’s adopted budget shall not result in a tax rate in excess of its proposed rate stated in the notice provided to the taxpayers. If a taxing subdivision fails to comply with the requirements of the Revenue Neutral Tax Act, it shall refund to the taxpayers any property taxes over-collected based on the amount of the levy that was in excess of the revenue neutral rate.

The College cannot predict the impact of the Revenue Neutral Tax Act on any ratings on the Certificates, or the general rating of the College. A change in any rating on the Certificates or a change in the general rating of the College may adversely impact the market price of the Certificates in the secondary market.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the College are audited annually by a firm of independent certified public accountants in accordance with generally accepted accounting principles. In recent years, the annual audit has been performed by Diehl, Banwart, Bolton, Certified Public Accountants, PA, Fort Scott, Kansas. Copies of the audit reports for the past five (5) years are on file with the College and are available for review. The audit for the Fiscal Year ended June 30, 2020 is attached hereto as **APPENDIX B**.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith.

Property Valuations

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties under the direction of state statutes. The County Appraiser’s office determines the assessed valuation that is to be used as a basis for the mill levy on property located in the County.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall

be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The Kansas Legislature (the "Legislature") reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000.

The 2006 Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the College's property tax collections. If a taxpayer valuation challenge is successful, the liability of the College to refund property taxes previously paid under protest may have a material impact on the College's financial situation.

Assessed Valuation

The following table shows the assessed valuation of the taxable tangible property within the College taxing district for each of the last five years.

<u>Levy Year</u>	<u>Budget Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Other</u>	<u>Motor Vehicle Valuation</u>	<u>Equalized Assessed Valuation</u>
2020	2021	\$89,403,214	\$3,057,461	\$17,989,311	\$ 0	\$13,004,323	\$123,454,309
2019	2020	87,169,398	2,818,195	17,342,385	368,282	13,039,544	120,737,804
2018	2019	84,196,094	3,356,095	16,544,319	0	13,148,155	117,244,663
2017	2018	81,588,783	3,422,115	15,169,935	0	12,875,522	113,056,355
2016	2017	79,309,990	3,393,360	15,216,890	0	12,642,699	110,562,939

Source: County Clerk

Property Tax Levies and Collections

Tax Collections. Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

In recent months, a strain of coronavirus commonly known as SARS-CoV-2 has spread globally, causing a disease known as COVID-19, negatively affecting global, state, and local economies and possibly sparking a recession. Federal, State, and local officials are taking steps to curb the spread of the virus, including providing both discretionary and mandatory guidelines and orders regarding public gatherings, and imposing mandatory closings of some businesses. The State may suffer material adverse consequences from the continued spread of COVID-19, which could affect the amount of State-shared revenues appropriated to local government entities,

including the College. The spread of the virus could also reduce sales tax and other collections dependent on local business activity, which is likely to be slower, although the College does not currently anticipate a material effect on the extension and collection of property taxes. At this time, however, it is not possible to predict the full impact on the College and its finances.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

Tax Rates. The College may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the College and the assessed valuations provided by the County appraiser.

The tax levies per \$1,000 of the assessed valuation of tangible taxable property were as follows:

<u>Levy Year</u>	<u>Budget Year</u>	<u>General Fund</u>	<u>Employee Benefits</u>	<u>Capital Outlay</u>	<u>Vocational</u>	<u>Total</u>
2020	2021	29.322	0.000	0.000	0.000	29.322
2019	2020	29.391	0.000	0.000	0.000	29.391
2018	2019	29.155	0.000	0.000	0.000	29.155
2017	2018	29.389	0.000	0.000	0.000	29.389
2016	2017	29.400	0.000	0.000	0.000	29.400

Source: County Clerk

Sources of Revenue

The College finances its general operations through the local property tax levy, tuition, fees and other miscellaneous sources as indicated below for Fiscal Year 2020:

<u>Source</u>	<u>Percent</u>
<u>Operating Revenues</u>	
Student tuition and fees	17.16%
Federal grants and contracts	11.96%
Other	9.77%
Auxiliary	5.43%
State grants and contracts	4.74%
<u>Non-Operating Revenues</u>	
State appropriations	19.33%
Local taxes	16.02%
Pell grants	13.41%
Gifts	3.70%
Interest and fees on capital asset debt	-0.48%
Loss on refunding debt	-1.03%
Total	100.00%

Source: College's 2020 Audited Financial Statements

Tax Collection Record. The following table sets forth tax collection information (not including special assessments) for the College for the years indicated:

<u>Levy Year</u>	<u>Budget Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Percentage Collected</u>
2020	2021	\$3,243,684	\$3,000,120	92.49%
2019	2020	3,143,173	2,973,198	94.59%
2018	2019	3,038,153	2,863,561	94.25%
2017	2018	2,947,670	2,789,610	94.64%
2016	2017	2,878,855	2,761,025	95.91%

Source: County Clerk

Major Taxpayers. The following table sets forth the ten largest taxpayers in the District based on total assessed valuation in the most recent tax collection period (2020/21):

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxpayer</u>	<u>Taxes Levied</u>
1. Everage Kansas South, Inc.	\$6,045,043	1. Everage Kansas South, Inc.	\$1,069,550
2. BNSF	5,112,753	2. BNSF	870,191
3. Walmart Real Estate	2,421,775	3. Walmart Real Estate	485,251
4. Kansas Gas Service	1,564,261	4. Kansas Gas Service	297,373
5. Enbridge Pipelines (FSP), LLC	1,554,529	5. Valu Merchadiser Company	270,863
6. Ward-Kraft Inc.	1,354,970	6. Enbridge Pipelines (FSP), LLC	258,590
7. Valu Merchadiser Company	1,351,816	7. Ward-Kraft Inc.	257,405
8. Peerless Products Inc	1,133,270	8. Peerless Products Inc	226,513
9. Atmos Energy Corp	942,410	9. Atmos Energy Corp	164,277
10. Heartland Rural Electric	872,396	10. Heartland Rural Electric	141,876

Source: County Clerk

Risk Management

The College is exposed to various risks of loss from torts; cyber security, theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Defined Benefit Pension Plan

The College participates in the Kansas Public Employees Retirement System (“KPERS”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members each of whom serve four-year terms. The board of trustees appoints an executive director to serve as the managing officer of KPERS and manage a staff to carry out daily operations of the system.

As of June 30, 2020, KPERS serves approximately 325,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

(a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, 85% of which comes from the State General Fund. State legislation enacted in 2003 made certain pre-1962 Board employees (which are part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the State/School Group.

(b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the Local Group.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan’s qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a “contributory” defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. The College’s employees currently annually contribute 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009) or KPERS Tier 2 members (covered employment on or after July 1, 2009) or KPERS Tier 3 members (covered employment on or after January 1, 2015).

The State's contribution for school employees varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The State's contribution is 14.09% of the employee's gross salary for the period beginning July 1, 2021, through June 30, 2022, and is projected to change to 13.86% for the period beginning July 1, 2022, through June 30, 2023. In addition, the College contributes 1% of the employee's gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2019 (the "2019 Valuation Report") the KPERS School Group, of which the College is a member, carried an unfunded accrued actuarial liability ("UAAL") of approximately \$5.582 billion at the end of 2019. The amount of the UAAL in 2019 changed from the previous year's amount due to the factors discussed in the 2019 Valuation Report; such report also includes additional information relating to the funded status of the KPERS School Group, including recent trends in the funded status of the KPERS School Group. A copy of the 2019 Valuation Report is available on the KPERS website at kpers.org/about/reports.html. The College has no means to independently verify any of the information set forth on the KPERS website or in the 2019 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS School Group. The 2019 Valuation Report sets the employer contribution rate for the period beginning July 1, 2022, for the KPERS School Group, and KPERS' actuaries identified that an employer contribution rate of 14.83% of covered payroll would be necessary, in addition to additional employer contributions of 0.68% for the period beginning July 1, 2021 (related to contribution reductions for the KPERS School Group approved by the Legislature), and statutory contributions by covered employees to eliminate the UAAL by the end of the actuarial periods set forth in the 2019 Valuation Report. Because the annual growth in employer contribution rates is limited by State law, the actual contribution rate permitted at the time of calculation was only 13.86%. As a result, members of the School Group are underfunding their projected actuarial liabilities and the UAAL can be expected to grow over time. KPERS' actuaries project the required employer contribution rate to increase by the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter, until such time as the permitted rate equals the actuarial rate.

The College is required to implement GASB 68 – Accounting and Financial Reporting for Pensions. KPERS produces a Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (the "GASB 68 Report") which provides the net pension liability allocated to each KPERS participant, including the College. The GASB 68 Report is available on the KPERS website at kpers.org/about/reports.html. The College has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State law, the College has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

COLLEGE'S AUTHORITY TO INCUR DEBT

Estimated Actual Valuation ⁽¹⁾	\$81,277,018
Equalized Assessed Valuation of Tangible Valuation for Computation on Bonded Debt Limitations ⁽²⁾	\$123,454,309
Legal limitation of Bonded Debt ⁽³⁾	\$3,703,629
Outstanding general obligation debt as of January 5, 2022.....	\$0
Population (2020 estimated)	14,360
Direct general obligation debt per capita.....	\$0
Ratio of direct general obligation debt to equalized assessed valuation	0.00%
Underlying and overlapping debt	\$60,609,574
Direct and overlapping debt.....	\$60,609,574
Direct and overlapping debt per capita.....	\$4,221
Direct & overlapping debt as a percentage of equalized assessed valuation.....	49.09%
Direct & overlapping debt as a percentage of estimated actual valuation.....	74.57%

⁽¹⁾ Estimated based upon an average assessment ratio of 16%.

⁽²⁾ Includes motor vehicle valuation.

⁽³⁾ Pursuant to K.S.A. 71-201.

Overlapping/Underlying General Obligation Indebtedness

The following table sets forth overlapping and underlying general obligation indebtedness and the percent attributable (on the basis of assessed valuation) to the College taxing district as of January 5, 2022:

<u>Jurisdiction</u>	<u>2020 Assessed Valuation</u>	<u>General Obligation Debt Outstanding</u>	<u>Percent Applicable To the College</u>	<u>Amount Applicable To the College</u>
Bourbon County	\$110,449,986	\$ 6,679,400	100.00%	\$ 6,679,400
U.S.D. No 234	87,968,850	38,330,000	100.00%	38,330,000
U.S.D. No 235	18,823,628	2,500,000	99.91%	2,497,845
U.S.D. No 248	44,047,770	18,275,000	0.20%	35,744
U.S.D. No 346	59,357,567	5,960,000	6.05%	360,324
City of Bronson	624,634	290,723	100.00%	290,723
City of Fort Scott	47,103,033	11,880,000	100.00%	11,880,000
City of Fulton	568,588	15,299	100.00%	15,299
City of Mapleton	268,253	0	100.00%	0
City of Redfield	200,634	85,800	100.00%	85,800
City of Uniontown	896,078	434,439	100.00%	434,439
TOTAL				\$60,609,574

Several cities and water districts have issued utility revenue bonds which are paid from receipt of the utility service being sold. Several cities have also issued industrial revenue bonds which are paid by the industry for which the bonds are issued. Revenue bonds are not considered a general obligation indebtedness under Kansas law and are not included in the total stated herein for underlying indebtedness.

Source: County Clerk

DEBT STRUCTURE OF THE COLLEGE

GENERAL OBLIGATION BONDS

As of January 5, 2022, the College had no outstanding General Obligation Bonds.

**CERTIFICATES OF PARTICIPATION OBLIGATIONS
(As of January 5, 2022)**

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Certificates of Participation	2017A	06/01/2037	\$ 930,000	\$ 795,000
Certificates of Participation	2017B	12/15/2025	1,355,000	695,000
Certificates of Participation	2018	05/01/2029	270,000	210,000
Refunding Certificates of Participation	2019	02/01/2032	2,005,000	1,845,000
Certificates of Participation ⁽¹⁾	2022	04/01/2031	1,455,000	<u>1,455,000</u>
TOTAL				\$5,000,000

⁽¹⁾ This Issue and subject to change.

REVENUE BOND OBLIGATIONS

As of January 5, 2022, the College had no outstanding revenue bond obligations.

**CAPITAL LEASE OBLIGATIONS
(As of January 5, 2022)**

<u>Purpose</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Fine Arts Building	2015	09/15/2035	\$2,766,451	\$2,171,614

LOAN OBLIGATIONS

As of January 5, 2022, the College had no loans outstanding.

Debt Payment Record

The College has never in its history defaulted on the payment of any of its debt or lease obligations.

Future Indebtedness

The College from time to time will lease small equipment and such leases may or may not have a purchase option in accordance with the terms of said lease. Periodically, the College reviews all its outstanding debt obligations for refunding opportunities and will complete issues as needed when sufficient savings can be achieved. Other than the potential projects detailed above, the College does not have plans to issue any additional debt at this time.

REGIONAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION REGARDING THE COLLEGE DISTRICT

General

Bourbon County, Kansas (the "County") occupies approximately 637.1 square miles in southeast Kansas. The county seat is the City of Fort Scott.

The economy of the County is diversified among agricultural, manufacturing, wholesale, retail and service industries.

Transportation

The County is served by U.S. Highways 54 and 69.

Regularly scheduled air service is available at Dwight D. Eisenhower Airport, Wichita, Kansas and at Kansas City International Airport, Kansas City, Missouri.

Population Trends

The following table shows the approximate population of the County and the City of Fort Scott in the years indicated:

<u>Year</u>	<u>County Population</u>	<u>City Population</u>
2020	14,360	7,552
2019	14,534	7,697
2018	14,653	7,765
2017	14,754	7,813
2016	14,617	7,773

Source: Kansas Statistical Abstract

Labor Force

The following table sets forth labor force figures for the County and the State of Kansas:

BOURBON COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2020	6,747	6,367	380	5.6%
2019	6,723	6,439	284	4.2%
2018	7,120	6,822	298	4.2%
2017	6,860	6,551	309	4.5%
2016	7,125	6,764	361	5.1%

STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2020	1,497,013	1,409,003	88,010	5.9%
2019	1,493,675	1,446,453	47,222	3.2%
2018	1,482,220	1,432,387	49,833	3.4%
2017	1,478,791	1,425,217	53,574	3.6%
2016	1,485,350	1,425,419	59,931	4.0%

Currently, the Kansas Department of Labor estimates an unemployment rate of 4.6% for the County and 4.0% for the State of Kansas for the month of August 2021.

Source: Kansas Statistical Abstract (2016 – 2020 data); Kansas Department of Labor (August 2021 estimate)

Retail Sales Tax Collections

The following table lists the County's state sales tax collections over a five-year period.

<u>Year</u>	<u>Sales and Use Tax Collections</u>	<u>Per Capita Sales and Use Tax</u>
2020	\$12,359,701	\$804.74
2019	11,477,672	794.52
2018	11,730,421 ⁽¹⁾	663.23 ⁽¹⁾
2017	9,451,399 ⁽¹⁾	659.65 ⁽¹⁾
2016	9,608,938 ⁽¹⁾	636.28 ⁽¹⁾

⁽¹⁾ Use tax collections not included.

Source: Kansas Statistical Abstract

Effective July 1, 2015, the statewide sales and use tax was increased from 6.15% to 6.50%.

Oil Production

The oil production (in number of barrels) for the County for the years listed is indicated in the following table:

<u>Year</u>	<u>Oil Production</u>
2020	52,616
2019	56,442
2018	58,007
2017	56,609
2016	57,411

Source: Kansas Statistical Abstract (2016 -2019 data); Kansas Geological Survey (2020 data)

Financial Banking Institutions

There are currently six banks located in the County with nine different branch locations. During a five-year period, bank deposits of the County's banks are as follows:

<u>Year</u>	<u>Total Bank Deposits</u> (thousands of dollars)
2020	\$277,000
2019	254,000
2018	256,000
2017	294,000
2016	252,000

Source: Kansas Statistical Abstract

Personal Income Trends

The County personal and per capita income in addition to State of Kansas per capita income are listed for the years indicated, in the following table.

<u>Year</u>	<u>Bourbon County Personal Income (\$000)</u>	<u>Bourbon County Per Capita Income</u>	<u>State Per Capita Income</u>
2019	\$670,726	\$46,149	\$53,426
2018	625,635	42,697	51,471
2017	584,316	39,604	48,559
2016	572,600	39,174	47,228
2015	555,768	37,777	47,161

Source: Kansas Statistical Abstract

\$1,455,000*
FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS
LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022
Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Trustee

Appendix B

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

* Subject to change.

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

Financial Statements and
Independent Auditors' Report with
Supplementary Information and
Federal Compliance Section
For the Fiscal Year Ended June 30, 2020

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

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FORT SCOTT COMMUNITY COLLEGE
Fort Scott, Kansas

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis - This report consists of Management's Discussion and Analysis, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. This discussion provides an overview of the College's financial activities for the year ended June 30, 2020. The discussion provides current year data with comparable data from the previous fiscal year in accordance with Governmental Accounting Standards Board (GASB) Statements 34 and 35. Information presented focuses on the College as a whole.

The component unit section of the financial statements includes the financial data of the Fort Scott Community College Foundation Association. The component unit is reported separately to emphasize that it is legally separate from the College. None of the information from the component unit are included in the graphs and tables in this "Management's Discussion and Analysis". The economic resources received or held by the component unit are held almost entirely for the direct benefit of the College. The Fort Scott Community College Foundation Association was formed to promote and foster the educational purposes of the College, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the College. The Association acts largely as a fundraising organization, soliciting, receiving, managing and disbursing contributions on behalf of the College. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Association serves essentially as a conduit. Contributions that are not designated are used where the need is considered the greatest, as determined by the Association board of directors. The Association disbursed to, or on behalf of, the College for the year ended June 30, 2020, \$1,200,191. The Association can sue and be sued, and can buy, sell, or lease real property. Separate audited financial statements are prepared and are available at the Association, and can be requested through the Director of the Foundation Association. The Association is considered a component unit.

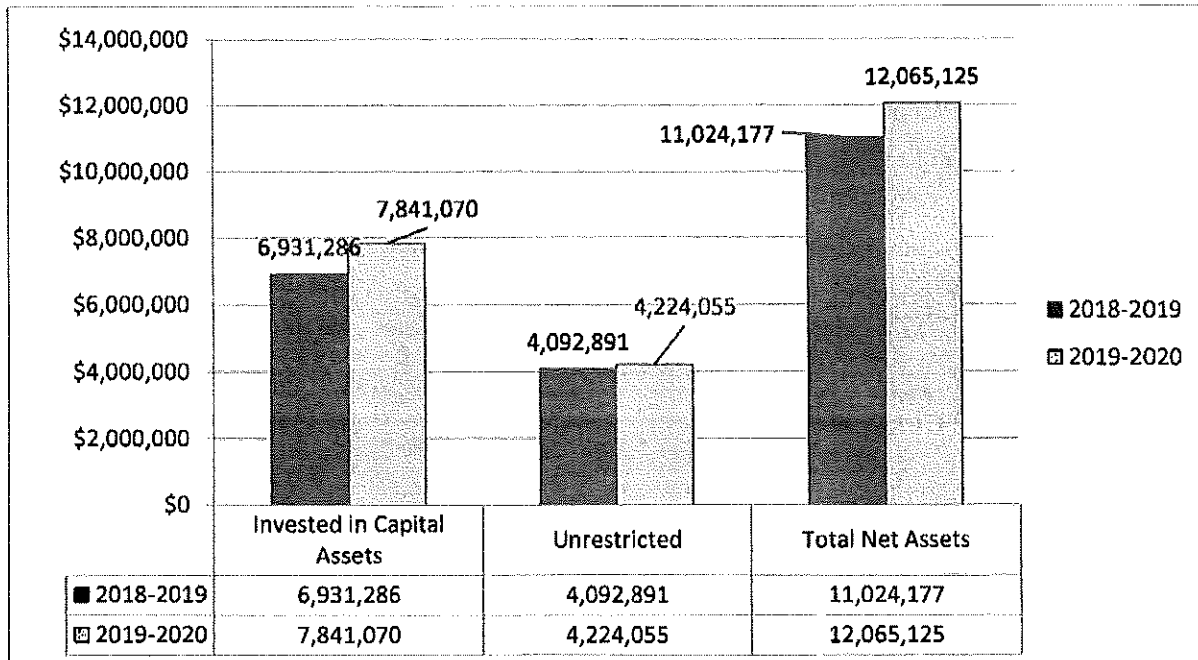
There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and, the Statement of Cash Flows.

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

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

Information presented allows readers to determine assets available to continue operations of the College, along with information of monies owed vendors/investors/lending institutions. The following chart provides a picture of net position and the availability for expenditure. Net position increased during the fiscal year ending June 30, 2020, by \$1,040,948 over the previous year.

Net Position



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

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

The following table summarizes the College's revenues, expenses, and changes in net position for the years ending June 30, 2019 and 2020.

Revenue, Expenses and Changes in Net Position

	<u>2018/2019</u>	<u>2019/2020</u>
Operating Revenue	\$10,532,892	\$10,280,082
Operating Expenses	\$ 20,056,662	\$19,919,247
Operating Loss	\$(9,523,770)	\$(9,623,165)
Non-operating Revenues and Expenses	\$ 9,941,623	\$10,680,113
Increase/Decrease in Net Position	\$ 417,853	\$ 728,825

Operating Revenues – Operating Revenues of \$10,280,082 decreased \$252,810 when compared to the prior year. The following table summarizes the College’s operating revenues for the years ending June 30, 2019 and 2020.

Operating Revenues		
	<u>2018/2019</u>	<u>2019/2020</u>
Tuition and Fees	\$ 3,625,789	\$ 3,596,013
Federal Grants and Contracts	\$ 2,147,563	\$ 2,505,796
State Grants and Contracts	\$ 978,415	\$ 992,944
Other	\$ 2,626,775	\$ 2,048,064
Auxiliary Enterprises	\$ 1,154,350	\$ 1,137,265
Total Operating Revenues	\$ 10,532,892	\$ 10,280,082

Increases in federal grants and contracts helped hold us steady as we experienced declines in tuition and fees, auxiliary and other revenues.

Operating Expenses- Operating Expenses of \$19,919,248 decreased \$137,415 compared to the prior year. The following table summarizes the College’s operating expenses for the years ended June 30, 2019 and 2020.

Operating Expenses		
	<u>2018/2019</u>	<u>2019/2020</u>
Instruction	\$ 9,100,999	\$ 9,126,821
Public Service	\$ 21,872	\$ 2,879
Academic Support	\$ 448,947	\$ 479,599
Student Services	\$ 2,847,994	\$ 2,862,749
Institutional Support	\$ 1,958,799	\$ 1,880,424
Operation and Maintenance	\$ 1,219,513	\$ 1,172,646
Scholarships and Awards	\$ 2,845,111	\$ 2,772,911
Auxiliary Enterprises	\$ 1,613,428	\$ 1,621,219
Total Operating Expenses	\$ 20,056,663	\$ 19,919,248

Non-Operating Revenues and Expenses- Non-operating revenues and expenses of \$10,680,113 increased \$738,490 when compared to the prior year. The following table summarizes the College's non-operating revenues and expenses for the years ended June 30, 2019 and 2020.

Non-operating Revenues and Expenses		
	<u>2018/2019</u>	<u>2019/2020</u>
State Appropriations	\$ 4,002,692	\$ 4,051,557
County Appropriations (local taxes)	\$ 3,359,278	\$ 3,357,475
Federal Pell Grants	\$ 2,851,719	\$ 2,810,319
Gifts	\$	\$ 776,065
Interest in capital assets debt/refunding	\$ (272,066)	\$ (315,303)
Total Non-operating Revenues and Expenses	\$ 9,941,623	\$ 10,680,113

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

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

The following summarizes the College's cash flows for the years ending June 30, 2016 through 2020. **Additional information is presented on page 5 of the audit report.**

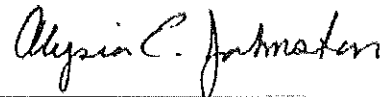
Cash and Cash Equivalents, End of Year					
	<u>2019/2020</u>	<u>2018/2019</u>	<u>2017/2018</u>	<u>2016/2017</u>	<u>2015/2016</u>
30-Jun	\$ 2,323,637	\$ 2,369,193	\$ 2,215,961	\$2,710,394	\$2,321,682

Capital Assets and Debt Administration-At June 30, 2020 the College had \$27,642,347 invested in capital assets which net of accumulated depreciation total to \$14,329,808. Depreciation charges for the current year total \$896,602 compared to \$923,607 in the prior year.

The outstanding long-term debt of the College includes four larger capital leases and three smaller capital leases totaling \$6,488,738 as of June 2020. Included is the Boileau Hall dorm constructed in 2002, major mechanical equipment replacements for energy efficiency, the Ellis Fine Arts Center, and the building addition for John Deere.

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

Credit Hour History				
<u>2019/2020</u>	<u>2018/2019</u>	<u>2017/2018</u>	<u>2016/2017</u>	<u>2015/2016</u>
38,072	38,074	37,025	36,265	38,868



Alysia Johnston
President
Fort Scott Community College

Diehl Banwart Boston

Certified Public Accountants PA

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Fort Scott Community College (College), Fort Scott, Kansas, which are comprised of the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the fiscal year then ended, and the related notes to the financial statements which collectively comprise the College's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Scott Community College as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The other schedules listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

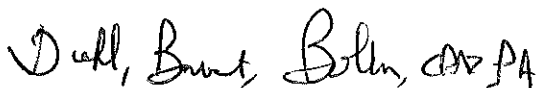
These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Prior Year Comparative Numbers

The 2019 actual column presented in the Schedule of Revenues, Expenditures and Changes in Unencumbered Cash - Budget and Actual (Legal Basis): All Budgeted Funds (Schedules 1 to 5 as listed in the table of contents), are also presented for comparative analysis and is not a required part of the 2019 financial statement upon which we rendered an unqualified opinion dated October 31, 2019. The 2019 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://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2019 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 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 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 2019 basic financial statement or to the 2019 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 2019 comparative information is fairly stated in all material respects in relation to the 2019 basic financial statement as a whole, on the basis of accounting described in Note 1.



DIEHL, BANWART, BOLTON, CPAs PA

December 22, 2020
Fort Scott, Kansas

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Statement of Net Position
June 30, 2020

	Primary Institution- College	Component Unit- Endowment Association
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,323,636.91	\$ 195,719.30
Receivables, net of allowance	3,083,935.14	-
Bookstore inventory	407,941.74	-
Total Current Assets	5,815,513.79	195,719.30
Noncurrent Assets		
Restricted Assets		
Endowment Association Investments	-	5,860,465.89
Change in Assets held for others in Charitable Remainder		
Trusts in excess of future liability for others	-	269,287.31
Capital assets, net of accumulated depreciation	14,329,807.81	-
Total Noncurrent Assets	14,329,807.81	6,129,753.20
 TOTAL ASSETS	 \$ 20,145,321.60	 \$ 6,325,472.50
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 773,934.45	\$ 64,645.25
Compensated Absences	168,725.00	-
Deposits Held in Custody for Others	648,799.10	-
Current Portion of Long-Term Liabilities	419,415.07	-
Total Current Liabilities	2,010,873.62	64,645.25
Noncurrent Liabilities		
Long Term Liabilities		
Capital Leases Payable	6,488,738.07	-
Less Current Portion included above	(419,415.07)	-
Total Noncurrent Liabilities	6,069,323.00	-
 TOTAL LIABILITIES	 8,080,196.62	 64,645.25
NET POSITION		
Invested in Capital Assets, Net of Related Debt	7,841,069.74	-
Net Assets without Donor Restrictions	-	218,684.05
Net Assets with Donor Restrictions	-	6,042,143.20
Unrestricted	4,224,055.24	-
TOTAL NET POSITION	12,065,124.98	6,260,827.25
 TOTAL LIABILITIES AND NET POSITION	 \$ 20,145,321.60	 \$ 6,325,472.50

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	Primary Institution- College	Component Unit- Endowment Association
REVENUES		
Student Tuition and Fees, net of scholarship Discounts and Allowances of \$700,294		
Student Tuition and Fees	\$ 3,596,012.84	\$ -
Federal Grants and Contracts	2,505,795.92	-
State Grants and Contracts	992,943.91	-
Other	2,048,064.65	-
Auxiliary Enterprises	1,137,264.95	-
Total Operating Revenues	10,280,082.27	-
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	9,126,820.85	-
Public Service	2,879.07	-
Academic Support	479,598.63	-
Student Services	2,862,748.62	-
Institutional Support	1,880,423.95	25,680.69
Operation and Maintenance	1,172,646.37	-
Scholarships and Awards	2,772,911.40	1,174,509.95
Auxiliary Enterprise	1,621,218.73	-
Total Operating Expenses	19,919,247.62	1,200,190.64
Net Operating Income (Loss)	(9,639,165.35)	(1,200,190.64)
Nonoperating Revenues (Expenses)		
State Appropriations	4,051,557.00	-
County Appropriations	3,357,475.22	-
Federal Pell Grants	2,810,319.33	-
Gifts	776,064.63	391,082.63
Investment Income (Loss)	-	125,394.18
Loss on refunding of debt	(100,000.00)	-
Interest on Capital Assets -- related debt	(215,303.25)	-
Net Nonoperating Revenue (Expenses)	10,680,112.93	516,476.81
Net Increase (Decrease) in Net Position Before Other Revenue and Expenses	1,040,947.58	(683,713.83)
Other Revenue and (Expenses)		
Additions to Permanent Endowments	-	195,368.04
INCREASE (DECREASE) IN NET POSITION	1,040,947.58	(488,345.79)
NET POSITION -- Beginning of Year	11,024,177.40	6,749,173.04
NET POSITION -- End of Year	\$ 12,065,124.98	\$ 6,260,827.25

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

FORT SCOTT COMMUNITY COLLEGE

FORT SCOTT, KANSAS

Statement of Cash Flows - Primary Institution - College

For the Fiscal Year Ended June 30, 2020

	Primary Institution- College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees	\$ 3,848,252.21
Federal Grants and Contracts	3,063,964.70
State Grants and Contracts	992,943.91
Sales and Services of Auxiliary Enterprises	1,137,264.95
Other	1,142,649.68
Payments on Behalf of Employees	(10,013,875.50)
Payments for Supplies and Materials	(4,706,255.97)
Payments for Other Expenses	(4,384,227.61)
Net Cash Provided by (Used in) Operating Activities	<u>(8,919,283.63)</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACITIVITIES	
State Appropriations	4,051,557.00
County Appropriations	3,357,475.22
Federal Pell Grants	2,810,319.33
Gifts for Fixed Assets	776,064.63
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>10,995,416.18</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Payments for Purchase of Fixed Assets	(1,521,734.00)
Proceeds from New Long Term Debt	2,005,000.00
Principal Paid on Long Term Debt	(2,289,651.23)
Interest Paid on Long Term Debt	(215,303.25)
Loss on Refunding of Debt	(100,000.00)
Net Cash Provided by (Used in) Financing Activities	<u>(2,121,688.48)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net (increase) decrease in assets held in trust for capital projects	-
Interest Earned on Investments	-
Net Cash Provided by (Used in) Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(45,555.93)
Cash and Cash Equivalents, Beginning of Year	<u>2,369,192.84</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,323,636.91</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (9,639,165.35)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	896,602.14
(Increase) Decrease in Accounts Receivable	(95,006.82)
(Increase) Decrease in Inventory	(59,354.93)
Increase (Decrease) in Accounts Payable	(112,663.71)
Increase (Decrease) in Compensated Absences & OPEB Obligation	(9,573.00)
Increase (Decrease) in Deposits Held for Others	99,878.04
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (8,919,283.63)</u></u>

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

FORT SCOTT COMMUNITY COLLEGE

FORT SCOTT, KANSAS

Statement of Cash Flows - Component Unit - Endowment Association

For the Fiscal Year Ended June 30, 2020

	Component Unit- Endowment Association
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Increase (Decrease) in Net Assets	\$ (488,345.79)
Adjustments to reconcile Net Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities	
(Gain) loss on investments sold	(120,434.19)
Unrealized (gain) loss on investments held	130,271.21
Amortization of present value of future liability pertaining to Charitable Remainder Trusts	(18,992.00)
Contributions restricted for Endowment	<u>(195,368.04)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(692,868.81)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash from investments sold or matured	1,458,916.33
Purchases of investments	<u>(1,153,229.48)</u>
Net Cash Provided by (Used in) Investing Activities	<u>305,686.85</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections from endowment contributions	<u>195,368.04</u>
Net Cash Provided by (Used in) Financing Activities	<u>195,368.04</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(191,813.92)
Cash and Cash Equivalents, Beginning of Year	<u>387,533.22</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 195,719.30</u></u>

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

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

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fort Scott Community College (College), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the College follow:

Financial Reporting Entity

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

Fort Scott Community College Foundation (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation was originally named the Fort Scott Community College Endowment Association. The name was changed in 2019. The Foundation acts primarily as a fund-raising organization to supplement funds to provide scholarships to students at the College and to provide other financial support to the College. The majority of the resources, or income thereon, that the Foundation holds and invests are restricted to the activities to the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College or its constituents, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

Basis of Accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Cash and Investments

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

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

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

Accounts Receivable and Deferred Revenue

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

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

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

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

Inventories

Inventories consist of books and supplies held for resale in the College’s book store and are valued at cost.

Budgetary Information

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Noncurrent Liabilities

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

Net Position

The College's net position is classified as follows:

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income Taxes

The College, as a political subdivision of the State of Kansas, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(C) (3) of the Internal Revenue Code.

It is not subject to income taxes except on unrelated business income. No unrelated business income tax has been paid in the current year.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales of services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) most Federal, state and local grants and contracts, and Federal appropriations.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues such as state appropriations, tax revenues, and investment income. Pell grant receipts are classified as nonoperating revenues and any amounts applied to student receivable accounts are recorded as scholarship discounts or allowances.

Scholarship Discounts and Allowances

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

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

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

In accordance with the above criteria the College has not accrued a liability for sick pay which has been earned but not taken inasmuch as the amount cannot be reasonably estimated. The liability for vacation pay totaled \$168,725, which is considered a long-term liability of the College, which is not to be paid from current resources.

Termination and Post Employment Benefits

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

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

Pension Plan

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

On-behalf Payments for Employee Benefits

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

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

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Primary Institution: College

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statute requires banks eligible to hold the College's funds have a main or branch bank in the county in which the Government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest rate risk.

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

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

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

At June 30, 2020 the College's carrying amount of deposits was \$2,323,636.91 and the bank balance was \$2,794,376.35. Although the bank balance was held by four banks, over 80% is held at one bank resulting in a concentration of credit risk. Of the bank balance, \$525,074.22 was covered by federal depository insurance, and \$2,259,302.13 was collateralized with securities totaling \$3,739,988.32 held by the pledging financial institutions' agents in the College's name.

Component Unit – Foundation

At year-end the carrying amount of the Foundation's deposits totaled \$195,719.30. Although cash deposits are sometimes in excess of limits insured by the Federal Deposit Insurance Corporation, the amount of credit risk to the Foundation is considered minimal.

4. INVESTMENTS

Primary Institution - FSCC:

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

There were no investments at June 30, 2020.

4. INVESTMENTS (Continued)

Component Unit – FSCC Foundation:

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

Investments at June 30, 2020 are held in Trust by a financial institution and are comprised of the following:

	<u>COST</u>	<u>MARKET</u>
Equity Securities	\$ 2,895,080.08	\$ 3,738,226.82
Fixed Income	1,543,584.52	1,619,312.70
Alternative Investments	223,377.10	226,098.02
Micellaneous	34,317.15	15,838.19
Cash and Cash Equivalents	260,990.16	260,990.16
	<u>\$ 4,957,349.01</u>	<u>\$ 5,860,465.89</u>

Investment income of the Foundation is comprised of the following:

Dividends and Interest	\$ 116,239.20
Realized gains (losses)	120,434.19
Unrealized gains (losses)	(130,271.21)
Change in value of CRAT	18,992.00
	<u>\$ 125,394.18</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The *Fair Value Measurements and Disclosures Topic* of the Financial Accounting Standards Board Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation utilizes certain assumptions that market participants would use in pricing the assets, including assumptions about risk and the risks inherent in the inputs to the valuation techniques. The inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The observability of the inputs used in the valuation techniques is the basis for determining the appropriate fair value hierarchy level.

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

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

4. **INVESTMENTS** (Continued)

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

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

The Foundations investments are reported at fair value as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and Debt Securities	\$5,583,637.54	\$260,990.16	\$ -	\$5,844,627.70
Insurance Policies	-	-	15,838.19	15,838.19
Total Assets at Fair Value	<u>\$5,583,637.54</u>	<u>\$260,990.16</u>	<u>\$15,838.19</u>	<u>\$5,860,465.89</u>

Changes in level 3 investments for the year ended June 30, 2020 were as follows:

		Insurance Policies
Balance June 30, 2019		\$ 15,838.19
Unrealized gain (loss)		-
Balance June 30, 2020		<u>\$ 15,838.19</u>

5. **ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2020, consisted of the amounts due as follows:

	<u>Primary Institution</u>
Accounts Receivable -	
Federal Grants	\$ 227,044.38
Tuition and fees	1,112,225.77
Other Receivables	<u>1,744,664.99</u>
Total Accounts Receivable	<u>\$ 3,083,935.14</u>

The College charges any uncollectible accounts directly to current revenues. Current year student tuition, fees, and auxiliary enterprises revenues have been reduced by \$171,014.05 for old receivables deemed uncollectible. All accounts at June 30, 2020 are considered fully collectible. Uncollectible amounts for unconditional promises to give to the Foundation are expected to be insignificant. Accordingly, no provision is made for uncollectible amounts.

6. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2020:

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2020</u>
<u>Capital Assets:</u>				
Land and Improvements	\$ 985,633.50	\$ -	\$ -	\$ 985,633.50
Building and Improvements	20,844,440.60	1,527,775.51	98,936.90	22,273,279.21
Furniture and Equipment	5,088,136.73	360,186.91	1,724,934.24	3,723,389.40
Vehicles and Trailers	604,742.19	55,302.50	-	660,044.69
Subtotal:	<u>27,909,141.62</u>	<u>1,943,264.92</u>	<u>1,823,871.14</u>	<u>27,642,346.80</u>
<u>Accumulated Depreciation:</u>				
Building and Improvements	9,513,954.09	564,504.31	73,131.21	10,005,327.19
Furniture and Equipment	4,116,577.79	318,069.41	1,715,397.61	2,719,249.59
Vehicles and Trailers	573,933.79	14,028.42	-	587,962.21
Subtotal:	<u>14,204,465.67</u>	<u>896,602.14</u>	<u>1,788,528.82</u>	<u>13,312,538.99</u>
Net Capital Assets	<u>\$13,704,675.95</u>	<u>\$1,046,662.78</u>	<u>\$ 35,342.32</u>	<u>\$14,329,807.81</u>

Depreciation expense was charged to the following functions:

Instruction	\$ 489,334.19
Academic Support	111,633.95
Institutional Support	53,827.97
Auxiliary	146,540.58
Student Support	95,265.45
	<u>\$ 896,602.14</u>

7. LONG-TERM DEBT

Long-term debt of the College consisted of the following as of June 30, 2020:

Capital Leases

Dormitory building refunding certificate of participation agreement lease, dated December 17, 2019 to refinance the dormitory lease purchase agreement issued in 2010, originally totaling \$2,585,000. The lease purchase agreement was refinanced on December 17, 2019 with a certificate of participation lease for \$2,005,000. The lease requires semi-annual lease payments of approximately \$200,000 thru 2032. Interest rates range from 1.6% to 2.3%, with the final principal due February 2032.

\$ 2,005,000.00

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

<p>Fine arts building lease purchase agreement, dated October 6, 2015 in the original amount of \$2,766,451. The lease requires semi-annual interest payments at 4.35% and annual principal payments for a total annual debt service payment of approximately \$206,000 per year. The agreement is scheduled to mature in September 2035 but can be paid off early beginning in September 2025. The agreement is secured by the fine arts building.</p>	<p>\$ 2,387,373.66</p>
<p>Equipment and furnishings for the Fine arts building lease purchase agreement, dated October 6, 2015 in the original amount of \$100,000. The lease requires semi-annual interest payments at 4.35% and annual principal payments for a total annual debt service payment of approximately \$7,400 per year. The agreement is scheduled to mature in September 2035 but can be paid off early beginning in September 2025. The agreement is secured by the equipment and furnishing in the fine arts building.</p>	<p>86,297.34</p>
<p>Baseball scoreboard lease purchase agreement, dated June 30, 2016 in the original amount of \$74,796. The lease requires annual payments of \$15,175 including interest at .72%, with a scheduled maturity in 2021. The agreement is secured by the scoreboard.</p>	<p>15,067.07</p>
<p>Building Capital Lease Purchase Agreement (COP 2017A), dated June 15, 2017 in the original amount of \$930,000.00. The proceeds were used to pay off a prior lease purchase agreement on the building and provide funds of \$750,000 for additional capital improvements on the building. The lease requires semi-annual interest payments of 4.04% interest and annual principal payments for a total annual debt service of approximately \$64,000 per year. The agreement is schedule to paid off in December 2037.</p>	<p>830,000.00</p>
<p>Building Capital Lease Purchase Agreement (COP 2017B), dated June 15, 2017 in the original amount of \$1,355,000.00. A portion of the proceeds were placed in a trust account to be used to pay off the equipment lease purchase agreement dated December 2016 in July 2017. The lease requires semi-annual principal and interest payments of 2.0 to 5.0% totaling approximately \$175,000 each year. The agreement is schedule to paid off in December 2025.</p>	<p>935,000.00</p>
<p>Greyhound Lodge Lease Purchase Agreement (COP 2018), dated June 12, 2018 in the original amount of \$270,000.00. The proceeds were used to refurbish lodging for College students. The lease requires semi-annual principal and interest payments of 2.5 to 5.0% interest totaling approximately \$30,000 each year with final payment due in 2029.</p>	<p><u>230,000.00</u></p>
<p>Total Long-Term Debt</p>	<p><u>\$ 6,488,738.07</u></p>

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

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2020:

Long Term Debt	Principal June 30, 2019	New Debt	Debt Paid	Principal June 30, 2020	Interest Paid
Capital Leases					
COPS 2017B	\$ 1,085,000.00	\$ -	\$ 150,000.00	\$ 935,000.00	\$ 24,487.50
COPS 2017A (JD Bd)	865,000.00	-	35,000.00	830,000.00	29,831.26
Fine Arts COPS 2015A	2,488,414.30	-	101,040.64	2,387,373.66	106,048.39
Fine Arts COPS 2016B	89,949.70	-	3,652.36	86,297.34	3,833.36
Dormitory Building	1,965,000.00	-	60,000.00	-	41,593.75
Paid with Refunding Issue	-	-	1,905,000.00		
2016 Equipment	30,025.30	-	14,958.23	15,067.07	216.49
Greyhound Lodge 2018	250,000.00	-	20,000.00	230,000.00	9,292.50
Dormitory Certificate of Participation Series 2019	-	2,005,000.00	-	2,005,000.00	
Total Long Term Debt	\$ 6,773,389.30	\$ 2,005,000.00	\$ 2,289,651.23	\$ 6,488,738.07	\$ 215,303.25

The bond principal and interest requirements are as follows:

Fiscal Year Ending June 30,	Capital Leases		
	Principal	Interest	Totals
2021	\$ 419,415.07	\$ 204,326.59	\$ 623,741.66
2022	499,211.00	186,530.21	685,741.21
2023	519,289.00	172,629.09	691,918.09
2024	529,594.00	158,354.64	687,948.64
2025	545,134.00	143,889.31	689,023.31
2026 to 2030	2,057,793.00	521,806.24	2,579,599.24
2031 to 2035	1,583,295.00	206,916.81	1,790,211.81
2036 to 2040	335,007.00	10,505.17	345,512.17
Totals	\$ 6,488,738.07	\$1,604,958.06	\$ 8,093,696.13

8. **DEFINED BENEFIT PENSION PLAN**

Plan Description: The College participates in the Kansas Public Employees Retirement System ("KPERS"), a cost-sharing multiple - employer defined benefit pension plan as 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. K.S. A. 74-4901 determines benefits provisions to statewide pension groups for State/School employees, Local employees, Police and Firemen, and Judges under one plan. Those employees participating in the pension plan for the College are included in the State/School employee group.

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

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's 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 chose 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 benefits 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.

Contributions: K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. 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. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

8. DEFINED BENEFIT PENSION PLAN (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 14.59% and 13.21% respectively, for the fiscal year ended June 30, 2019. The actuarially determined employer contribution rate and the statutory contribution rate was 16.15% and 14.41% for the fiscal year ended June 30, 2020.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64.13 million for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulated that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year. The first payment of \$6.4 million was received in July 2017, and appropriations for fiscal year 2018 were made for the state/school group at the statutory contribution rate of 12.01% for that year.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194.0 million for the fiscal year ended June 30, 2019. Section 56(19) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million per year.

2018 House Substitute for Senate Bill 109 provided for additional funding for KPERS School group. A payment of \$56 million was paid in fiscal year 2018. This bill also authorized a payment of \$82 million in fiscal year 2019.

2019 Senate Bill 9 authorized a payment of \$115 million for the KPERS School group.

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, 2019, the proportion recognized by the State of Kansas on behalf of the College was 0.004635%, which was a increase of 0.001961% from the proportion measured at June 30, 2018.

8. DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability: At June 30, 2019 and 2018, the proportionate share of the net pension liability recognized by the State of Kansas that was attributable to the College was \$9,006,151 and \$9,081,203 respectively.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions:

Price inflation	2.75%
Wage inflation	3.00%
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 adjustments to better match actual experience. Separate tables apply for males and females as well as each group (State, School, Local, KP&F, and Judges).

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 to December 31, 2015.

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 included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.85%
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)
	100.00%	

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, 2020, the College recognized revenue and pension expense in an equal amount of \$910,553.

9. OTHER POST RETIREMENT BENEFITS

Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

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

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

Funding policy: The College establishes and amends contribution requirements. The current funding policy of the College is to fund benefits on a pay-as-you-go basis. The total cost of the medical benefits is however, paid by the retirees. This arrangement does not qualify as other post-employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 75 for current GASB reporting. Retirees, who either meet the Rule of 85 or are age 55 with 15 years of service upon retirement, pay 100% of group insurance premiums to maintain coverage. Accordingly, the College does not record a OPEB cost or obligation.

Termination Benefits:

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

Twelve employees are eligible to receive benefits totaling \$34,842 as of June 30. These are not accrued as liabilities in the financial statements since payment is contingent upon the eligible employees announcing their intention to retire as stipulated in the College's early retirement program.

10. CONTINGENT LIABILITIES

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

11. **RISK MANAGEMENT**

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

12. **ADDITIONAL DISCLOSURES FOR THE FSCC FOUNDATION -
A COMPONENT UNIT**

SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

U.S. GAAP requires the Foundation to report information regarding its financial position and activities according to two classes of net position: net assets with donor restrictions and net assets without donor restrictions.

Contributions and Unconditional Pledges

U.S. GAAP specifies that contributions received are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. Restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Contributions Establishing Charitable Trusts

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

Investments

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

Pooled Investments

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

Net Assets with Donor Restrictions

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

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

SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Taxes

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

ENDOWMENT FUNDS

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

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

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

At June 30, 2020, the endowment net position composition by type of fund consisted of the following:

	Endowment Other	Endowment Principal	Endowment Totals
Endowment Funds			
Donor-restricted	\$ 1,205,464.13	\$ 4,186,681.09	\$ 5,392,145.22
Board-designated	-	-	\$ -
Totals	\$ 1,205,464.13	\$ 4,186,681.09	\$ 5,392,145.22

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

ENDOWMENT FUNDS (Continued)

For the year ended June 30, 2020, the changes in the endowment net position are as follows (in thousands):

	Endowment Other	Endowment Principal	Endowment Totals
Endowment Net Position,			
June 30, 2019	\$ 1,261,631.14	\$ 3,991,313.05	\$ 5,252,944.19
Investment Return:			
Investment and Dividends	80,407.03	-	80,407.03
Realized Gains (Losses)	83,824.44	-	83,824.44
Unrealized Gains (Losses)	(90,323.62)	-	(90,323.62)
Total Investment Return	73,907.85	-	73,907.85
Contributions	-	195,368.04	195,368.04
Expenses	(130,074.86)	-	(130,074.86)
Endowment Net Position,			
June 30, 2020	\$ 1,205,464.13	\$ 4,186,681.09	\$ 5,392,145.22

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In the absence of donor stipulations or law to the contrary, decreases in the value of investments of a donor-restricted endowment fund cannot reduce a permanently restricted fund to an amount below the historical gift value. Accordingly, any excess losses shall reduce temporarily restricted net position to the extent there is net appreciation on related funds with donor-imposed temporary restrictions. If there is no appreciation remaining in the temporary restricted net position, unrestricted net position must be reduced by the amount of deficiency. As of June 30, 2020, there were no deficiencies.

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

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

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

ENDOWMENT FUNDS - (Continued)

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

EXPENSES

The Foundation incurred the following expenses for the fiscal year ending June 30, 2020:

	<u>2020</u>
Program Services	
Scholarships	\$ 146,702.99
Payments to or for the College	<u>1,027,806.96</u>
	<u>1,174,509.95</u>
Support Services	
Consulting Fees	22,277.19
Office	<u>3,403.50</u>
	<u>25,680.69</u>
Total Expenses	<u>\$ 1,200,190.64</u>

LIQUIDITY AND AVAILABILITY

As shown in Note 14, Temporarily Restricted Endowment net assets are available for general expenditure in the next fiscal year. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	<u>2020</u>
Cash and cash equivalents	<u>\$ 195,719.30</u>
Investments without Donor Restrictions	<u>22,964.75</u>
Total Net Assets without Restrictions	<u>\$ 218,684.05</u>

CHANGE IN ACCOUNTING PRINCIPAL

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial statements of Not-for-Profit-Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these amended and restated consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented but did not have an effect on net assets.

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

CHANGE IN ACCOUNTING PRINCIPAL (Continued)

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Organization has adopted these provisions in the accompanying amended and restated consolidated financial statements.

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these amended and restated consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

13. **INTERFUND TRANSFERS**

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.

The following interfund transfers were recorded this fiscal year:

FROM	TO	AMOUNT
General	Adult Education	\$ 17,563.42
Postsecondary Education	General	1,200,000.00
Auxiliary Enterprise	General	200,000.00

14. **NET ASSETS WITH DONOR RESTRICTIONS**

Temporarily Restricted Endowment Funds	\$ 1,205,464.13
Permanently Restricted Endowment Funds	4,186,681.09
Charitable Remainder Trust Funds	649,997.98
	\$ 6,042,143.20

15. SUBSEQUENT EVENTS

Events subsequent to June 30 have been evaluated through December 22, 2020. There are no subsequent events recognized in these financial statements or recorded in the notes to the financial statements.

In March of 2020, the World Health Organization declared the coronavirus (“COVID 19”) outbreak a nationwide pandemic. Many businesses and governmental entities were required to shut down due to the pandemic. All school buildings were subsequently shut down, in-person instruction ceased and there was a temporary closure of operating hours for administrative personnel. In person classes have begun again with the Fall school year.

The financial impact of this pandemic is almost impossible to determine. The College has received additional emergency aid directly from the State and from the county to mitigate the negative financial input of the COVID 19 virus. The extent of the impact of COVID 19 on the College’s operations and finances will vary depending upon future developments, including an increased spread of the virus, the length of time of the outbreak, and any restrictions implemented by the State or Federal government. Management is unable to quantify the financial and other impacts to the College, though management believes that a material impact on the College’s financial position and results of future operations is reasonably possible.

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

SUPPLEMENTARY INFORMATION

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - General Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2019 Actual	2020 Actual	2020 Budget	Variance - Favorable (Unfavorable)
REVENUES				
Student Tuition and Fees				
Tuition	\$ 1,156,932.00	\$ 1,124,619.60	\$ 1,235,189.00	\$ (110,569.40)
Other Student Fees	870,004.62	813,497.64	923,938.00	(110,440.36)
Total Student Tuition and Fees	<u>2,026,936.62</u>	<u>1,938,117.24</u>	<u>2,159,127.00</u>	<u>(221,009.76)</u>
Federal				
Pell Grant Administration	6,620.00	-	-	-
Total Federal	<u>6,620.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
State				
Operating Aid	1,923,816.00	1,985,636.00	1,985,810.00	(174.00)
Total State	<u>1,923,816.00</u>	<u>1,985,636.00</u>	<u>1,985,810.00</u>	<u>(174.00)</u>
Local				
Ad Valorem Tax	2,858,807.53	2,917,044.24	3,026,439.00	(109,394.76)
Motor Vehicle Tax	419,668.66	384,427.63	407,726.00	(23,298.37)
Delinquent Tax	80,801.50	56,003.35	42,940.00	13,063.35
In Lieu of Taxes	-	-	-	-
Total Local	<u>3,359,277.69</u>	<u>3,357,475.22</u>	<u>3,477,105.00</u>	<u>(119,629.78)</u>
Other				
Interest	-	-	-	-
Miscellaneous	290,949.93	348,286.58	241,008.00	107,278.58
Total Other	<u>290,949.93</u>	<u>348,286.58</u>	<u>241,008.00</u>	<u>107,278.58</u>
TOTAL REVENUES	<u>7,607,600.24</u>	<u>7,629,515.04</u>	<u>7,863,050.00</u>	<u>(233,534.96)</u>

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - General Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2019 Actual	2020 Actual	2020 Budget	Variance - Favorable (Unfavorable)
EXPENDITURES				
Instruction	\$ 1,622,306.23	\$ 1,578,117.19	\$ 1,739,599.00	\$ 161,481.81
Public Service	2,402.22	43.07	2,676.00	2,632.93
Academic Support	298,639.37	342,515.68	358,422.00	15,906.32
Student Services	2,543,589.24	2,608,822.07	2,668,336.00	59,513.93
Institutional Support	1,814,191.61	1,848,000.75	2,473,780.00	625,779.25
Operation and Maintenance	1,598,032.43	1,536,216.55	1,665,009.00	128,792.45
Scholarships and Awards	530,050.27	552,848.11	43,600.00	(509,248.11)
TOTAL EXPENDITURES	<u>8,409,211.37</u>	<u>8,466,563.42</u>	<u>8,951,422.00</u>	<u>484,858.58</u>
OTHER ADDITIONS (DEDUCTIONS)				
Operating Transfers from (to) Other Funds				
Transfers In from Other Funds	-	1,400,000.00	-	1,400,000.00
Transfers Out to Other Funds	(17,563.42)	(17,355.03)	(18,625.00)	1,269.97
Total Other Additions (Deductions)	<u>(17,563.42)</u>	<u>1,382,644.97</u>	<u>(18,625.00)</u>	<u>1,401,269.97</u>
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	(819,174.55)	545,596.59	(1,106,997.00)	1,652,593.59
Unencumbered Cash-Begin of Year	<u>1,068,541.63</u>	<u>249,367.08</u>	<u>1,746,085.00</u>	<u>(1,496,717.92)</u>
Unencumbered Cash-End of Year	<u>\$ 249,367.08</u>	<u>\$ 794,963.67</u>	<u>\$ 639,088.00</u>	<u>\$ 155,875.67</u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Postsecondary Technical Education Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2019 Actual	2020 Actual	2020 Budget	Variance - Favorable (Unfavorable)
REVENUES				
Student Tuition and Fees				
Tuition	\$ 892,551.36	\$ 853,705.55	\$ 924,711.00	\$ (71,005.45)
Other Student Fees	436,471.19	401,808.31	407,281.00	(5,472.69)
Total Student Tuition and Fees	<u>1,329,022.55</u>	<u>1,255,513.86</u>	<u>1,331,992.00</u>	<u>(76,478.14)</u>
State				
Operating Aid	1,487,677.00	1,508,066.00	1,508,066.00	-
State Grants	591,115.00	557,855.00	654,000.00	(96,145.00)
Total State	<u>2,078,792.00</u>	<u>2,065,921.00</u>	<u>2,162,066.00</u>	<u>(96,145.00)</u>
Other				
Miscellaneous	76,378.98	36,467.00	267,925.00	(231,458.00)
TOTAL REVENUES	<u>3,484,193.53</u>	<u>3,357,901.86</u>	<u>3,761,983.00</u>	<u>(404,081.14)</u>
EXPENDITURES				
Instruction	2,718,586.10	2,605,025.44	2,737,410.00	132,384.56
Academic Support	100,510.97	97,014.09	191,316.00	94,301.91
Institutional Support	55,377.71	-	-	-
Operation and Maintenance	64,182.59	59,208.03	158,150.00	98,941.97
TOTAL EXPENDITURES	<u>2,938,657.37</u>	<u>2,761,247.56</u>	<u>3,086,876.00</u>	<u>325,628.44</u>
OTHER ADDITIONS (DEDUCTIONS)				
Operating Transfers from (to) Other Funds				
Transfers Out to Other Funds	-	(1,200,000.00)	-	(1,200,000.00)
Excess of Revenues Over (Under) Expenditures	545,536.16	(603,345.70)	675,107.00	(1,278,452.70)
Unencumbered Cash-Beginning of Year	514,520.44	1,060,056.60	313,595.00	746,461.60
Unencumbered Cash-End of Year	<u>\$ 1,060,056.60</u>	<u>\$ 456,710.90</u>	<u>\$ 988,702.00</u>	<u>\$ (531,991.10)</u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
 Schedule of Revenues, Expenditures and Changes
 in Unencumbered Cash - Budget and Actual
 Current Funds Unrestricted - Adult Education Fund (Legal Basis)
 For the Fiscal Year Ended June 30, 2020
 (With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2019 Actual	2020 Actual	2020 Budget	Variance - Favorable (Unfavorable)
REVENUES				
Student Tuition and Fees				
Other Student Fees	\$ -	\$ -	\$ -	\$ -
Other				
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Instruction	17,563.42	17,355.03	18,625.00	1,269.97
OTHER ADDITIONS (DEDUCTIONS)				
Operating Transfers from (to) Other Funds				
Transfers In from Other Funds	17,563.42	17,355.03	18,625.00	(1,269.97)
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Unencumbered Cash-Beginning of Year	-	-	-	-
Unencumbered Cash-End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Truck Driver Training Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2019 Actual	2020 Actual	2020 Budget	Variance - Favorable (Unfavorable)
REVENUES				
Student Tuition and Fees				
Tuition	\$ 798.00	\$ -	\$ -	\$ -
Other Student Fees	463.56	-	-	-
Total Student Tuition and Fees	<u>1,261.56</u>	<u>-</u>	<u>-</u>	<u>-</u>
State				
Other State Aid	84.00	-	-	-
Special State Aid	-	-	-	-
Total State	<u>84.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other	<u>64,600.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>65,945.56</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Instruction	<u>369.19</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER ADDITIONS (DEDUCTIONS)				
Operating Transfers from (to) Other Funds				
Transfers In from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures and Other Additions (Deductions)	65,576.37	-	-	-
Unencumbered Cash-Beginning of Year	<u>6,169.94</u>	<u>71,746.31</u>	<u>-</u>	<u>71,746.31</u>
Unencumbered Cash-End of Year	<u>\$ 71,746.31</u>	<u>\$ 71,746.31</u>	<u>\$ -</u>	<u>\$ 71,746.31</u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Schedule of Revenues, Expenditures and Changes
in Unencumbered Cash - Budget and Actual
Current Funds Unrestricted - Auxiliary Enterprise Fund (Legal Basis)
For the Fiscal Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2019 Actual	2020 Actual	2020 Budget	Variance - Favorable (Unfavorable)
REVENUES				
Tuition and Fees				
Student fees	\$ 102.79	\$ 69.50	\$ -	\$ 69.50
Dormitory rents	932,088.18	926,627.02	1,044,663.00	(118,035.98)
Total Tuition and Fees	<u>932,190.97</u>	<u>926,696.52</u>	<u>1,044,663.00</u>	<u>(117,966.48)</u>
Other				
Miscellaneous	-	-	-	-
Total Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sales and Services of Auxiliary Enter				
Food service sales	624,775.86	596,781.96	764,800.00	(168,018.04)
Bookstore sales	477,508.79	136,848.97	505,500.00	(368,651.03)
Total Sales and Services of Auxiliary Enterprises	<u>1,102,284.65</u>	<u>733,630.93</u>	<u>1,270,300.00</u>	<u>(536,669.07)</u>
TOTAL REVENUES	<u>2,034,475.62</u>	<u>1,660,327.45</u>	<u>2,314,963.00</u>	<u>(654,635.55)</u>
EXPENDITURES				
Auxiliary Enterprise				
Bookstore and Student Center	\$ 336,454.98	\$ 362,902.71	\$ 424,359.00	\$ 61,456.29
Dormitory	650,122.39	656,663.24	1,041,758.00	385,094.76
Food Service	610,642.72	540,510.54	736,934.00	196,423.46
Total Auxiliary Enterprise	<u>1,597,220.09</u>	<u>1,560,076.49</u>	<u>2,203,051.00</u>	<u>642,974.51</u>
Retirement of Indebtedness	130,000.00	80,000.00	143,050.00	63,050.00
Interest on Indebtedness	95,218.52	50,886.25	91,026.00	40,139.75
TOTAL EXPENDITURES	<u>1,822,438.61</u>	<u>1,690,962.74</u>	<u>2,437,127.00</u>	<u>746,164.26</u>
OTHER ADDITIONS (DEDUCTIONS):				
Operating Transfer from (to)				
Other Funds	-	(200,000.00)	-	(200,000.00)
Excess of Revenues Over (Under)				
Expenditures and Other				
Additions (Deductions)	212,037.01	(230,635.29)	(122,164.00)	(108,471.29)
Unencumbered Cash-Beginning of Year	<u>459,163.86</u>	<u>671,200.87</u>	<u>254,789.00</u>	<u>416,411.87</u>
Unencumbered Cash-End of Year	<u>\$ 671,200.87</u>	<u>\$ 440,565.58</u>	<u>\$ 132,625.00</u>	<u>\$ 307,940.58</u>

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

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
Schedule of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2020

ACCOUNT NAME	BALANCE JUNE 30, 2019	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2020
ACTIVITY FUND				
Fee and User Charges				
Guaranteed Student Loans	\$ 28,234.00	\$ 2,052,897.00	\$ 2,052,897.00	\$ 28,234.00
Student Capital Project	21,159.79	216,437.10	215,606.75	21,990.14
Student Activity Accounts	283,898.48	885,156.89	823,579.36	345,476.01
Non Credit Programs	1,098.37	1,669.14	1,234.37	1,533.14
Sales Tax	47.62	3,813.62	-	3,861.24
Cosmetology	-	-	-	-
PSU Cosmetology	-	-	-	-
Special Registrar	18,556.62	22,535.18	2,055.00	39,036.80
	<u>\$ 352,994.88</u>	<u>\$ 3,182,508.93</u>	<u>\$ 3,095,372.48</u>	<u>\$ 440,131.33</u>
Gate Receipts				
Sales accounts	\$ 27,523.11	\$ 23,049.33	\$ 28,448.82	\$ 22,123.62
	<u>\$ 27,523.11</u>	<u>\$ 23,049.33</u>	<u>\$ 28,448.82</u>	<u>\$ 22,123.62</u>
School Projects Accounts				
Miscellaneous Funds	\$ 27,776.38	\$ 9,162.90	\$ 1,571.65	\$ 35,367.63
Dental Hygiene	-	-	-	-
Booster/ Endowment Clearing	211,237.14	33,854.43	-	245,091.57
Payroll Clearing	-	-	-	-
	<u>\$ 239,013.52</u>	<u>\$ 43,017.33</u>	<u>\$ 1,571.65</u>	<u>\$ 280,459.20</u>
Student Organization Accounts				
Nursing/Allied Health	\$ -	\$ 46.00	\$ -	\$ 46.00
Clubs and Organizations	38,697.39	76,776.90	76,002.50	39,471.79
Clearing Account	48,296.80	5,549.99	5,332.06	48,514.73
	<u>\$ 86,994.19</u>	<u>\$ 82,372.89</u>	<u>\$ 81,334.56</u>	<u>\$ 88,032.52</u>
TOTAL ACTIVITY FUND	<u>\$ 706,525.70</u>	<u>\$ 3,330,948.48</u>	<u>\$ 3,206,727.51</u>	<u>\$ 830,746.67</u>
Assets				
Cash and Investments	\$ 30,812.41	\$ 2,586,417.11	\$ 2,531,014.22	\$ 86,215.30
Other Receivables	675,713.29	744,531.37	675,713.29	744,531.37
TOTAL ASSETS	<u>\$ 706,525.70</u>	<u>\$ 3,330,948.48</u>	<u>\$ 3,206,727.51</u>	<u>\$ 830,746.67</u>
Liabilities				
Accounts Payable	\$ 157,604.64	\$ 181,947.57	\$ 157,604.64	\$ 181,947.57
Deposits Held For Others	548,921.06	3,149,000.91	3,049,122.87	648,799.10
TOTAL LIABILITIES	<u>\$ 706,525.70</u>	<u>\$ 3,330,948.48</u>	<u>\$ 3,206,727.51</u>	<u>\$ 830,746.67</u>

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
 Combining Schedule of Net Position - Primary Institution
 June 30, 2020

	SEOG Fund #22	Pell Grant Fund #24	HEP Grant Fund #25	Comm Based Job Training Fund #26	Title IV Grant Fund #27	Pass Fund #28	Grants Fund #31
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$ (813.00)	\$ (18,133.00)	\$ (42,282.79)	\$ (30,858.07)	\$ (18,961.87)	\$ 112,097.33	\$ 16,585.21
Receivables, net of allowance	813.00	122,693.33	42,053.15	30,858.07	20,966.87	2,377.50	9,286.16
Bookstore Inventory	-	-	-	-	-	-	-
Total Current Assets	-	104,560.33	(229.64)	-	2,005.00	114,474.83	25,871.37
Noncurrent Assets							
Capital assets, net of accumulated depreciation	-	-	-	-	-	-	-
Total Noncurrent Assets	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 104,560.33	\$ (229.64)	\$ -	\$ 2,005.00	\$ 114,474.83	\$ 25,871.37
LIABILITIES AND NET POSITION							
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ -	\$ 104,560.33	\$ 25.38	\$ -	\$ 2,005.00	\$ -	\$ -
Compensated Absences	-	-	-	-	-	-	-
Deposits Held in Custody for Others	-	-	-	-	-	-	-
Current Portion of Long-Term Liabilities	-	-	-	-	-	-	-
Total Current Liabilities	-	104,560.33	25.38	-	2,005.00	-	-
Noncurrent Liabilities							
Long Term Liabilities							
Other Post Employment (OPEB) Obligations	-	-	-	-	-	-	-
Capital Leases Payable	-	-	-	-	-	-	-
Less Current Portion included above	-	-	-	-	-	-	-
Total Noncurrent Liabilities	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	104,560.33	25.38	-	2,005.00	-	-
Net Position							
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-
Restricted - Expendable	-	-	-	-	-	-	-
Unrestricted	-	-	(255.02)	-	-	114,474.83	25,871.37
Total Unrestricted	-	-	(255.02)	-	-	114,474.83	25,871.37
TOTAL NET POSITION	-	-	(229.64)	-	2,005.00	\$ 114,474.83	\$ 25,871.37

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
 Combining Schedule of Net Position - Primary Institution
 June 30, 2020

ASSETS	Migrant Ed Fund #37	Activity Funds	Plant	Eliminating Scholarship Discounts & Allowances	GAAP Adjustments	GAAP Adjustments	TOTALS
Current Assets							
Cash and Cash Equivalents	\$ 37,714.85	\$ 86,215.30	\$ -	\$ -	\$ -	\$ -	\$ 2,323,636.91
Receivables, net of allowance	-	744,531.37	-	-	-	-	3,083,935.14
Bookstore Inventory	-	-	-	-	-	-	407,941.74
Total Current Assets	37,714.85	830,746.67	-	-	-	-	5,815,513.79
Noncurrent Assets							
Capital assets, net of accumulated depreciation	-	-	14,329,807.81	-	-	-	14,329,807.81
Total Noncurrent Assets	-	-	14,329,807.81	-	-	-	14,329,807.81
TOTAL ASSETS	\$ 37,714.85	\$ 830,746.67	\$ 14,329,807.81	\$ -	\$ -	\$ -	\$ 20,145,321.60
LIABILITIES AND NET POSITION							
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 500.00	\$ 181,947.57	\$ -	\$ -	\$ -	\$ -	\$ 773,934.45
Compensated Absences	-	-	-	-	168,725.00	-	168,725.00
Deposits Held in Custody for Others	-	648,799.10	-	-	-	-	648,799.10
Current Portion of Long-Term Liabilities	-	-	419,415.07	-	-	-	419,415.07
Total Current Liabilities	500.00	830,746.67	419,415.07	-	168,725.00	-	2,010,873.62
Noncurrent Liabilities							
Long Term Liabilities							
Other Post Employment (OPEB) Obligations	-	-	-	-	-	-	-
Capital Leases Payable	-	-	6,488,738.07	-	-	-	6,488,738.07
Less Current Portion included above	-	-	(419,415.07)	-	-	-	(419,415.07)
Total Noncurrent Liabilities	-	-	6,069,323.00	-	-	-	6,069,323.00
TOTAL LIABILITIES	500.00	830,746.67	6,488,738.07	-	168,725.00	-	8,080,196.62
Net Position							
Invested in Capital Assets, Net of Related Debt	-	-	7,841,069.74	-	-	-	7,841,069.74
Restricted - Expendable	-	-	-	-	-	-	-
Unrestricted	37,214.85	-	-	-	(168,725.00)	-	4,224,055.24
Total Net Position	37,214.85	-	7,841,069.74	-	(168,725.00)	-	12,065,124.98
TOTAL LIABILITIES AND NET POSITION	\$ 37,714.85	\$ 830,746.67	\$ 14,329,807.81	\$ -	\$ -	\$ -	\$ 20,145,321.60

Note: GAAP Adjustments consist of payroll related adjustments for compensated absences, KPERS paid by the State, unissued checks, and accounts receivable.

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Fiscal Year Ended June 30, 2020

	General Fund #11	Vocational Education Fund #12	Adult Education Fund #13	Truck Driving Training Fund #17	Auxiliary Enterprise Fund #81-84	Federal Workstudy Fund #21
REVENUES						
Operating Revenues						
Student Tuition and Fees	\$ 2,007,373.54	\$ 1,313,608.07	\$ -	\$ -	\$ 975,325.23	\$ -
Federal Grants and Contracts	3,435.00	-	-	-	-	71,224.96
State Grants and Contracts	-	-	-	-	-	-
Other	350,652.45	36,467.00	-	-	-	-
Auxiliary Enterprises	-	-	-	-	1,137,264.95	-
Total Operating Revenues	2,361,460.99	1,350,075.07	-	-	2,112,590.18	71,224.96
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	1,578,117.19	2,605,025.44	17,355.03	1,760.75	-	-
Public Service	43.07	-	-	-	-	-
Academic Support	342,515.68	-	-	-	-	-
Student Services	2,608,822.07	97,014.09	-	-	-	-
Institutional Support	1,848,000.75	-	-	-	-	-
Operation and Maintenance	1,536,216.55	59,208.03	-	-	-	-
Scholarships and Awards	552,848.11	-	-	-	-	71,224.96
Auxiliary Enterprise	-	-	-	-	1,500,721.56	-
Total Operating Expenses	8,466,563.42	2,761,247.56	17,355.03	1,760.75	1,500,721.56	71,224.96
Net Operating Income (Expense)	(6,105,102.43)	(1,411,172.49)	(17,355.03)	(1,760.75)	611,868.62	-
Nonoperating Revenues (Expenses)						
State Appropriations	1,985,636.00	2,065,921.00	-	-	-	-
County Appropriations	3,357,475.22	-	-	-	-	-
Federal Pell Grants	-	-	-	-	-	-
Gifts	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Loss on refunding of debt	-	-	-	-	-	-
Interest on Capital Assets -- related debt	-	-	-	-	-	-
Net Nonoperating Income (Expense)	5,343,111.22	2,065,921.00	-	-	(130,886.25)	-
INCREASE (DECREASE) IN NET POSITION	620,653.76	(545,251.49)	-	(1,760.75)	280,982.37	-
NET POSITION -- Beginning of Year	817,517.01	1,413,866.59	-	73,507.06	1,555,959.66	-
NET POSITION -- End of Year	\$ 1,438,170.77	\$ 868,615.10	\$ -	\$ 71,746.31	\$ 1,836,942.03	\$ -

SCHEDULE 8 (Continued)

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Fiscal Year Ended June 30, 2020

	SEOG Fund #22	Pell Grant Fund #24	HEP Grant Fund #25	Comm Based Job Training Fund #26	Title IV Grant Fund #27	Pass Fund #28	Grants Fund #31
REVENUES							
Operating Revenues							
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants and Contracts	38,813.00	-	915,148.82	590,458.07	232,966.87	-	118,749.20
State Grants and Contracts	-	-	-	-	-	-	82,390.91
Other	-	-	-	-	-	124,085.26	29,693.37
Auxiliary Enterprises	-	-	-	-	-	-	-
Total Operating Revenues	38,813.00	-	915,148.82	590,458.07	232,966.87	124,085.26	230,833.48
EXPENSES							
Operating Expenses							
Educational and General							
Instruction	-	-	915,148.82	590,458.07	232,966.87	68,100.23	223,101.49
Public Service	-	-	-	-	-	-	-
Academic Support	-	-	-	-	-	-	-
Student Services	-	-	-	-	-	-	-
Institutional Support	-	-	-	-	-	-	-
Operation and Maintenance	-	-	-	-	-	-	-
Scholarships and Awards	38,813.00	2,810,319.33	-	-	-	-	-
Auxiliary Enterprise	-	-	-	-	-	-	-
Total Operating Expenses	38,813.00	2,810,319.33	915,148.82	590,458.07	232,966.87	68,100.23	223,101.49
Net Operating Income (Expense)	-	(2,810,319.33)	-	-	-	55,985.03	7,731.99
Nonoperating Revenues (Expenses)							
State Appropriations	-	-	-	-	-	-	-
County Appropriations	-	-	-	-	-	-	-
Federal Pell Grants	-	2,810,319.33	-	-	-	-	-
Gifts	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-
Loss on refunding of debt	-	-	-	-	-	-	-
Interest on Capital Assets -- related debt	-	-	-	-	-	-	-
Net Nonoperating Income (Expense)	-	2,810,319.33	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	-	-	-	-	-	55,985.03	7,731.99
NET POSITION -- Beginning of Year	-	-	(255.02)	-	-	58,489.80	18,139.38
NET POSITION -- End of Year	\$ -	\$ -	(255.02)	\$ -	\$ -	114,474.83	\$ 25,871.37

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS

Combining Schedule of Revenues, Expenses, and Changes in Net Position - Primary Institution
For the Fiscal Year Ended June 30, 2020

Eliminating
Scholarship
Discounts &
Allowances

	Migrant Ed Fund #37	Activity Funds	Plant	GAAP Adjustments	GAAP Adjustments	TOTALS
REVENUES						
Operating Revenues						
Student Tuition and Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,596,012.84
Federal Grants and Contracts	535,000.00	-	-	-	-	2,505,795.92
State Grants and Contracts	-	-	-	-	910,553.00	992,943.91
Other	1,507,166.57	-	-	-	-	2,048,064.65
Auxiliary Enterprises	-	-	-	-	-	1,137,264.95
Total Operating Revenues	2,042,166.57	-	-	(700,294.00)	910,553.00	10,280,082.27
EXPENSES						
Operating Expenses						
Educational and General						
Instruction	2,338,915.99	-	28,356.97	(9,573.00)	537,087.00	9,126,820.85
Public Service	-	-	-	-	2,836.00	2,879.07
Academic Support	-	-	110,608.95	-	26,474.00	479,598.63
Student Services	-	-	(15,054.54)	-	171,967.00	2,862,748.62
Institutional Support	-	-	(75,544.80)	-	107,968.00	1,880,423.95
Operation and Maintenance	-	-	(467,228.21)	-	44,450.00	1,172,646.37
Scholarships and Awards	-	-	-	(700,294.00)	-	2,772,911.40
Auxiliary Enterprise	-	-	100,726.17	-	19,771.00	1,621,218.73
Total Operating Expenses	2,338,915.99	-	(318,135.46)	(9,573.00)	910,553.00	19,919,247.62
Net Operating Income (Expense)	(296,749.42)	-	318,135.46	9,573.00	-	(9,639,165.35)
Nonoperating Revenues (Expenses)						
State Appropriations	-	-	-	-	-	4,051,557.00
County Appropriations	-	-	-	-	-	3,357,475.22
Federal Pell Grants	-	-	-	-	-	2,810,319.33
Gifts	-	-	776,064.63	-	-	776,064.63
Investment Income	-	-	-	-	-	-
Loss on refunding of debt	-	-	(100,000.00)	-	-	(100,000.00)
Interest on Capital Assets -- related debt	-	-	(84,417.00)	-	-	(215,303.25)
Net Nonoperating Income (Expense)	-	-	591,647.63	-	-	10,680,112.93
INCREASE (DECREASE) IN NET POSITION	(296,749.42)	-	909,783.09	-	-	1,040,947.58
NET POSITION -- Beginning of Year	333,964.27	-	6,931,286.65	(178,298.00)	-	11,024,177.40
NET POSITION -- End of Year	\$ 37,214.85	\$ -	\$ 7,841,069.74	\$ (178,298.00)	\$ -	\$ 12,065,124.98

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

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

FEDERAL COMPLIANCE SECTION
For the Fiscal Year Ended June 30, 2020

FORT SCOTT COMMUNITY COLLEGE
FORT SCOTT, KANSAS
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2020

<u>Federal Grantor</u> Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Revenue	Expenditures
<u>U.S. Department of Education</u>				
Direct Programs				
Federal Supplemental Education				
Opportunity Grant Program	(3) 84.007	N/A	\$ 38,813.00	\$ 38,813.00
Federal Workstudy Program	(3) 84.033	N/A	71,224.96	71,224.96
TRIO Student Support Services	84.042	N/A	232,966.87	232,966.87
Federal Pell Grant Program				
Grants	(3) 84.063	N/A	2,810,319.33	2,810,319.33
Administration	(3) 84.063	N/A	3,435.00	3,435.00
HEP Grant	84.141A	N/A	514,009.01	514,009.01
CAMP Grant	84.149A	N/A	401,139.81	401,139.81
Fed Direct Student Loan Program (2)	(3) 84.268	N/A	2,052,897.00	2,052,897.00
Passed Through the State of Kansas				
Department of Education				
Migrant Education (Title I) Program	84.011	(1)	535,000.00	535,000.00
Passed Through the State of Kansas				
Board of Regents				
Career and Technical Ed - Basic Grants	84.048A	(1)	118,749.20	118,749.20
Covid 19 grant	84.425D		590,458.07	590,458.07
Totals U.S. Department of Education			<u>7,369,012.25</u>	<u>7,369,012.25</u>
Total Federal Awards			<u>\$ 7,369,012.25</u>	<u>\$ 7,369,012.25</u>

Notes to the Schedule of Expenditures of Federal Awards

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

Expenses are recorded when the goods or services are received.

- (1) The number of the pass through grantor is not available.
- (2) These amounts are Single Parent, Stafford, Unsubsidised Stafford, and Plus Loans to students and parents of students at the College.
- (3) Included in the "Student Financial Assistance Cluster". (3) Total expended = \$ 4,976,689.29
- (4) The College did not use the 10% de minimis cost rate. Instead indirect cost rates as specified in the grant agreements with the grantors was used.

Federal Awards recorded as Operating Revenue	\$ 2,505,795.92
Federal Awards recorded as Non Operating Revenue	2,810,319.33
Federal Family Education Loan Program (2)	2,052,897.00
Total Federal Awards	<u>\$ 7,369,012.25</u>

Diehl Banwart Bolton

Certified Public Accountants PA

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

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

Report on Compliance for Each Major Federal Program

We have audited the Fort Scott Community College, Fort Scott, Kansas (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibilities

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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.


DIEHL, BANWART, BOLTON, CPAs PA

December 22, 2020
Fort Scott, Kansas

Diehl Banwart Bolton

Certified Public Accountants PA

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fort Scott Community College, Fort Scott, Kansas, as of the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Fort Scott Community College's basic financial statements, and have issued our report thereon dated December 22, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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


DIEHL, BANWART, BOLTON, CPAs PA

December 22, 2020
Fort Scott, Kansas

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

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION I - FINANCIAL STATEMENT FINDINGS

FINANCIAL STATEMENTS

Type of auditor's report issued:

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

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? Yes No

Identification of major programs:

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

(1) Student Financial Assistance Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

Schedule of Resolution of Prior Year's Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

The prior years' corrective action plan was followed and the findings were not reported this year.

\$1,455,000*
FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS
LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022
Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Trustee

Appendix C

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

* Subject to change.

APPENDIX C

DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS

The summaries of the Declaration of Trust and the Lease contained in this Appendix C do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, copies of which may be viewed at the principal corporate office of the Trustee, or will be provided by the Trustee to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

Definitions

The definitions of certain words and terms used in this Official Statement are set forth below:

"Acceptance Certificate" means the certificate of the College given in accordance with the Lease.

"Acceptance Date" means the date of completion of the Project as that date shall be certified as provided in the Lease.

"Additional Certificates" means any Certificates executed and delivered pursuant to *Section 3.09* of the Declaration of Trust.

"Authorized Representative" means the Chairperson, the President or the Vice President of Operations and Finance of the College, or any other person designated as an Authorized Representative by the Chairperson, such designation being approved by the governing body of the College by a resolution that is filed with the Trustee.

"Available Revenues" means, for any Fiscal Year, any balances of the Lessee from previous Fiscal Years encumbered to pay Rental Payments, amounts budgeted or appropriated by the Lessee for such Fiscal Year plus any unencumbered balances of the Lessee from previous Fiscal Years that are legally available to pay Rental Payments during such Fiscal Year, plus any other moneys and funds legally available, pursuant to K.S.A. 71-201, to pay Rental Payments, plus any moneys and investments, including earnings thereon, held by the Lessor pursuant to the Declaration of Trust.

"Basic Rent" means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion.

"Basic Rent Payment" means a payment of Basic Rent.

"Basic Rent Payment Date" means each April 1 and October 1 during the Lease Term, commencing on April 1, 2022.

"Certificate Payment" means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

"Certificates" means the Series 2022 Certificates and any Additional Certificates.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"College" means Fort Scott Community College, Bourbon County, Kansas.

"Costs of Project" means all reasonable or necessary expenses related or incidental to the acquisition and installation of the Project, including amounts payable pursuant to any agreement, the expenses of support services, studies, surveys, title policies, architectural and engineering services, legal and other special services and all other necessary and incidental expenses, including the Interest Portion of Basic Rent accruing up to the Acceptance Date. Costs of Project shall include Costs of Issuance.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the College or the Trustee and related to the authorization, execution, sale and delivery of the Lease, the Declaration of Trust or the Certificates, including advertising and printing costs, costs of preparation and reproduction of documents,

filing and recording fees, initial fees and charges of the Trustee, legal fees of parties to the transaction and all other initial fees and disbursements contemplated by the Lease and the Declaration of Trust.

"Declaration of Trust" means the Declaration of Trust dated as of January 5, 2022, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

"Directive" means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee, or their lawful attorneys-in-fact, representing no less than a majority of the aggregate unpaid Principal Portion represented by the then Outstanding Certificates.

"Disclosure Undertaking" means the College's Continuing Disclosure Undertaking relating to certain obligations contained in the SEC Rule, with respect to the Certificates.

"Event of Default" with respect to the Lease has the meaning specified under the caption "SUMMARY OF THE LEASE - Events of Default" and with respect to the Declaration of Trust has the meaning specified under the caption "SUMMARY OF THE DECLARATION OF TRUST - Events of Default."

"Event of Lease Default" means an Event of Default under the Lease.

"Fiscal Year" means the twelve-month period ending on June 30.

"Funds" means, collectively, the Project Fund, the Lease Revenue Fund, the Prepayment Fund and all accounts therein.

"Government Obligations" means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by the United States of America, and (b) trust receipts or certificates evidencing participation or other direct ownership interests in principal or interest payments to be made upon obligations described in clause (a) above that are held in a custody or trust account free and clear of all claims of persons other than the holders of such trust receipts or certificates and (c) obligations which are noncallable or for which the call date has been irrevocably determined having an investment rating in the highest rating category of either Moody's or S&P as a result of the advance refunding of such obligations by the deposit of direct noncallable obligations of the United States of America in a trust or escrow account segregated and exclusively set aside for the payment of such obligations and which mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to timely pay such principal and interest.

"Interest Portion" means the portion of each Basic Rent Payment that represents the payment of interest.

"Lease" or **"Lease Agreement"** means the Lease Purchase Agreement dated as of January 5, 2022, between the Trustee, as lessor, and the College, as lessee, as amended and supplemented from time to time in accordance with its terms.

"Lease Revenue Fund" means the fund by that name established pursuant to the Declaration of Trust.

"Lease Revenues" means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to the Declaration of Trust.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the College.

"Net Proceeds" means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys' fees, incurred in the collection thereof.

"Notice by Mail" or **"Notice"** of any action or condition "by Mail" means a written notice meeting the requirements of the Declaration of Trust mailed by first-class mail to the Owners of specified Certificates at the addresses shown on the registration books maintained by the Registrar.

"Outstanding" means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to the Declaration of Trust except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Declaration of Trust, (iii) Certificates whose payment or prepayment has been provided for in accordance with the Declaration of Trust, and (iv) Certificates paid or deemed to be paid pursuant to the Declaration of Trust.

"Owner" of a Certificate means the registered owner of such Certificate as shown on the register kept by the Registrar.

"Prepayment Date" means any date set for prepayment of the Principal Portion of Basic Rent represented by Certificates which will be a Basic Rent Payment Date.

"Prepayment Fund" means the fund by that name created pursuant to the Declaration of Trust.

"Prepayment Price" means with respect to any Certificate (or portion thereof) the amount specified in the Declaration of Trust.

"Principal Portion" means the principal portion of the Basic Rent Payments.

"Proceeds" means the aggregate moneys initially paid to the Trustee for the Certificates.

"Project" means the artificial turf and related equipment described in the Lease Agreement, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

"Project Fund" means the Project Fund as defined in the Declaration of Trust.

"Purchase Price" means the amount designated as such in the Lease that the College must pay to the Trustee to purchase the Trustee's interest in the Project.

"Record Date" means the fifteenth day of the month prior to the applicable Basic Rent Payment Date.

"Registrar" means the Trustee when acting in that capacity, or its successor as Registrar.

"Rent" means, collectively, Basic Rent and Supplemental Rent.

"Rent Payment" means a payment of Rent.

"Series 2022 Certificates" means the \$1,455,000 aggregate principal amount of Certificates of Participation, Series 2022, evidencing a proportionate interest in Basic Rent Payments to be made by Fort Scott Community College, Bourbon County, Kansas, pursuant to a Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

"Special Tax Counsel" means Gilmore & Bell, P.C., or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions.

"Standard & Poor's" or "S&P" means S&P Global Ratings, a division of S&P Global Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the College.

"State" means the State of Kansas.

"Supplemental Declaration of Trust" means any amendment or supplement to the Declaration of Trust entered pursuant to the Declaration of Trust.

"Supplemental Lease" means any amendment or supplement to the Lease entered pursuant to the Lease.

"Supplemental Rent" means all amounts due under the Lease other than Basic Rent.

"Supplemental Rent Payment" means a payment of Supplemental Rent.

"Term" means the period from January 5, 2022 (or the date thereafter of delivery of the Lease), until April 1, 2031.

"Tax Compliance Agreement" means the College's Tax Compliance Agreement for the Series 2022 Certificates, dated as of January 5, 2022, as the same may be amended or supplemented in accordance with the provisions thereof.

"Trust Estate" means the assets, property and interests held by the Trustee pursuant to the Declaration of Trust and the Lease.

"Trustee" means Security Bank of Kansas City., Kansas City, Kansas and its successor or successors and their respective assigns.

"Trustee's Expenses" means, collectively, all out-of-pocket expenses, disbursements and advances (including reasonable attorneys' fees) incurred by the Trustee under the Declaration of Trust in connection with the Certificates, and the Lease.

SUMMARY OF THE DECLARATION OF TRUST

General Provisions

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2022 Certificates, provides the terms of the Series 2022 Certificates and provides for various Funds related to the Project and the Lease.

Trust Estate

The Trustee has executed and delivered the Declaration of Trust In order to provide for the issuance of, security for, and payment of the Series 2022 Certificates. It further declares that it will hold in trust for the Owners of the Certificates as a part of the Trust Estate all of the assets, property and interests received by it under the terms of the Declaration of Trust and the Lease and all agreements and instruments contemplated thereby (except any compensation, indemnification or other amounts which may be due directly to the Trustee under the Declaration of Trust).

Additional Certificates

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in *Section 3.09* of the Declaration of Trust, for the purpose of providing funds to pay all or any part of the cost of (a) repairing, replacing or restoring the Project, (b) improving, upgrading or modifying the Project, and (c) refunding any or all of the Certificates theretofore Outstanding under the Declaration of Trust.

Establishment of Funds

There is established with the Trustee the following funds and accounts:

- (a) Project Fund, including a Costs of Issuance Account;
- (b) Lease Revenue Fund, including the Principal Account and the Interest Account; and
- (c) Prepayment Fund.

All funds and accounts established pursuant to the Declaration of Trust are held by the Trustee as a part of the Trust Estate for the benefit of the Certificate Owners. The money in all of the funds and the accounts will be held in trust and applied as provided in the Declaration of Trust.

Application of Proceeds of Series 2022 Certificates and Other Moneys

The Proceeds of the Series 2022 Certificates and certain other moneys of the College will be deposited in the Project Fund as set forth in the Declaration of Trust. Moneys deposited in the Project Fund will be applied to pay Costs of the Project as provided in the Lease.

Application of Lease Revenues

Lease Revenues will be deposited, as received, pursuant to the Lease, as follows:

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund, as provided in the Declaration of Trust.
- (b) Optional prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) shall be deposited to the Prepayment Fund.
- (c) Payments of Supplemental Rent pursuant to the Lease shall be applied as provided in the Lease.

Undesignated payments of Rent which are insufficient to discharge the full amount then due shall be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

Disbursements from the Project Fund

Moneys in the Project Fund shall be used to pay Costs of Project, including Costs of Issuance. Payment shall be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the College and in most instances, by an independent architect, engineer or contractor. The Acceptance Date of the acquisition and installation of Project and the payment of all Costs of Project (other than Costs of Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of an Acceptance Certificate pursuant to the Lease. As soon as practicable thereafter, any balance remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund without further authorization as provided in the Lease. In the event of the acceleration of all the Certificates pursuant to the Lease, any moneys then remaining in the Project Fund shall be transferred to the credit of the Lease Revenue Fund and shall be used to pay the Interest Portion and Principal Portion of Basic Rent.

Application of Moneys in the Lease Revenue Fund

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to distribute Basic Rent as received from the College to those entitled thereto, as represented by the Certificates, when due and payable (including principal and accrued interest with respect to any Certificates paid prior to maturity) pursuant to the Declaration of Trust.

Application of Moneys in the Prepayment Fund

All amounts deposited in the Prepayment Fund shall be used and withdrawn by the Trustee solely to prepay Principal Portions of Basic Rent represented by prepaid Certificates.

Investment of Moneys in Various Funds

Moneys held in the Project Fund, the Lease Revenue Fund, and the Prepayment Fund, subject to the requirements of the Tax Compliance Agreement and as provided in the Declaration of Trust, be invested and reinvested by the Trustee, pursuant to written direction of the College, signed by an Authorized Representative of the College, in Investment Securities that mature or are subject to prepayment by the holder prior to the date such funds will be needed.

The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund held under the Declaration of Trust whenever the cash balance in such Fund is insufficient for the purpose of such Fund. Any such Investment Securities will be held by or under the control of the Trustee and will be deemed at all times a part of the Fund or Account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities will be credited to such Fund or Account, and any loss resulting from such Investment Securities shall be charged to such Fund or Account.

For purposes of determining the amount in any Fund or account, the value of any investments shall be computed at the market value thereof (excluding accrued interest), the purchase price thereof (excluding accrued interest) or principal amount, whichever is lower.

The Trustee may make any and all investments through its own bond department or short-term investment department.

Amendments to the Declaration of Trust or the Lease

The Declaration of Trust and the Lease and the rights and obligations of the College and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time by an amendment or supplement thereto which the parties thereto may enter into when the written consent of the Trustee and the College, if not a party thereto, and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the nominal maturity of any Certificate, or reduce the Principal Portion of Basic Rent represented thereby, or extend the time of payment or reduce the amount of any prepayment price provided in the Declaration of Trust for the payment of any Certificate, or reduce the Interest Portion of Basic Rent payable with respect thereto, or extend the time of payment of the Interest Portion of Basic Rent payable with respect thereto without the consent of the Owner of each Certificate so affected, (ii) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund, the Lease Revenue Fund and the Prepayment Fund or deprive the Owners of the trust created by the Declaration of Trust with respect to the moneys in the Project Fund, the Lease Revenue Fund and the Prepayment Fund, or (iii) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding.

Notwithstanding the preceding paragraph, the Declaration of Trust, the Lease and the rights and obligations of the College, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time by an agreement which the parties thereto may enter into without the consent of any Certificate Owners, only to the extent permitted by law and only for any one or more of the following purposes: (i) to add to the covenants and agreements of the Trustee in the Declaration of Trust, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Payment of Rent pursuant to the Lease (or any portion thereof), or to surrender any right or power in the Declaration of Trust reserved to or conferred upon the College; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests in the Trust Estate of the Owners of the Certificates; (ii) to add to the covenants and agreements of the College in the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the College; provided, however, that no such covenant, agreement or surrender shall materially adversely affect the interests in the Trust Estate of the Owners of the Certificates; (iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective

provision, contained in the Declaration of Trust, the Lease, or in regard to matters or questions arising under the Declaration of Trust, or the Lease as the Trustee and the College may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the College, the Trustee or the Trustee and which shall not, in any such case adversely affect the interests in the Trust Estate of the Owners of the Certificates; (iv) to modify, amend or supplement the Declaration of Trust in such manner as to permit the qualification of the Declaration of Trust under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests in the Trust Estate of the Owners of the Certificates; (v) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the Interest Portion of Basic Rent from gross income for purposes of federal income taxation; (vi) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of *Section 3.09* of the Declaration of Trust; or (vii) to make any other change which does not have a materially adverse effect on the rights of the Certificate Owners in the Lease, Basic Rent payable pursuant to the Lease, or any other property rights constituting a part of the Trust Estate.

Opinion of Counsel

In executing or accepting any Supplemental Declaration of Trust or Supplemental Lease permitted by the Declaration of Trust or modification thereby of the Declaration of Trust or the Lease, the Trustee shall be entitled to receive, and, subject to the Declaration of Trust shall be fully protected in relying upon, an opinion of Special Tax Counsel addressed and delivered to the Trustee stating that the execution of such Supplemental Declaration of Trust or Lease is authorized and permitted by and in compliance with the terms of the Declaration of Trust or Lease. The Trustee may, but shall not be obligated to enter into any such Supplemental Declaration of Trust or Supplemental Lease which affects the Trustee's own rights, duties or immunities under the Declaration of Trust or Lease or otherwise.

Defaults

The occurrence of any of the following events, subject to the provisions permitting waivers of defaults, is defined as an "Event of Default" under the Declaration of Trust:

- (a) Default in the due and punctual payment to the Certificate Owner of any Interest Portion of Basic Rent represented by a Certificate; or
- (b) Default in the due and punctual payment to the Certificate Owner of the Principal Portion of Basic Rent represented by a Certificate, whether at the stated payment date thereof or the prepayment date set therefor in accordance with the terms of the Declaration of Trust; or
- (c) Any Event of Lease Default.

Acceleration

Upon the occurrence of an Event of Default under the Declaration of Trust, the Trustee may, and upon receipt of a Directive shall, by notice in writing delivered to the College, declare the Principal Portion and Interest Portion of Basic Rent represented by all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

Other Remedies Upon an Event of Default

Upon the occurrence of an Event of Lease Default, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage any portion of the Project or the Trustee's interest in the Project and apply the net proceeds thereof to make Certificate Payments and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of the Declaration of Trust conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, but each and every such remedy is cumulative and in addition to any other remedy given to the Trustee or to the Certificate Owners under the Declaration of Trust or now or hereafter existing at law or in equity or by statute.

Rights of Certificate Owners

If an Event of Default under the Declaration of Trust shall have occurred and be continuing and if instructed to do so by a Directive and if indemnified as provided in the Declaration of Trust, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by the Declaration of Trust as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners.

Any other provision in the Declaration of Trust to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have the right, at any time, by a Directive executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Declaration of Trust, or for the appointment of a receiver or any other proceedings under the Declaration of Trust; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

No Owner of any Certificate shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Lease or the Declaration of Trust, for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy thereunder, unless (a) an Event of Default under the Declaration of Trust has occurred; (b) the Owners of not less than a majority in aggregate principal amount of Certificates Outstanding shall have issued a directive to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted by the Declaration of Trust or to institute such action, suit or proceeding in its own name; (c) such Certificate Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (d) the Trustee shall thereafter fail or shall refuse to exercise the powers granted by the Declaration of Trust or to institute such action, suit or proceedings. Such notification, request and indemnity are at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of the Declaration of Trust and to any action or cause of action for the enforcement of the Declaration of Trust or for the appointment of a receiver or for any other right or remedy thereunder.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of *Article IX* of the Declaration of Trust shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee (including the Trustee's fees and expenses), be deposited into the Lease Revenue Fund and all moneys in the Lease Revenue Fund together with all moneys in the Prepayment Fund shall be applied as follows:

(a) unless the Principal Portions of Basic Rent represented by all the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of the Interest Portions of Basic Rent represented by the Certificates in the order of the maturity of the installments of such interest and, to the payment ratably, according to the amount due on such installments, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid Principal Portions of Basic Rent represented by any Certificates that shall have become due (other than Principal Portions of Basic Rent represented by Certificates with respect to the payment of which moneys are held pursuant to the provisions of this Declaration of Trust) in the order of such due dates, with interest from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the Principal Portions of Basic Rent represented by Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the

persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the Certificates.

(b) If the Principal Portions of Basic Rent represented by all Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Principal Portions and the Interest Portions of the Basic Rent then due and unpaid upon the Certificates without preference or priority of principal over the interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the certificates.

(c) If the Principal Portions of the Basic Rent represented by all Certificates shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of *Article IX* of the Declaration of Trust, then subject to the provisions of subparagraph (b) above in the event that the Principal Portions of Basic Rent represented by all the Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subparagraph (a) above.

Whenever moneys are to be applied as above set forth, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for the application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Basic Rent Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the Principal Portion and the Interest Portion of all Certificates have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, any balance remaining in the Lease Revenue Fund shall be paid to the College.

Defeasance

When (i) all or a portion of the obligations of the College under the Lease shall have been satisfied in connection with the prepayment of Rent Payments or the exercise by the College of its option to purchase the Project, or both, in accordance with the Lease by the irrevocable deposit in escrow of cash or Government Obligations (maturing as to principal and interest in such amounts and at such times as are necessary to make any required payments without reinvestment of any earnings thereon) or both cash and such Government Obligations, and (ii) the College shall have delivered to the Trustee (x) an opinion of counsel to the effect that the conditions for such discharge contained in the Declaration of Trust have been satisfied or irrevocably provided for and if the Certificates to be defeased can not be prepaid until more than 90 days after irrevocable deposit in escrow described above, (y) an accountant's certificate verifying the sufficiency of cash or Government Obligations or both so deposited for the payment of the Principal Portion and Interest Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates and (iii) the College shall have deposited sufficient moneys to pay the fees, compensation and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by the Declaration of Trust shall cease, determine and become void except for the right of the Certificate Owners and the obligation of the Trustee to apply the moneys and Government Obligations referred to below to the payment of the Certificates as set forth in the Declaration of Trust.

Payment of Certificates After Discharge of Declaration of Trust

Notwithstanding any provisions of the Declaration of Trust, any moneys held by the Trustee in trust for the payment of the Principal Portions or Interest Portions of Basic Rent represented by any Certificates and remaining unclaimed for four years after the Principal Portion of Basic Rent represented by all of the Certificates has become due

and payable (whether at maturity or upon call for prepayment or by acceleration as provided in the Declaration of Trust), if such moneys were so held at such date, or four years after the date of deposit of such moneys if deposited after said date when all of the Certificates became due and payable, shall be repaid to the College free from the trusts created by the Declaration of Trust, and all liability of the Trustee with respect to such moneys shall thereupon cease. In the event of the repayment of any such moneys to the College as aforesaid, the Owners of the Certificates with respect to which such moneys were deposited shall thereafter be deemed to be general unsecured creditors of the College as lessors under the Lease for amounts equivalent to the respective amounts deposited for the payment of amounts represented by such Certificates and so repaid to the College (without interest thereon), subject to any applicable statute of limitations.

The Trustee

The Trustee shall, prior to an Event of Default under the Declaration of Trust and after the curing of all Events of Default which may have occurred, perform only such duties as are specifically set forth in the Declaration of Trust. The Trustee shall, during the existence of any Event of Default under the Declaration of Trust, exercise such of the rights and powers vested in it by the Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee may be removed at any time by a Directive or by written request of the College, or shall resign at any time the Trustee shall cease to be eligible or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the property or affairs for the purpose of rehabilitation, conservation or liquidation and thereupon a successor Trustee shall be appointed by a Directive. Written notice of any removal or resignation pursuant to this Section shall be given by the Trustee to the College.

The Trustee may at any time resign by giving written notice of such resignation to the College and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Trustee. Upon receiving such notice of resignation, a successor Trustee shall be appointed by a Directive.

SUMMARY OF THE LEASE

General

The Lease has been entered into between the Trustee and the College and contains the terms and conditions under which the Project will be leased to and used by the College.

Lease Term

The Term of the Lease terminates on April 1, 2031.

The College reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during the Term can be obtained. The College covenants in the Lease that its responsible financial officer will do all things lawfully within his power to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law.

Change or Termination by Act of the Kansas Legislature

The College is authorized to enter into the Lease pursuant to K.S.A. 71-201, provided the Lease and any assignment is subject to change or termination at any time by act of the Kansas legislature. If the Lease is terminated pursuant to this provision, the College agrees peaceably to deliver possession of the Project to the Trustee.

Payment for the Project

Costs and expenses of every nature incurred in the acquisition and installation of the Project that qualify as Costs of Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed requisition certificate of the College signed by the Authorized Representative of the College and containing the

statements, representations and certifications set forth in the form of such requisition certificate attached to the Declaration of Trust.

Acceptance Date; Excess Funds

The Acceptance Date shall be evidenced to Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the College (the "Acceptance Certificate") stating (a) the date on which installation of the Project was substantially completed, (b) that all other facilities necessary in connection with the Project have been purchased and installed, (c) that the Project and such other facilities have been purchased and installed in accordance with the plans and specifications and in conformance with all applicable governmental regulations, (d) that, except for Costs of Project described in accordance with clause (e), all Costs of Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of Project, if any, not yet due or Costs of Project whose liability the College is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Acceptance Certificate may state that it is given without prejudice to any rights of the College that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of Project shall be transferred to the Lease Revenue Fund.

Enjoyment of Project

The Trustee shall provide the College during the Lease Term with quiet use and enjoyment of the Project, and the College shall during the Lease Term peaceably and quietly have, hold and enjoy the Project, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The College shall have the right to use the Project for any essential governmental or proprietary purpose of the College, subject to the limitations contained in the Lease. Notwithstanding any other provision in the Lease, the Trustee shall have no responsibility to cause the Project to be constructed or to maintain or repair the Project.

The College shall comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Project, as to the manner and use or the condition of the Project. The College shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of the Lease. The College shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the College to comply with the foregoing provisions. Notwithstanding any provision contained in this paragraph, however, the College shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer and during such contest or review, the College may refrain from complying therewith, if the College furnishes, on request, to the Trustee, at the College's expense, indemnity satisfactory to the Trustee.

Basic Rent

The College will promptly pay all Basic Rent, subject to change or termination of the Lease by act of the Kansas Legislature, on each Basic Rent Payment Date. A portion of each Basic Rent Payment is paid as, and represents payment of, interest. To provide for the timely payment of Basic Rent, the College shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five business days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The College will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Basic Rent Payments scheduled to come due during the Lease Term, and to meet its other obligations for the Lease Term and such funds will not be expended for other purposes.

Supplemental Rent

The College will pay, subject to change or termination of the Lease by act of the Kansas Legislature as Supplemental Rent (a) all Impositions (as defined in the Lease); (b) all amounts required and all other payments which the College has agreed to pay or assume under the Lease; (c) all expenses, including attorneys' fees to the extent permitted by law, incurred in connection with the enforcement of any rights under the Lease by the Trustee; (d) all fees

and charges of the Trustee as provided in the Lease; and (e) any payments required to be made pursuant to the Tax Compliance Agreement.

Rent Payments to Constitute a Current Expense and Limited Obligation of the College

The obligation of the College to pay Rent under the Lease is limited to payment from Available Revenues and constitutes a current expense of the College and not in any way be construed to be a debt of the College in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the College, nor shall anything contained therein constitute a pledge of the general tax revenues, funds or moneys of the College.

Net Lease; Rent Payments to be Unconditional

The Lease is intended to be net, net, net to the Trustee. Subject to change or termination of the Lease by act of the Kansas Legislature, the obligations of the College to make payment of the Rent Payments and to perform and observe the other covenants and agreements contained therein will be absolute and unconditional in all events without abatement, diminution, deduction, setoff or defense, for any reason, including any failure of the Project to be constructed or installed, any defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation or unforeseen circumstances.

Nothing in the Lease will be construed as a waiver by the College of any rights or claims the College may have against the Trustee, but any recovery upon such rights and claims shall be from the Trustee separately.

Increased Basic Rent

Notwithstanding any other provision of the Lease, the Trustee and the College may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the College on any Basic Rent Payment Date to provide funds to pay the costs of (a) repairing, replacing or restoring the Project, (b) improving, upgrading or modifying the Project, (c) additional Project and (d) refunding any or all of the Certificates Outstanding from time to time. Each such Supplemental Lease shall include an amended Exhibit A reflecting separately the Principal Portion and the Interest Portion of Basic Rent allocable to the original Lease and to each Supplemental Lease due on each Basic Rent Payment Date as well as the total Basic Rent on each Basic Rent Payment Date.

Disclaimer of Warranties

The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition or fitness for particular purpose or fitness for use of the Project or any part thereof, or warranty with respect thereto. In no event will the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or the College's use of the Project or any part thereof.

Deficiency of Project Fund

If the Project Fund shall be insufficient to pay fully all Costs of Project and to complete fully the Project lien free, the College shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the College shall save the Trustee whole and harmless from any obligation to pay such deficiency.

Impositions

The College shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which may be lawfully imposed upon or against or be payable for or in respect of the Project, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against personal property, and including all assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Trustee or encumber the Project (all of the foregoing being herein referred to as "Impositions").

Contest of Impositions

The College shall have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition which the College is required to bear, pay and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least ten days before the Imposition complained of becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the College that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Project will be endangered or the Project or any part thereof will be subject to loss or forfeiture, in which event the College shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form satisfactory to the Trustee.

Insurance

At its own expense, the College shall maintain (a) casualty insurance insuring the Project against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by the Trustee in an amount at least equal to the then applicable Purchase Price of the Project, (b) liability insurance that protects the Trustee from liability in all events in form and amount satisfactory to the Trustee, and (c) workers' compensation coverage as required by the laws of the State; provided that, with the Trustee's prior written consent, the College may self-insure against the risks described in clauses (a) and (b). All insurance proceeds from casualty losses shall be payable as hereinafter provided. The College shall furnish to the Trustee certificates evidencing such coverage throughout the Lease Term.

All such insurance shall be with insurers that are acceptable to the Trustee, shall name the College and the Trustee as insureds and shall contain a provision to the effect that such insurance shall not be cancelled or modified materially without first giving written notice thereof to the Trustee at least 10 days in advance of such cancellation or modification. All such casualty insurance shall contain a provision making any losses payable to the College and the Trustee as their respective interests may appear.

Maintenance and Modification of Project by the College

The College will not install, use, operate or maintain the Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease. The College shall provide all permits and licenses, if any, necessary for the installation and operation of the Project. In addition, the College agrees to comply in all respects with all applicable laws, regulations and rulings of any legislative, executive, administrative or judicial body; provided that the College may contest in good faith the validity or application of any such law, regulation or ruling in any reasonable manner that does not, in the opinion of the Trustee, adversely affect the interest of the Trustee in and to the Project or its interest or rights under the Lease.

The College agrees that it will, at the College's own cost and expense, maintain, preserve and keep the Project in good repair and working order. The Trustee shall have no responsibility to maintain, repair or make improvements or additions to the Project. Upon the request of the Trustee, the College will enter into a maintenance contract for the Project with Vendor.

Title to the Project, Security Interest

Upon acceptance of the Project by College, title to the Project shall vest in College subject to Trustee's rights under this Agreement; provided that title shall thereafter immediately and without any action by College vest in Trustee, and College shall immediately surrender possession of the Project to Trustee upon: (a) any termination of this Agreement other than termination pursuant to the purchase option, or (b) the occurrence of an Event of Default. It is the intent of the parties hereto that any transfer of title to Trustee pursuant to this Section shall occur automatically without the necessity of any bill of sale, certificate of title or other instrument of conveyance. College shall, nevertheless, execute and deliver any such instruments as Trustee may request to evidence such transfer.

The parties recognize that the Project includes motor vehicles subject to the registration of title requirements of State law. College will, at its sole expense, obtain for each such vehicle constituting part of the Project leased hereunder, a certificate of title, issued in College's name. Immediately upon receipt, College shall forward each original certificate of title to Trustee, and will notify the Trustee of the license plate number of each vehicle constituting Project leased hereunder. The original certificates of title will be held by Trustee in escrow until it has received all

Rental Payments through the maximum Lease Term, at which time Trustee will promptly return the original certificates of title to College. College irrevocably designates, makes, constitutes and appoints Trustee and its assignee as College's true and lawful attorney (and agent-in-fact) with power, in College's or Trustee's or its assignee's name, to endorse College's name upon any bill of sale, application for certificate of title or other instrument relating to the Project in order to vest title in Trustee or its assignee, and transfer possession to Trustee or its assignee; provided, however, that such power may only be exercised by Trustee or its assignee upon: (a) any termination of this Agreement other than termination pursuant to purchase option, or (b) the occurrence of an Event of Default.

College will, at College's expense, take such action as shall be necessary from time to time to avoid suspension or revocation of any certificates of title and to renew and maintain all certificates of registration. If College is required to obtain any new certificate of title or of registration, College will, at College's expense and with written notice to Trustee of such action, obtain such new certificate of title or of registration in the form described above. Immediately upon receipt, College will deliver the original certificate of title to Trustee and will notify the Trustee of the license plate number of each vehicle constituting Project leased hereunder. College will provide Trustee with all license, registration and vehicle identification numbers relating to each vehicle and will arrange for the registration and titling of all such vehicles. College will notify Trustee of any changes to the certificate of registration or license plate within 10 days of such change. College will comply with all present and future laws, regulations, and orders relating to the vehicles constituting Project leased hereunder.

Filings

The Trustee hereby authorizes the filing of financing statements under the Uniform Commercial Code as adopted in the State in connection with any security interest granted hereunder.

Personal Property

The Project is and will remain personal property. The Project will not be deemed to be affixed to or a part of the real estate on which it may be situated, notwithstanding that the Project or any part thereof may be or hereafter become in any manner physically affixed or attached to such real estate or any building thereon. Upon the request of Trustee, College will, at College's expense, furnish a waiver of any interest in the Project from any party having an interest in any such real estate or building.

Continuing Disclosure

The College covenants and agrees that it will comply and carry out all of the provisions of the Disclosure Undertaking. Notwithstanding any other provision of the Lease, failure of the College to comply with the Disclosure Undertaking shall not be considered a default or an Event of Default under the Lease; provided, however, that any Owners of Certificates may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the College to comply with its obligations under this Section.

Damage, Destruction and Condemnation

If (a) the Project or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the College and the Trustee will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Project, unless the College shall have exercised its option to purchase the Project pursuant to *Section 10.01* of the Lease. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the College.

For purposes of this Article, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all expenses, including attorneys' fees, incurred in the collection thereof.

If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in *Section 8.01* of the Lease, the College shall either (a) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds, or (b) purchase the Trustee's interest in the Project pursuant to *Section 10.01* of the Lease. The amount of the Net Proceeds, if any, remaining

after completing such repair, restoration, modification or improvement or after purchasing the Trustee's interest in the Project shall be retained by the College. If the College shall make any payments pursuant to this Section, the College shall not be entitled to any reimbursement therefor from the Trustee nor shall the College be entitled to any diminution of the amounts payable under *Article IV* of the Lease.

Purchase Option

The College shall have the option to purchase the Trustee's interest in the Project, upon giving written notice to the Trustee at least 60 days before the date of purchase, at the following times and on the following terms:

- (a) On any date occurring on or after April 1, 2028, upon payment in full of Rent Payments then due hereunder plus the applicable Purchase Price as set forth in *Exhibit A* to the Lease, plus accrued interest, if any.
- (b) On any date upon deposit of funds or Government Obligations or both with the Trustee in accordance with the Declaration of Trust, in the amount necessary to provide for the Basic Rent Payments until and on, and the Purchase Price and additional amounts calculated as described in (a) above on the Certificates to, a date occurring on or after April 1, 2028; or
- (c) In the event of termination of the Lease by act of the Kansas Legislature or substantial damage to or destruction or condemnation (other than condemnation by the College or any entity controlled by or otherwise affiliated with the College) of, or loss of title to, substantially all of the Project, or if, as a result of changes in the constitution of Kansas or legislative or administrative action by the State or the United States or the Lease becomes unenforceable, on the Basic Rent Payment Date the College specifies as the purchase date in the College's notice to the Trustee of its exercise of the purchase option, upon payment in full of the Rent Payments then due hereunder plus then remaining Principal Portions of Basic Rent for the Lease Term.

Assignment and Subleasing by the College

Except as provided in the Lease, none of the College's right, title and interest in, to and under the Lease and in the Project may be assigned or encumbered by the College for any reason; except that the College may sublease any one or more parts of the Project if the College obtains an opinion of Special Tax Counsel that such subleasing will not adversely affect the exclusion of the Interest Portion of the Basic Rent Payments from gross income for purposes of federal income taxation. Any such sublease of all or part of the Project shall be subject to the Lease and the rights of the Trustee in, to and under the Lease and the Project.

Events of Default

Any of the following shall constitute an "Event of Default" under the Lease:

- (a) Failure by the College to make any deposits into the Lease Revenue Fund required by the Lease to pay Basic Rent at the time specified in the Lease;
- (b) Failure by the College to make any Supplemental Rent Payment when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the College by the Trustee;
- (c) Failure by the College to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the College by the Trustee unless such party shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, such party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the College within the applicable period and diligently pursued until the default is corrected;
- (d) Any statement, representation or warranty made by the College in or pursuant to the Lease or the execution, delivery or performance of either of them shall prove to have been false, incorrect or misleading or breached in any material respect on the date when made;

(e) Any provision of the Lease at any time for any reason cease to be valid and binding on the College, or is declared to be null and void, or the validity or enforceability thereof is contested by the College or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The College shall (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of the College, or of all or a substantial part of the assets of the College, (ii) be unable, fail or admit in writing its inability generally to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) have an order for relief entered against it under applicable federal bankruptcy law, or (v) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against the College in any bankruptcy, reorganization or insolvency proceeding; or

(g) An order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator of the College or of all or a substantial part of the assets of the College, in each case without its application, approval or consent, and such order, judgment or decree shall continue unstayed and in effect for any period of 30 consecutive days.

In the event the College fails to comply with the Disclosure Undertaking, such failure shall not be an Event of Default under the Lease.

Remedies on Default

Whenever any Event of Default under the Lease exists, the Trustee will have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the College, the Trustee may declare all Rent payable by the College under the Lease to the end of the Term to be due;

(b) With or without terminating the Lease, the Trustee may enter the premises where the Project is located and retake possession of the Project or require the College at the College's expense to promptly return any or all of the Project to the possession of Trustee at such place within the United States as Trustee shall specify, and sell or lease the Project or, for the account of College, sublease the Project, continuing to hold the College liable for the difference between (i) the Basic Rent Payments and other amounts payable by College under the Lease to the end of the Term, as the case may be, and (ii) the net proceeds of any such sale, leasing or subleasing (after deducting all fees and expenses of Trustee in exercising its remedies under this Agreement, including without limitation all expenses of taking possession, storing, reconditioning and selling or leasing the Project and all brokerage, auctioneers' and attorneys' fees and expenses); and

(c) The Trustee may terminate any rights the College may have in any funds held by the Trustee under the Declaration of Trust; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Project and under the Lease.

\$1,455,000*
FORT SCOTT COMMUNITY COLLEGE
BOURBON COUNTY, KANSAS
LEASE PURCHASE AGREEMENT CERTIFICATES OF PARTICIPATION, SERIES 2022
Evidencing Proportionate Interests In and Rights to Receive Payment Under the
Lease Purchase Agreement Between the College and Trustee

Appendix D

FORM OF DISCLOSURE UNDERTAKING

* Subject to change.

APPENDIX D

FORM OF DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of January 5, 2022 (the "Continuing Disclosure Undertaking"), is executed and delivered by **FORT SCOTT COMMUNITY COLLEGE, BOURBON COUNTY, KANSAS** (the "College").

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the College in connection with the College entering into a Lease Agreement between the College and Security Bank of Kansas City, Kansas City, Kansas (the "Trustee"), dated as of January 5, 2022, and issuance of Lease Purchase Agreement Certificates of Participation, Series 2022 (the "Certificates") by the Trustee, pursuant to the Declaration of Trust, dated as of January 5, 2022, and a Resolution adopted by the governing body of the College.

2. The College is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). The College is the only "obligated person" with responsibility for continuing disclosure hereunder.

The College covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration of Trust, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the College pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking, which may include the College's CAFR, so long as the CAFR contains the Financial Information and Operating Data.

"Beneficial Owner" means any registered owner of any Certificates and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Business Day" means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal office or designated payment office of the trustee, the paying agent or the Dissemination Agent, as applicable, is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

"CAFR" means the College's Comprehensive Annual Financial Report, if any.

"College" means Fort Scott Community College, Bourbon County, Kansas, and any successors or assigns.

"Designated Agent" means Gilmore & Bell, P.C. or one or more other entities designated in writing by the College to serve as a designated agent of the College for purposes of this Disclosure Undertaking.

“Declaration of Trust” means the Declaration of Trust made by Security Bank of Kansas City, Kansas City, Kansas, dated as of January 5, 2022.

“Dissemination Agent” means any entity designated in writing by the College to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the College a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“Financial Obligation” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the 12-month period beginning on July 1 and ending on June 30 or any other 12-month period selected by the College as the Fiscal Year of the College for financial reporting purposes.

“GAAP” means generally accepted accounting principles, as applied to governmental units, as in effect at the time of the preparation of the financial information described in *Section 2(a)(1)*.

“Lease” means the Lease Agreement between the College and Security Bank of Kansas City, Kansas City, Kansas, dated as of January 5, 2022.

“Material Events” means any of the events listed in *Section 3* of this Continuing Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

Section 2. Provision of Annual Reports.

(a) The College shall, not later than the last day of the ninth month after the end of the College’s Fiscal Year, commencing with the fiscal year ending June 30, 2021, file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, in substantially the format contained in the Official Statement relating to the Certificates. A more detailed explanation of the accounting basis and method of preparation of the financial statements is contained in the Official Statement relating to the Certificates. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Certificates, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available. (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Certificates,

as described in *Exhibit A*, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the College.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the College is an “obligated person” (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The College shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the College may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the College’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under *Section 3*, and the Annual Report deadline provided above shall automatically become the last day of the ninth month after the end of the College’s new Fiscal Year.

(b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. Not later than 10 Business Days after the occurrence of any of the following events, the College shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Certificates (“Material Events”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) modifications to rights of certificate holders, if material;
- (8) certificate calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Certificates, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

If the College has not submitted the Annual Report to the MSRB by the date required in *Section 2(a)*, the College shall send a notice to the MSRB of the failure of the College to file on a timely basis the Annual Report, which notice shall be given by the College in accordance with this *Section 3*.

Section 4. Termination of Reporting Obligation. The College's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If the College's obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the College, and the College shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Certificates, the College shall give notice of such termination or substitution in the same manner as for a Material Event under *Section 3*.

Section 5. Dissemination Agents. The College may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the College. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the College pursuant to this Continuing Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the College may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Special Tax Counsel or other counsel experienced in federal securities law matters provides the College with its written opinion that the undertaking of the College contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the College shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the College. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under *Section 3*, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the College from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Undertaking. If the College chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Undertaking, the College shall have no obligation under this

Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the College fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the College to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Declaration of Trust or the Certificates, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the College to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the College, the Participating Underwriter, and the Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Declaration of Trust or the Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Kansas.

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IN WITNESS WHEREOF, the College has caused this Continuing Disclosure Undertaking to be executed as of the day and year first above written.

**FORT SCOTT COMMUNITY COLLEGE,
BOURBON COUNTY, KANSAS**

(SEAL)

Chairperson

Secretary

EXHIBIT A

**FINANCIAL INFORMATION AND OPERATING DATA
TO BE INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in tables in the following sections contained in the final Official Statement relating to the Certificates:

**FINANCIAL INFORMATION
CONCERNING THE COLLEGE**

- Assessed Valuation
- Property Tax Levies and Collections
 - Tax Rates
 - Tax Collection Record
 - Major Taxpayers

DEBT STRUCTURE OF THE COLLEGE

- General Obligation Bonds
- Certificate of Participation Obligations
- Revenue Bond Obligations
- Capital Lease Obligations
- Loan Obligations
- Overlapping/Underlying General Obligation Indebtedness